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ECONOMIC AND POLITICAL WEEKLY

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- RURAL SOCIAL CHANGE AND HEALTH BEHAVIOUR
- GROWTH IN MANUFACTURING OUTPUT: A CLOSER LOOK
- BUSINESS AND POLITICS: A HISTORICAL PERSPECTIVE
- BRITAIN'S 'TEN-YEAR ITCH'
- DAMOCLES' SWORD OVER ANDHRA TRIBALS

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Panchayati Raj Bill

The real issue in regard to the Constitution (64th Amendment) Bill on panchayati raj is not the election gimmickry behind the proposals but whether the proposals are in the longer-term interest of the country. In other words, is the proposed constitutional amendment desirable? Are there any serious flaws in the bill as presented to parliament? What should be the approach and attitude of the people generally and of the elected members of parliament and of the state assemblies to the proposals? 1429

It is not the Constitutional Amendment Bill that is the problem, but some of the other elements in the prime minister's panchayati raj package. The centrepiece of these elements is the proposed role for the collector or the district magistrate and this has to be seen in the context of the much publicised concept of district planning in which officials will have the activist role with the more passive role for the elected representatives. 1433

International Capital Market

The international capital market as it has been evolving provides an opportunity for developing countries like India to attract the required capital resources for accelerating their pace of development, manage their foreign exchange assets and liabilities to their advantage and develop export capabilities in the field of financial services. Active participation in this market would also indicate the institutional and policy framework for developing effective and efficient domestic financial markets. 1463

Putting the Clock Back

For the last two years the Andhra Pradesh government has been trying relentlessly to repeal the law enacted nearly two decades ago which prohibits any transfer of land in the scheduled areas of the state to non-tribals. This move, which has received the support of all political parties, including the left parties, has ominous implications for the state's tribal population. 1442

Socio-Economic Change and Health Behaviour

Studies of health behaviour by cultural anthropologists have considered health behaviour of rural populations in isolation. It has been necessary, therefore, to develop an alternative conceptual framework which emphasises the close interaction of health behaviour with cultural perception and access to health services. A wide-ranging study of health behaviour in 19 villages spread over 8 states and covering a time-span of 15 years provides information on rural social, cultural and economic transformation on the one hand and changes in health behaviour on the other and highlights the close correlation between the two. 1474

On a Higher Growth Path?

With the publication of *National Accounts Statistics, 1989* it is now possible to assess the trends in the growth of manufacturing output in the 1980s and to compare them with the performance in earlier periods. The observed changes in the 80s could have major implications for the long-term trend in industrial output. 1481

Thatcherism's Sunset

The changes that are likely to follow the Tory debacle in the 1989 European elections will almost certainly weaken the Thatcher government. Whether or not the Labour Party will be ready to take over will depend on its capacity to consolidate the gains already achieved and to put together a viable package aimed at undoing some of the major damages inflicted during the 10 years of purblind Toryism. 1446

Business and Politics

As the nation industrialises, organised business activity begins to provide an increasing share of goods and services and to generate more and more employment opportunities in the economy. Business, thus, ceases to be a mere economic activity and develops a social character. An attempt to understand the relationship between business and society is, therefore, not only desirable but also necessary. Report on a seminar. 1437

Cotton Export Fiasco

The government has failed to take advantage of the extraordinary opportunity for exporting cotton, especially long and extra long staple cotton. Despite the exceptionally favourable international environment, the export quota of 1 lakh bales each of Bengal Deshi and extra long staple cotton is unlikely to be fully utilised. 1426

NDDB's Market Intervention Operations in Oilseeds

WE have read with interest the comment 'Vegetable Oils: Swayed by World Bank' (June 3). We are in agreement with several points made by you. For example, groundnut oil being the preferred cooking medium for a large majority of consumers, the groundnut oil price will always lead those of other oils. As such, the price band for mustard oil cannot be the same as the price band for groundnut oil. It is our understanding that the NDDB has made a strong case for having different price bands for mustard oil and groundnut oil. The price band recommended by NDDB for mustard oil is Rs 17,000 to Rs 23,000 per tonne wholesale price inclusive of taxes.

Currently, the price of mustard oil in Calcutta rules around Rs 17,000 per tonne including taxes. They had been ruling between Rs 17,000 and Rs 18,000 for the last two months. Thus the market intervention operations (MIO) launched by government of India through NDDB have been able to accomplish the lower limit of the price band. In this connection, it is useful to note that the mustard seed prices have stabilised from the end of March till now around Rs 5,500 per metric tonne. What is more important is that by the beginning of June more than 80 per cent of the mustard produce was already traded in the market at this price of Rs 5,500 or thereabouts. Thus the mustard producers have got the full benefit of the market intervention operations. Mustard seed now left with the producers is mainly with large farmers and village level traders who acquire this stocks for speculative purpose. It is undoubtedly true that the market intervention operations have benefited a large majority of small producers.

We are surprised that you claim that the NDDB's efforts in stabilising the market have been half-hearted. Your own estimates of the operations of the NDDB (60,000 tonnes of mustard oil and 75,000 tonnes of mustard seeds) amount to Rs 150 crore. It is known that the value of the oils and oilseeds acquired under market intervention operations by the NDDB is close to Rs 400 crore. It may be noted that the government of India approved the MIO and provided necessary credit to the NDDB only in April 1989. Most of the oil stocks were acquired by the beginning of June 1989. It may also be noted that till recently the government was managing the oil economy through imports of oil using the storages created at various ports. In mustard producing western and north-western India there is no infrastructure in existence for storing oil. There is no existing physical infrastructure for ensuring smooth flow of oil from the producing centres to the consuming centres. It is high time that the NDDB created such an oil grid comprising storage and movement facilities.

Your inference that MIO have been influenced by the thinking of the World Bank seems to be a little far-fetched. As is known, in the year 1987-88 (oil year) the country produced 38 lakh tonnes of edible oil and imported 18 lakh tonnes of oil. This year, domestic production has been estimated at 51 lakh tonnes. This alone eliminates the need for importing 13 lakh tonnes of oil. Given the opening balance of 3 lakh tonnes of edible oil with STC and 2 lakh tonnes oil already imported before the NDDB got into operations, there appears to be no cause for future imports in this year. However, in case groundnut oil prices are to be kept at reasonable levels, it may become necessary for the country to import some edible oil. It is known that the MIO did not start till the peak of the groundnut season in the 1987-88 oil year was over. It must be borne in mind that whatever be the imports, the manner in which imports are done should not hurt the interest of Indian farmers.

It is felt in the industry that the mustard oil production in the country is of the order of 1.4 million tonnes as against the demand for mustard oil placed at 9 lakh tonnes. Thus there appears to be an excess of mustard oil production by 5 lakh tonnes. It is high time to move in the direction of introducing and popularising refined mustard oil consumed in the country.

We fully agree with you that the World Bank's assessment of the price support and buffer stock programme for edible oil is grossly biased towards their pet theme of free trade and ignores the field reality. We believe that the stagnation in oilseeds production has resulted from lack of incentives to farmers for investment in better technology of oilseeds production. Once prices are stabilised, better technological measures, already known and available within the country, will be adopted quickly by the farmers. As such this will result in much higher productivity of oilseeds crop, without necessitating any area shift from wheat and cotton as is argued by the World Bank. We therefore believe that the Bank's concern about there being a net loss in foreign exchange is unfounded. It may be worthwhile to note that in major wheat growing areas like Uttar Pradesh, oilseeds production and area under oilseeds have in fact been falling in the last five years despite good prices for oilseeds.

S J Phansalkar

Anand

ECONOMIC AND POLITICAL WEEKLY

On a Dangerous Course

WHATEVER be one's opinion about the LTTE's political ideology or its methods, there can be little doubt that its leaders have an abundance of political acumen which can turn even a defeat into a triumph of sorts. At a time when it was wholly dependent on Indian support it sought to give the impression of having great faith in Rajiv Gandhi's initiatives; when it was left out in the cold by an accord which was a political necessity for Rajiv Gandhi and Jayewardene it promptly changed its tactics and became a lone fighter for Eelam betrayed by friends; and now when a desperate Premadasa put out an appeal for initiating a dialogue it not only agreed to come to the negotiating table but even declared first a ceasefire with the Sri Lankan forces and then a cessation of hostilities in return for being acknowledged as the key group in resolving the Tamil issue in the northern districts. This in itself is an admission on Premadasa's part that the India-Sri Lanka accord was not grounded on realities and hence could never be successfully implemented.

Not surprisingly, the Sri Lankan situation is rapidly deteriorating to its pre-accord norm. Only now there is the additional factor of the JVP in the south and a growing economic crisis. In the last couple of weeks at least two Tamil groups, EROS and TELO, have announced that they would take to arms again. There have been reports of Tamil youth being forcibly recruited by militants and of the government of India clandestinely arming TELO to keep the pot boiling in north Sri Lanka. The IPKF is going along its planned course of action ignoring the LTTE's offer of a ceasefire similar to the one it declared against the Sri Lankan forces. That the IPKF's actions and campaigns have been unsuccessful in worsting the LTTE is clear to everyone concerned, but the myth of the Indian troops' presence being necessary for maintaining peace has to be kept up with widely publicised operations.

The government of India in the meanwhile is following a highly dangerous path. If it continues the same trend of moves and manoeuvres as in the past month, it will be squarely responsible for plunging Sri Lanka into a chaos worse than already exists. Its refusal to withdraw the IPKF is pushing it into a thoroughly untenable position with the IPKF becoming something of an occupation force. The Indian forces have no legitimate role to play in the affairs of the island nation now—in fact they never had. And yet India is once again seeking to prop up yet another Tamil group, this time the EPRLF, just so as to create a situation which will justify the presence of the Indian army. The EPRLF's shrill complaints against the Sri Lankan government's action echo the LTTE's noises in the past, though it is true of course that the Premadasa government has done little to hasten the devolution process. But this is no reason for the continued presence of the IPKF, which was mainly for peace keeping operations. Unless, because of the rearming of the militant groups, a situation is created which warrants the presence of a peace keeping force. It would be utterly foolish for India to let such a state of affairs develop. Even the short-sighted pundits in New Delhi can, one hopes, see this. There are several factors which contribute to the confusing picture. For one thing the LTTE's declaration of a cessation of hostilities is not accompanied by any statement about laying down arms. In fact Ranil Wickramasinghe, the minister of industries in the Premadasa government, categorically stated that his government had not asked for the laying down of arms, but that the LTTE declaration implied such a sequel. The IPKF has refused to consider the LTTE's offer of temporary ceasefire pending discussions. This means that any attempt to heighten the tensions in the region will see the LTTE strong-arm in action once agin. And then the resulting conflagration will be much worse than ever before.

There is another factor to be kept in mind. The JVP-led mass agitations, it must be stressed, are not merely against the Indian presence in Sri Lanka. While 'Indian imperialism', as the JVP terms it, is a major issue around which the people have been mobilised, reports of coercion notwithstanding, the substantive issues are rooted in the deteriorating economic situation. Premadasa is well aware of this and has sought to defuse the agitation by acceding to the major demand for the withdrawal of the Indian troops, this being far easier than tackling the more fundamental economic issues which have been raised. The IPKF withdrawal will buy him much needed time. But if the JVP is indeed leading a genuine mass upsurge, then the Premadasa government will have to face a period of growing tension, perhaps similar to the one which so many years ago pushed the JVP underground with Indian help. In a manner of speaking, the IPKF is a minor issue to the Sri Lankan government. The irony however is that the Indian state appears to be blind to the fact that what is happening in the south of Sri Lanka is of far greater significance to its regional power aspirations than the presence of the IPKF in the north.

MINIMUM WAGES

Callous Delay

ACCORDING to press reports, it has taken 12 years for the president to return a bill passed by the Kerala state legislature with his recommendations for some modifications. The bill, passed in 1977, provided for the payment of minimum wages for casual, temporary and 'badli' workers. The president has now directed the legislature to exempt all establishments belonging to or under the control of the central government from the provisions of the proposed law.

Even if about a third of the long period of the centre's callous inaction was accounted for by the Janata regime, the remaining eight years covered Congress rule, one-half of which is again represented by Rajiv Gandhi's tenure. Taking for granted the unquestioned deficiencies of the Janata government, one cannot but wonder about the performance of the government which came to office with the promise to provide the country with "a government that works" in the first instance, which in turn was followed the same party's government that boasted of its capability to "work better". Tall and taller promises, unmatched by appropriate actions, in this case indeed by any action at all.

The president's directive which took 12 years to come, raises not only the question of promptness or otherwise of action, but also that of the government's socio-economic inclinations. Rajiv Gandhi has in the very recent period been shedding copious tears about the deprivations of the poor and marginalised population in both the rural and urban sectors. Yet his government sat for more than four years upon this bill touching upon the minimal welfare of the most marginalised sections of, generally, rural migrants into the urban areas, but also even more heartlessly excluded a section of this miserable mass—that is, those working in central government establishments—from the purview of the law. So much for Rajiv Gandhi's concern for the poor and the deprived.

The state governments under the Left parties have long been protesting against the constitutional provision that gives the president and state governors the powers to sit in judgment on the laws passed by the state legislature in certain cases. This constitutional provision may not be altogether dispensed with in our federal set up for the sake of guarding against the contingency of a state law which may be incompatible with or repugnant to the spirit of the polity or a major central law. As a result, there is the possibility of a central directive seeking a reactionary twist to a progressive state legislation. The remedy against this has to be sought in the mobilisation of public opinion in each specific case. But there can and should be some protection at least against the callous indifference of the centre as in this case of the 12-year delay in returning the Kerala bill. A bill if not returned after a specified and reasonable period should deemed to have got the requisite assent.

EDUCATION

Co-operative Colleges

M Shatrugna writes:

IN its drive towards privatisation of higher education, the Telugu Desam government in Andhra Pradesh had a couple of months ago enacted legislation to allow junior colleges (+2 stage) in the 'co-operative' sector. Already 134 letters of intent have been issued and 75 colleges have started functioning all over the state. Called 'Sahakara Junior Kalasalalu' the colleges are in addition to the government-run, government-supported (aided) and private (unaided) colleges numbering 661 with an annual intake of 3.14 lakh students. According to a note on education submitted to the last session of the state assembly, "the idea in permitting junior colleges in co-operative sector is to help the spread of higher education by supplementing the existing inadequate educational facilities. These junior colleges will be managed by local people through a managing committee in which the parents and donors would be represented." The co-operative colleges would be registered under the AP Co-operative Societies Act, 1964.

As per the original scheme the Sahakara Junior Kalasalalu were to be located in those mandals where there are no facilities for higher education. The government after an enquiry found that out of a total of 1,104 mandals, 686 mandals were without any eductional facilities after the high school stage. A mandal on an average consists of 15 to 20 villages. As was to be expected, the 686 mandals without higher educational facilities are in some of the most backward areas of the state like Telengana and certain districts in coastal Andhra Pradesh like Srikakulam. Though the government's concern for providing higher education in the backward mandals is laudable, the solution it has devised is thoroughly inegalitarian and is likely to go against the interests of poor students as well as the teaching staff of these colleges.

While the rules for the establishment of co-operative colleges look fine on paper with such provisions as insistence on documentary evidence to the effect that the education society possesses Rs 5 lakh in a scheduled bank (for the construction of the college building) and five acres of land, etc, the catch lies in the manner in which finances are sought to be raised for the colleges. According to rule 21, the managing committee (MC) of the colleges has been left free to fix the fee structure. The criteria for admission (like marks obtained in the 10th class) are not spelled out. The usual reservations for SCs, STs and BCs are also not mentioned in the rules. In other words, whoever can pay can hope for admission. On a conservative estimate the per capita expenditure on a junior college student is Rs 1,500 to Rs 2,000 per year. So a co-operative college student would be charged not less than Rs 2,000 per year as tution fees.

The other area of concern relates to the service conditions of the teaching and non-teaching staff. Rule 19 clearly says that "appointment of the staff, both teaching and non-teaching, shall be outside the purview of Andhra Pradesh College Service Commission". At present recruitment of teaching and non-teaching staff in colleges is supposed to be undertaken by the two-year old AP College Service Commission. The setting up of an autonomous College Service Commission had been one of the long-standing demands of college teachers. After a long struggle by college teachers, the College Service Commission was ultimately set up two years ago, though it is yet to start functioning. Now the staff of the co-operative junior colleges has been explicitly left out of the purview of the commission.

As for salaries for the staff, the scales of pay are to be decided by the MC of the society from "time to time, depending upon the financial position of the society." When even in the so-called private (unaided) colleges where the teachers are supposed to get government-fixed rates but get paid only Rs 1,000 per month according to last year's market information) then one can imagine the plight of teachers in the co-operative colleges. At the same time, teachers in these colleges will be governed by the code of conduct prescribed for teaching staff in "other private junior colleges".

Finally, a look at the location of the co-operative colleges shows that they are spread out all over the state and are not necessarily confined to the 686 'backward' mandals. Also, though out of the 75 existing colleges 42 are located in Telengana not many are located in the backward mandals of the region. The "lack of enthusiasm" for co-operative colleges in the backward mandals indicates that the people in these regions are too poor to run the colleges on the lines laid down by the government. In other words, while the most needy areas go without higher education facilities, the societies in the richer mandals would make quick mone

in the name of taking higher education to the backward regions.

The facility of starting co-operative colleges is being extended up to the degree college level from the current academic year. No new colleges (junior or degree) are to be permitted to be started in any sector other than the co-operative sector. Of course, one or two colleges in the government sector may be started, depending upon political compulsions. On the whole, the policy is not to start any new college with state assistance, thus implementing the recommendations of the notorious Vice-Chancellors' Committee (1986) which had suggested that no new college should be started with state assistance till the end of this century.

EXPORTS

Relying on TNCs

SOME of the government's economic bureaucrats in the Planning Commission want to put the export objective above all other socio-economic objectives. They feel dejected that India has not yet been chosen by the transnational corporations (TNCs) for international sub-contracting. After all, India possesses some of the advantages that TNCs seek in locating firms as sub-contracting units—low wage rates, tax holidays, FTZs, repressive labour conditions, provision for availing of economies of scale, and so on. Then why are the TNCs locating international subcontracting units more in Hong Kong, South Korea, Singapore, Taiwan and Malaysia?

Indian manufactured exports are still concentrated in garments and leather and leather goods. But these are the 'old' labour-intensive industries. The economic bureaucrats want India to become a significant exporter in the 'new' labour-intensive manufacturing industries like electronics and light manufacturing.

International sub-contracting is basically a relationship between a TNC (in trading and/or manufacturing) and either its subsidiary/affiliate, a joint venture or an independent third world producer which is geared towards meeting demand in the developed capitalist economies (DCEs). The TNC affiliate/subsidiary, joint venture or independent producer produces finished goods, components or services for the markets of the DCEs. Final marketing is controlled by the TNC together with, more often than not, the provision of technology, capital equipment, loan capital and management services. The economic bureaucrats of the Planning Commission presumably do not place much faith in the joint venture or the independent producer, for in times of cyclical recession exports may be slashed. They favour a reappraisal of the Foreign Exchange Regulation Act (FERA) to allow the TNC affiliates/subsidiaries to have a field day. Will this bring foreign direct investment into such areas as semiconductors, engineering goods, electronic memory circuits, etc? Even if this does materialise, the experience of the south-east Asian economies shows that there will be minimum backward and forward linkages.

PRISONERS

Violation of UN Code

PROLONGED silence can push a fact into oblivion and turn it into something which never happened. Very few people in our country remember the fact that India at one time signed the United Nations Standard Minimum Rules for the Treatment of Prisoners (adopted on August 30, 1955). The horrendous conditions in which prisoners are kept in our jails are occasionally revealed in the press, thanks to some enterprising social activist or investigative reporter. But it is seldom pointed out that the prevalence of such conditions is in direct violation of the UN Rules to which our government is a signatory, and that it is the responsibility of the UN Human Rights Commission to inquire into cases of such violation.

The latest case is that of the two Bombay college teachers—Dalip Singh, vice-principal and head of the History Department of Khalsa College, and Jagmohan Singh of the Department of Commerce of Jai Hind College, both of whom are lodged in Tihar Jail in Delhi for the last two months in connection with the Indira Gandhi assassination case. It is known by now that both of them are well known activists in the civil liberties movement in Bombay and their arrest has evoked protests from people of all walks of life who suspect that they are being hauled up on trumped up charges because of their association with the civil liberties movement.

A letter from them, smuggled out from Tihar Jail recently, reveals the plight they are facing. Under Rule 84(2) of the UN Rules, all unconvicted prisoners are presumed to be innocent and should be treated as such. Neither Dalip Singh nor Jagmohan Singh has been convicted as yet. Still, they are being lodged in the condemned death cells known as 'Kasuri Ahatha'. These cells are less than 50 steps away from the gallows where Satwant Singh and Kehar Singh were hanged. Is it a deliberate attempt to demoralise them psychologically?

Adequate facilities for accommodation, personal hygiene and food, as well as medical facilities, should be supplied to the prisoners in accordance with Rules 10, 11, 12, 20 and 22 of the UN code for treatment of prisoners. In flagrant violation of these rules, the two prisoners are given dirty food, denied any utensils, provided daily with only two buckets of water and one small pitcher with which they have to make do in the Delhi summer, and refused medical treatment (for Dalip Singh who suffers from diabetes and high blood pressure).

Under Rules 90 and 92 of the UN code, an untried prisoner is allowed books, newspapers, writing materials and other means of occupation. In Tihar Jail, newspapers seldom reach the two prisoners—and even when they do, the papers are not of their choice. Their religious scripture, Guru Granth Sahibji, is apparently regarded as 'subversive' by the jail authorities, who confiscated it when Dalip Singh's relatives brought it for him to the jail. Following a hunger strike by Dalip Singh and Jagmohan Singh in protest, after three days the book was returned to them, but without the holy robes which are a part of any copy of the religious scripture.

Let us add that all these things are happening in spite of an order by the chief metropolitan magistrate granting both the prisoners 'B' class facilities—facilities in conformity with the above-mentioned UN Rules—which are systematically being denied, in spite of repeated requests made by the two prisoners to the chief metropolitan magistrate and the district sessions judge of Tiz Hazari Courts. In a situation, where the executive and judicial authorities cannot—or will not—see to it that their own orders are carried out by the jail authorities, what course of redressal is left open to the prisoners?

TRIPURA

Growing Lawlessness

VERY few in India would take seriously the dramatics of a comic opera character like Kalpnath Rai, the union deputy minister (or has he been recently promoted to the next higher rank for his services to the boss?). Even then, lest his recent fulminations about the 'law and order' situation in West Bengal succeed in misleading some people, a section of his fellow partymen in Tripura have rendered a conscientious service to the cause of creating an informed and balanced public opinion by exposing the real situation in their Congress(I)-ruled state. They have highlighted, according to a press report, "rampant corruption" of the ministry as well as the administration and the "increasing lawlessness in the state." In a memorandum to the party high command, they have complained about an attack by the supporters of the chief minister himself on a police station and their beating up of some policemen there. They

have also referred to a case of abduction of a girl student at revolver point by "young men among whom were a leader of the State National Students' Union of India and several others identified as the chief minister's proteges". Citing some other specific cases, the report concluded, "crimes against women are on the rise throughout the state".

While all this may serve to prick the bubble of the righteous indignation publicly exhibited by some Congress(I) politicos about the by-no-means ideal law and order situation in states run by non-Congress(I) parties, this is most unlikely to persuade the Congress(I) supremo to take any corrective action in Tripura. Firstly, as a newspaper says, there is no prospect of an alternative within the Congress(I) fold in the state; secondly, the paper-thin majority in the state assembly presently enjoyed by the Congress(I)-TUJS coalition, which is actually based on a minority of popular votes, is too precarious to withstand even the slightest rocking by the leadership.

POLITICS

Was It Necessary?

A Correspondent writes:

THE West Bengal chief minister's "respectful homage" to Indira Gandhi when unveiling her majestic portrait at the Calcutta Raj Bhawan on June 15 cannot but raise some eye brows along with a number of questions.

First of all, was it really binding on a CPI(M) politburo member as a part of his constitutional duty as the Left Front chief minister of West Bengal to undertake this ceremonial function? Or did he do this because of his personal predilections and inclinations?

Secondly, is it permissible for a top communist leader to be guided by his or her personal equation with a bourgeois political leader with the type of political reputation that the late prime minister enjoyed and more particularly with the stigma that the chief minister's own party, the CPI(M), attaches to certain crucial periods of her political career?

Thirdly, is it a matter of a certain pride for a communist leader of Jyoti Basu's status to proclaim that "the relationship between Shrimati Indira Gandhi and people like myself in the opposition parties did not sour despit the political differences that we had", particularly in the context of her Emergency and post-Emergency policies and actions on the home front?

It would be interesting, if not enlightening as well, if someone on behalf of Jyoti Basu or his party would respond.

BUSINESS

COTTON

Lost Opportunity

THE 1988-89 cotton season which has only two months more to go offers an interesting study. Rarely—not in the near distant past anyway—has the official wholesales prices index for raw cotton been known to have moved in so narrow a range as it has this season—around 13 per cent against 22.1 per cent in 1987-88, 106.8 per cent in 1986-87, 27.2 per cent in 1985-86 and 22.7 per cent in 1984-85.

Excepting extra long staple cotton which is currently quoted higher by about 14 per cent, the ruling prices of different varieties of cotton are lower by 5 per cent to 10.5 per cent compared to the prices which prevailed at this time a year ago, reflecting improved supply in the face of record mill consumption. Even though the carryover stock of cotton at the end of August is unlikely to be any different from the opening stock, representing less than three months' consumption, the textile industry does not seem the least bothered about the supply and/or prices of cotton. Nobody really expects the market to develop the firmness associated with the lean period.

An outstanding aspect of the cotton scene which has been the subject of an animated debate in market circles is the government's utter failure to avail of the extraordinary opportunity for exporting cotton, especially long and extra long staple cotton. Indeed, never before has the international environment been so very favourable with the spread between cotton prices at home and abroad ranging between 20 cents and 40 cents a kg in respect of Bengal Deshi and between 60 cents and 80 cents a kg for extra long staple cotton. Even so, the export quota for one lakh bales each of Bengal Deshi and extra long staple cotton is not likely to be fully utilised. According to knowledgeable sources, export of Bengal Deshi cotton is not expected to exceed 65,000 bales and export of extra long staple cotton might not reach even 40,000 bales.

Undue delay in the announcement of minimum export prices which were fixed arbitrarily in complete disregard of the prices prevailing in the highly competitive overseas markets encouraged unscrupulous elements in the private trade to indulge in all sorts of malpractices in negotiating export deals with the result that neither the experienced traditional exporters nor the CCI and the other state/co-operative agencies could participate in this highly profitable export business.

Representations for revising the minimum export prices to realistic levels have so far evoked only muted response. Reports are that the government is not favourably disposed to lowering the MEP for Bengal Deshi presumably on the specious plea that the country will have exported more deshi cotton than in the recent past but there is every possibility of the MEP for extra long staple cotton being reduced from the present $ 4 to $ 2.80 a kg. The revised MEP for extra long staple cotton will certainly facilitate negotiation of fresh export business but prospects of achieving the one lakh bales target are generally rated low as the overseas buyers have already covered most of their immediate and near-term requirements.

It would be unfortunate if the various acts of omission and commission did not bring home to the government the imperative need to evolve a dynamic export policy as this may well have a crucial role to play in bringing about a better balance in the overall supply-demand equation as also in rectifying varietal imbalance resulting from the breakthrough in the production of long and extra long staple cotton which has of late been accounting for nearly 50 per cent of the total cotton output.

With the meteorological department forecasting a normal monsoon—the progress of the south-west monsoon has been quite satisfactory so far—the view is widely shared that cotton production could easily set a new record, decisively exceeding the 107 lakh bales mark established in 1985-86 if weather conditions remain favourable and timely measures are taken to minimise the impact of pest infestation. But should the next crop turn out to be really a bumper one, it could precipitate a 'crisis of plenty' if the government is not fully prepared with an appropriate policy package to deal with the emerging situation. One can take the view that because of the very hefty hike—Rs 100 a quintal—in the support prices of kapas after 1987-88, the government may have to resort to procurement on a massive scale to maintain prices at or above the official support level. Political compulsion w... demand effective market intervention. ... 1985-86, price support operations had co... the CCI a loss of about Rs 60 crore a... the Maharashtra Federation lost ov... Rs 300 crore, monopoly procurement h... ing assumed the form of price supp... operations. It needs to be noted that t... ruling prices of cotton are substantia... above the support prices fixed for ...

1989-90 season, with medium and long varieties quoted 30-40 per cent higher and extra long staple cotton about 80-90 per cent higher. How cotton prices might behave in the event of a bumber harvest is difficult to forecast. It would be rash to draw any firm conclusions about prices based merely on the size of the crop. The 1988-89 crop is only three lakh bales lower than the previous record harvest in 1985-86 but prices this season have ruled substantially above those in 1985-86, with the wholesale price index for cotton moving between 274.7 and 310 whereas in 1985-86 it had moved between 223.9 and 163.

Factors influencing the course of prices are many, the two major factors being the state of the textile industry and export policy for cotton. Unlike in 1985-86, the cotton textile industry is doing pretty well. With good domestic and overseas demand for yarn as well as fabrics (including readymade garments) mill consumption of cotton can be expected to show a further increase. And as for export of cotton, all indications point to a favourable global outlook. Much would, of course, depend on government policy and how it goes about implementing it. New Delhi could not possibly have envisaged a better opportunity for exporting cotton this season and it could not have done more harm to the cause it has been seeking to promote.

RAILWAY PLAN

Catching-Up Game

TO repair the damage done by decades of neglect, the working group on railways has recommended an outlay of Rs 41,600 crore for the Eighth Plan—two-and-a-half times the Seventh Plan allocation of Rs 16,538 crore. The main thrust of the next plan of the railways should be to generate adequate line, terminal and rolling stock capacities; complete the process of rehabilitation, replacement and renewal of overaged assets; modernise and technologically upgrade the system to achieve cost reduction; progressively electrify high density routes; improve the quality of passenger and freight services; and develop a perspective research and development plan.

The working group has projected railway freight traffic to increase to 445 million tonnes by the end of the Eighth Plan from the expected level of about 345 million tonnes at the end of the Seventh Plan. Passenger traffic has been estimated to grow at the rate of three per cent per annum to a level of 4,725 million passengers by 1994-95. Correspondingly, the freight and passenger traffic output is projected at 330 billion tonne kms and 322.2 billion passenger kms by the end of the Eighth Plan.

To cope up with this increase in freight and passenger traffic and transport outputs, the working group has recommended development of transport capacity by acquisition of 753 electric locomotives, 1,130 diesel locomotives, 12,100 coaches, 1,500 EMU-type coaches and 1,93,200 wagons. To generate adequate ground capacities, the working group has recommended an investment of Rs 5,100 crore in various traffic facility works like doubling of 2,400 kms of tracks, gauge conversion of 2,100 kms and development of terminal and other line capacities.

As part of the overall plan, production of concrete sleepers, which was 35 lakh pieces in the Sixth Plan, is expected to go up to 118 lakh in the Seventh Plan and 235 lakh in the Eighth Plan. Production of coaches which was 5,326 in the Sixth Plan is expected to rise to 6,700 in the Seventh Plan and 12,100 in the Eighth Plan. In view of the urgent need to upgrade technology as also to rehabilitate and replace overaged assets, the group has recommended an extensive programme of track rehabilitation (23,500 kms) and modernisation of workshops and of various plants and machineries.

The ambitious plan recommended by the working group will require the final approval of the Planning Commission. Given the resources constraint, one need not be surprised if there is some cut effected in the outlay recommended by the working group. It also needs to be stressed that in real terms, the outlay will turn out to be much less assuming an annual inflation rate of even 6-7 per cent.

Because of the resources constraints and the competing claims on available resources, the railway system has not grown much during the last 40 years. While the traffic has increased five-fold during this period, the railway system has registered a growth of only 16.7 per cent thereby leading to very intensive use of the existing corridors. Particularly between 1965 and 1980, the railway system had fallen into a state of disrepair causing a number of accidents of a serious nature and creating bottlenecks in the movement of goods and services. The process of rehabilitation began only during the Sixth Plan but the pace has been slow till 1985-86. It has gathered some momentum during the last two years. The working group has estimated that the recommended outlay is essential to make a meaningful start so that at least by the turn of the century the arrears of replacement/rehabilitation of overaged assets are made up and some progress is made in the construction of much needed new lines. The group has proposed construction of 3,335 kms of new lines during the Eighth Plan against 936 kms expected during the Seventh Plan.

TWENTY YEARS AGO

EPW, June 28, 1969

Recent developments in Vietnam appear to have raised hopes in New Delhi of an active Indian role in the negotiations comparable to that in the Korean armistice and the Geneva agreement in 1954. Unfortunately, our credentials for playing the honest peace-broker must appear somewhat less than satisfactory to North Vietnam. It is a fact, for instance, that government of India forbade all trade with North Vietnam even though strategic items like steel and heavy vehicles were permitted to be exported to South Vietnam. The official reason given for the embargo on exports to Hanoi has been the need to prevent strategic materials from reaching China through North Vietnam, but of course the real explanation is our anxiety not to incur the wrath of the United States... Carving out spheres of influence is a feasible and worthwhile proposition in the stable conditions of Europe, but not in those of Asia—whether west, south or south-east. There is a lesson for us as well in our recent experience with Nepal.

* * *

Crude oil is in the news again. Government is trying to pressurise the three private oil companies to reduce the price of imported crude from $ 1.38 to $ 1.28 per barrel. A British firm of consultants might be engaged to advise on the selection of a contractor for offshore drilling in the Gulf of Cambay. The ultimate aim in both cases is, one presumes, to make crude oil available to the refineries at the least price.... A solution can be found which reconciles both these problems. If a foreign oil company gets a drilling contract in the Gulf of Cambay, with participation options in production, it would almost certainly take it. Tenneco, for example, might tie up with any of the three refining companies. Thus government will not run any financial risks in exploration; it can insist on Indians being trained by the first company; and it can develop additional offshore wells later by buying new, technologically correct rigs. The new oil can be purchased at a reasonable price by the collaborating refinery, which can be permitted to expand to a corresponding extent. Payment for this crude will be only partially in foreign exchange for a limited period, say 7 years. This will serve all the obvious objectives of India's nebulous oil policy, the first of which should be to cut down on crude imports of Rs 85 crore per year.

BALLARPUR INDUSTRIES LIMITED

NOTICE

It is hereby notified for the information of the public that **Ballarpur Industries Limited** proposes to make a joint application with Jg Glass Limited to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of Section 23 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval of the scheme of amalgamation of Jg Glass Limited with it.

Brief particulars of the scheme are as under:-

i)	Name and address of the applicants	: 1. **Ballarpur Industries Limited** Regd. Office: P.O. Ballarpur Dist. Chandrapur, Maharashtra. Head Office: Thapar House 124, Janpath, New Delhi. 2. **Jg Glass Limited** Regd. Office: Survey No. 197-198 Bombay-Pune Road, Pimpri Pune - 411 010.
ii)	Management structure of the undertaking(s) proposed to be merged/amalgamated	: Jg is a subsidiary of BILT and is managed by Shri S K Gupta, Manager, appointed by the Company in terms of Section 2(24) and 269 of the Companies Act 1956, subject to the Superintendence, control and direction of the Board of Directors comprising of the following: 1. Shri J P Agarwal 2. Shri G H Aswani 3. Shri K R Dadyburjor 4. Shri S S Lal 5. Shri Surendr Lall 6. Shri S C Nanda (ICICI Nominee) 7. Shri S N Tandan 8. Shri V M Thapar
iii)	Capital Structure of the undertaking(s) proposed to be merged/amalgamated	: Authorised Share Capital —Rs.10,00,00,000 Issued and Subscribed —Rs. 6,06,54,960 Paid up —Rs. 6,06,15,273
iv)	Present activities of the undertaking(s) proposed to be merged/amalgamated	: To manufacture and deal in glass containers, vials and pharmaceutical bottles.
v)	Brief particulars of the proposed scheme of merger/amalgamation, including the objectives proposed to be achieved	: Jg is a subsidiary of BILT. Jg's operations have not been self sustaining and it has had to depend heavily on support from BILT including cash injections and securities for Loans by way of corporate guarantees/collaterals. In addition, BILT has also extended Managerial and Marketing support for almost the entire production. Jg's operations can be made financially viable on a long term basis only if substantial funds are injected. It is therefore proposed to amalgamate Jg with BILT effective 1st July, 1988, which is in the public interest for the following reasons: 1) It would ensure the long term viability of Jg, which is not possible otherwise. 2) Provide continued employment to about 1851 people. 3) No disruption of ancillary industries, most of whom are in the small scale sector and are completely dependent on Jg. 4) Two major Public Sector Companies viz. Indian Drugs and Pharmaceuticals Limited, Rishikesh and Hindustan Antibiotics Limited, Pune, are dependent on Jg for upto 60% of their requirement of vials. These Companies are engaged in the manufacture of bulk drugs and other essential pharmaceuticals and stoppage in supplies by Jg would adversely affect operations of these Companies.
vi)	Details of the exchange ratio/consideration proposed for shareholders/creditors of the amalgamation/merged undertaking.	: Issue of one BILT Equity Share of Rs.10/- fully paid up in exchange of 20 Equity Shares of Rs.10/- each fully paid up held by Shareholders of Jg.

2. Any person interested in the matter may make a representation (in quadruplicate) to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, Dr Rajendra Prasad Road, New Delhi, within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein.

For **BALLARPUR INDUSTRIES LIMITED**

Registered Office:
P.O. Ballarpur,
Distt Chandrapur,
Maharashtra

VIRENDER GAND
SECRETA

Dated this 28th day of June, 1989.

The Panchayati Raj Bill

Arun Ghosh

While the motives of the government in precipitately introducing the Constitution (64th Amendment) Bill may be suspect and while some of the provisions of the bill may be objectionable, the introduction of the bill is a highly desirable development, the full implications of which may not have occurred to those who have drafted it.

NEVER mind the motives of the administration in suddenly springing, in an election year, the Constitution (64th Amendment) Bill. All governments all over the world can legitimately be expected to seek the maximum political mileage out of their legislative proposals and executive actions. Never mind that such a momentous constitutional amendment has been proposed in an election year with little national debate, and in a blatantly partisan manner. The real issue before parliament, before the country, is not the election gimmickry behind the proposals but whether the proposals are in the (longer term) interest of the country. In other words, is the proposed constitutional amendment desirable? Are there any serious flaws in the bill as presented to parliament? What should be the approach and attitude of the people generally, of the elected members of parliament, and of the state legislative assemblies, to the proposals?

Let me start by repeating the reaction of many responsible people (who are in principle in favour of greater decentralisation) to the proposal to instal panchayati raj through a constitutional amendment at this juncture. First, it is felt that in the context of the extant property relations and power structure in the rural areas, the proposed constitutional amendment will only add to the exploitative powers and capability of the elite in the rural areas. More ominously, it is felt that the proposals will take down to the villages the nepotism, casteism and corruption that we see at the national and state level. Instead of spearheading local level development through the panchayats, it is apprehended that there will emerge accentuated in-fighting and local chauvinism, which will spell an end to any national consciousness, national planning, national unity and integrity. Indeed it is possible that in the sarpanch of each gram panchayat, we are creating a large number of little Hitlers, and that this step will give a boost to centrifugal forces and militate against central, and more particularly, against state authority. It is also felt that the proposals will accentuate regional disparities in income and employment, at the same time creating fresh impediments against the migration of labour. Finally, to revert back to the first point, it is apprehended that all the gains from plan outlay will now flow to the sarpanch, his family, his friends and his supporters, thereby accentuating the unequal distribution of income and wealth in the country.

True, all the above dangers exist in some degree. Indeed, the seeds are already there; many of the current happenings in the countryside already reflect some of these tendencies. However, the question to be examined dispassionately is: are these (sometimes latent) forces which reflect casteist, religious, sectarian prejudices likely to gain support from the proposals currently mooted? Are there any possible safeguards, and if so, what are they?

Panchayati Raj and Local Power Structure

Let me first examine the question of land reform. After forty-two years of independence what is the situation in regard to land reform in the country? Apart from one or two states, land reform is not even talked about. There is, in fact, a strong body of opinion which purports to state that the green revolution having succeeded in states which have not pressed on with land reform, the need for agricultural growth rules out any further pursuit of land ceilings and of land reform; and that in fact the clock ought to be put back in the interest of encouraging capitalist agriculture. Anyhow, the short point is that the required political will to press on with land reform is today totally lacking.

Land reform, then, is not on the agenda. What is the solution? Do we, in the event, decide that in the absence of land reform, the depressed and deprived sections of the population will have a better chance of some redress for their situation from a strong centre or a strong state government? in short, do we really believe that the *status quo* is the best answer to the problems of the poor?

In pursuing the above line of thinking, we forget that with the revolution in communications, the poor are not necessarily a docile group today. If we read stories of occasional massacres of Harijans, tribals and other depressed sections of society, if we read of entire villages being rased to the ground, it is because the poor have started resisting the demands of the rich and the elite in the countryside. And on occasion, terrible reprisals are taken against them with the covert assistance of the guardians of the law. And, on such occasions, have the supposedly independent central or state authorities done anything to protect the oppressed except to send in forces to restore order after the event?

Is there any valid reason for assuming that things will be any the worse with increasing decentralisation of power and authority to the local panchayats? Is it not possible that these local (depressed) groups have a better chance of organising themselves, and of resisting the elite, in local level panchayati elections? These local groups may not be able to win an election to a distant parliament, and even a state legislative assembly. But they may be able to capture quite a few panchayats, and certainly achieve significant representation in a large number of gram panchayats. Of course, one presumes that booth capturing and similar strong-arm tactics would not be permitted; and to the extent that even the panchayati elections are to be regulated by the election commission, it is to be hoped that such tendencies would be minimised.

Let us also not forget the role of both political parties and in a few areas, of voluntary organisations. These latter are by and large locally based, each organisation in a designated district, sometimes a few blocks or even villages. They are, as of today, largely apolitical, manned by a few dedicated souls, endeavouring to bring about social and economic change in the limited areas of their operation, although there also exist a few which are really 'fronts' for the elite and the politically ambitious. But the responsibility of the political parties is patently clear. In fact, the panchayati elections—with promise of future funding of local level development through the panchayats—offer a golden opportunity to all leftist organisations. Should they not endeavour to see that the right people get elected to the panchayats? And, among other things, what they need to do is to use their local influence to ensure that the elections are free and fair, and that the right people get elected to the panchayats.

In fact, as a result of both the development of communications, and the awakening of the masses and their growing political consciousness, there is a strong possibility that a large number of really independent minded representatives of the poorer sections of the population may get elected to the gram panchayats.

Of course, one should not rule out the possibility of the elite, the landlord-cum-moneylender sections getting further entrenched in quite a few areas. Perhaps the greatest danger of that type of development comes from the Hindi heartland—Bihar, UP, Haryana, Rajasthan and Madhya Pradesh. But even in these states, the rich and the elite in the rural areas are not likley to have plain sailing everywhere. There is likely to emerge a fairly bitter struggle. The fact that Kanshi Ram could come second to V P Singh in the Allahabad parliamentary constituency, beating the Congress(I) candidate hollow, should be an eye-opener to all; there would certainly emerge many Kanshi Rams who will seize power and authority at the local level panchayati elections, if and when they take place after the constitutional amendment, that is, when the panchayats begin to wield real authority.

There would also arise conflict, bitter armed struggle in many areas. Some people would get killed. But let us face it; the oppressed in the villages are dying a slow death every day even now, frequently, a violent death. We got our political independence cheaply, and we will probably have to pay a price now, in the coming years, for achieving real democracy, for attaining economic independence for the vast masses of the people. This is probably inevitable; and let us not get overly worried if such occurrences cannot be avoided in some areas. After all, people in authority rarely give up their positions without a fight; and if the fight gets to be acrimonious, more particularly, if the fights get reported—when the daily excesses and injustice meted out to large sections of the population never get reported—we should not imagine that the end of the world (or the end of India as a democratic country) has come.

This is the broad answer to the question of the desirability of introduction of panchayati raj in the absence of land reform. We cannot wait for land reform because the extant power structure at the state level will not permit, in most parts of the country, the implementation of even the existing provisions of the statute on land ceilings and redistribution of ceiling surplus land. The introduction of panchayati raj can, in fact, help to bring about better mobilisation and organisation of the masses of people in the rural areas.

Incidentally, the political parties have a great deal of responsibility in future. It is not the Congress(I) Party alone which has lost contact with the masses; other political parties also seem to be drifting away from mass contact and mass political activity. They must change their thinking, their work procedures; they must go back and start the process of politicisation of the masses, not necessarily on the basis of highly monolithic centralised directions, but on the basis of broad overall party principles but with an eye to local needs and local aspirations. Certainly, the left parties must renew mass contact and mass propaganda, activate the masses, build up local level leadership, and guide them in the panchayati elections to come. In fact, that may well presage a major change in the character and functioning of the democratic polity of the country as a whole, and may well lead to the development of truly all-India parties at a national level, based on clear-cut economic thinking and strategies. To the opposition parties, the proposed Constitution amendment bill is an unexpected and unique opportunity which they must not let go out of their grasp.

To briefly sum up the above argument, even though the motives of the present government in precipitately introducing the Constitution amendment bill may be suspect, and even if some of the extant provisions of the bill may be objectionable, the bill may still be deemed to be a highly desirable development, the full implications of which may not have occurred to those who have drafted it. But then, after all, we are really concerned with the results, and the results only.

How does one react to the various provisions of the bill, as presented to parliament? This is where a great deal of clear thinking is necessary; and the past experience of state which have operated the panchayati raj (in varying degrees) must be brought to bear while evaluating the different clauses, and seeking either their ratification or amendment, and perhaps even some further provisions to ensure the success of the experiment.

Need for Flexibility

The first issue is to recognise the need for flexibility. In particular, the states which have already introduced panchayati raj—West Bengal, Karnataka and Andhra Pradesh, among others may be deemed to have done so on their own—should not be required to re-order panchayati elections in terms of the proposed bill. Some of the provisions of the bill are directly antithetical to the system currently in operation—with considerable success—in some states; and these should not be disturbed. One should therefore be careful about not imposing the same pattern throughout the country. The above two points may be briefly summed up as follows. First, it is not necessary for all states to have a three-tier system. This is already recognised, and there is provision that some of the smaller states need not have an intermediate tier. But sometimes they need not have panchayats at the higher or district level because some of the states are smaller than some districts in thickly populated parts of the country. For example, in Tripura—before the advent of the present Congress(I) government, which dismissed a superbly conceived panchayati system, immediately after coming to power on a wafer thin majority—there were in the past, gaon sabhas and zilla parishads (with three districts). The system was working well; and it is possible that some (smaller) states may have gaon sabhas (or gram panchayats) and block-level panchayat samitis (or mandal panchayats), without a district level zilla parishad. The present hankering for a "district government", with a district magistrate somehow keeping communication lines with the centre, has no merit; a state like Goa is virtually little more than a district after all. Thus, the proposed sub-clause 3(a) of clause 243(A) (of the Constitution) needs a specific amendment to provide the requisite flexibility.

Equally, there is little point in insisting (*vide* sub-clause 3(c) of clause 243(A)) on "members of the House of People and the members of the legislative assembly of the state representing constituencies which comprise wholly or partly a panchayat area at a level other than the village level [being automatically made members] in such panchayat". Why should a member of parliament representing, say, Faridabad, be necessarily made a member of the Faridabad (block) panchayat samiti (or mandal panchayat)? If the analogy were to be carried over to the urban areas, would it be desirable to make, say, Jagdish Tytler, representing a apart of Delhi in parliament, a councillor of the Delhi Municipal Corporation? He will have no time, and yet he would wield enormous clout, and exercise patronage in regard to the disbursement of funds or favours. Either a member of parliament is concerned with overall national matters or with purely local matters. This is an objectionable clause and needs to be deleted (even though such deletion would now be opposed by all members of parliament).

Secondly, there is no merit in uniformity being imposed on all panchayats in terms of clause 243(B) concerning the composition of panchayats. Sub-clause(2) mentions that "all the seats in a panchayat shall be filled by persons chosen by direct election from territorial constituencies in the panchayat area..." Now, in this context, let us recall that Mahatma Gandhi envisaged the successive layers of panchayats to be wholly based on indirect elections; thus gram panchayats would

send representatives to panchayat samitis and the latter would send representatives to the zilla parishads. Also, the extant legislation in West Bengal makes for a combination of direct and indirect elections; all the pradhans of gram panchayats are automatically members of the panchayat samitis; and the sabhapatis of the panchayat samitis automatically members of the zilla parishads. There are some other directly elected office bearers, but basically the composition of the successive higher bodies is based on indirect elections. There is no reason now to force a change in the system in West Bengal which has worked well. In fact, even if there is no agreement as to the desirability of indirect elections, there should be provision for flexibility—and states which have operated the panchayati system successfully should not be required to suddenly change the system and to order fresh panchayati bodies.

The same goes for the reservation of seats as per clause 243(C). For example, in West Bengal, the system has worked well so far without the type of reservation sought to be introduced; and there is no reason now for an outside authority to impose a feeling of separatism where none exists. In fact, it should be remembered that scheduled caste people/tribals are usually concentrated in certain areas; and they are bound to emerge as powerful in certain gram panchayats (or gaon sabhas). If adequate authority and finances devolve to them, that in itself would be an excellent forward step. The reservation of seats has not led in the past to the election of vocal or articulate representatives of the depressed sections of the population in any election.

There are other objectionable clauses. The Eleventh Schedule (Article 243E) is all-embracing; it is practically synchronous with the functions of the states (as laid down in the Constitution). There is need for more cogent thinking; and in this context, there is need for thinking in regard to, first, further devolution of responsibilities from the centre to the states. There is no mention of that anywhere; and the functions now envisaged for the panchayats may be too much for the latter to discharge. That could lead to confusion. For example, panchayats are to be responsible for rural electrification, including distribution of electricity. The example given above is merely indicative of the haste with which the bill has been drafted, with no very clearcut thinking as to the powers, functions and responsibilities of the panchayats, no clear idea as to the requirements of funds, of personnel, of organisational capability to discharge the functions. Thus, one has to be careful not to run to the other extreme, at the expense of all benefits of centralised planning; but then, perhaps the idea at the back of the mind of the drafters of the present bill has been to seek to establish a direct link between the centre and the districts, bypassing the state governments. This cannot be allowed to happen. We need genuine decentralisation; and, therefore, while supporting the bill generally, one must point out the deficiencies which need to be remedied, in order to make for genuine panchayati raj development.

There are two other clauses which need rethinking. First, the form of accounts and audit (Clause 243H) is to be laid down by the governor, on the advice of the CAG. But why the governor and not the state governments, as for other clauses? Secondly, the bill is not to apply to certain states and areas. Not only are the north-eastern states to be excluded, the autonomous hill districts of the north-eastern states as well as the areas covered by the Gorkha hill district council in Darjeeling are to be kept out of the provisions of the panchayati raj system. But the rationale of this policy is not clear unless the hill people are to be kept tied to the apron strings of the centre. Why should these areas not have internal democracy? Is Jamir to be the sole arbiter of Nagaland, Lalthanhawla of Mizoram and Ghising of Darjeeling? Is the centre afraid that panchayats in Nagaland and Mizoram may be captured by Vamuzo's and Laldenga's men? The rationale of the present approach is not clear. Farooq Abdullah's J and K government has passed an Act (under the J and K Constitution) ushering in panchayati raj in that state. The state has many more problems than Nagaland and Mizoram (so far); and if J and K can have panchayati raj, why not Nagaland and Mizoram? As a matter of fact, these areas have a much more democratic society and social polity than the rest of India; and they deserve funding for decentralised development much more than any other part of India.

There is one particular point on which the proposed bill should take the cue from the system operating today in West Bengal. All decisions in all panchayats (right from the gram panchayat upwards) are taken on the basis of *consensus*; and the formal position is that the majority would decide on issues which are debatable or are debated. The pradhan of the gram panchayat, though doubtless a leader, is essentially the spokesman; he may guide and influence his colleagues but he is not the sole arbiter. More importantly, all decisions of all panchayats must be hung up on the notice board of the panchayats for all to see. The accent is on 'open administration'.

The procedure has had a salutary effect on the functioning of the panchayats in West Bengal, and should be emulated, and the procedure sanctified by legislative provisions. The sarpanch should not have the sole authority over all decisions, whether as to the identification of beneficiaries of programmes or the disbursal of funds or the drawal and implementation of schemes of development. He will in any case wield greater influence than the others. More importantly, there should be wide publicity given to all decisions; information should be freely available so that decisions taken are kept under proper scrutiny by the people.

Potential for Genuine Democracy

To conclude then, perhaps it is necessary to emphasise only two points. First, no matter what the motives of the present administration in pitchforking the Constitution (64th Amendment) Bill, the introduction of panchayati raj is likely to be a good thing for the country. In fact, those who have spearheaded it may not be fully aware of the implications of what they are doing; they are bringing about conditions which would eventually result in the introduction of real democracy in the country. The process is not going to be smooth; and the vested interests will certainly endeavour to grab power in the panchayats—they may even succeed for a while in certain areas—but the masses of people cannot and will not be kept down. To that extent, this is a truly historic bill.

Secondly, the bill as at present drafted has some serious flaws. These need to be corrected; and the opposition parties need to focus on the specific lacunae in the bill, some of which have been indicated earlier. In fact, what we really need is a *minimum* set of Constitutional provisions to ensure: (a) regular panchayati elections; (b) strong deterrents to their arbitrary dissolution (of the type witnessed in Tripura recently), and in any case, the holding of fresh panchayati elections within six months, the newly elected panchayats being given a term of five years (and not merely the remainder of the term of the dissolved panchayats, as now proposed); and (c) devolution of both finances and authority successively from the centre to the states, and from the states to the panchayats. One could add that to the extent possible, indirect elections to the higher panchayati bodies should be encouraged.

All of us need to take a constructive and positive approach; and the occasion should be used for extracting the maximum of genuine devolution of authority. The bill is likely to bring about a genuinely decentralised administration provided that people are watchful, which again is the essential requirement of democracy. But with the amendments suggested and, more particularly, with continuing vigil on the part of all, the bill has the potential of bringing about genuine democracy in the country and it is to that end that we need to concentrate our attention and effort.

Panchayati Raj Bill: The Real Flaw

B K Chandrashekar

It is not the Constitution amendment bill that is the problem. It is the rest of the elements in the prime minister's package on panchayati raj that has given rise to deep-rooted apprehensions. The centrepiece of these elements is the role proposed for the collector.

THE Constitution 64th Amendment Bill introduced by the prime minister in the Lok Sabha to provide constitutional status to panchayati raj institutions (PRIs) has attracted unusually strong comments. The non-Congress governments perceive that the centre is making a new onslaught on the constitutional role and functions of the states via the proposed amendment. They are also convinced that the amendment bill is only the first step in a series that will surely follow to institute the rule of India's villages from Delhi, thus bypassing state governments. It is argued that while the prime minister and his party will commandeer their massive majority in parliament to push the inadequately discussed bill through, they will use a combination of state power and bureaucracy to control the panchayats through a new scheme of administrative and financial mechanisms (which, however, is not a part of the bill). Thus it is widely believed that the deputy commissioner or the district magistrate (DM) will be the sole focus, hereafter, both of development and law and order matters. What, then, will be the relationship between the DM and the elected panchayat at the district level? It is also feared that the centre will keep a direct hold over panchayat bodies by funding them from Delhi without virtually any reference to the state governments, thus devaluing the constitutional, political and social status of the states. Are these mere 'beliefs' or probabilities based on some evidence? What does the amendment bill itself contain? In what form, if any, can these other proposals come in? These different but related issues have all been mixed up inthe politically charged debate.

The debate, if it may be called that, on the amendment bill has confused rather than clarified issues. For example, some senior opposition leaders and reputed journalists have condemned the bill on the ground (a) that the bill enables the centre to enact legislation concerning panchayats when such a thing should be left to the state governments, (b) that it provides access for the centre to the panchayats by means of direct financing of panchayats, and (c) that the bill, in its earlier version, had empowered the governor rather than the state government to dissolve the panchayats. The bill therefore is alleged to provide the basis for centralisation of power and not for decentralisation. Above all the question has been raised: Why the constitutional amendment?

The demand to entrench panchayati raj in the Constitution has been made by experts and various official commissions on the ground that most state governments had not implemented Article 40 of the Constitution (to organise village panchayats and endow them with powers of self-government) and as a consequence PRIs had been denied resources, responsibilities and powers. It is generally agreed that the constitution must provide for (i) mandatory setting up of PRIs, (ii) holding of periodic elections to these bodies, (iii) provision of reservation for the weaker groups, and (iv) audit of PRIs' accounts.

Asoka Mehta Report

Thus the Asoka Mehta Committee (1978) recognised the need for constitutional sanction and included in its report a draft Constitution amendment bill formulated by 21 eminent citizens including E M S Namboodiripad, S K Dey, Ramakrishna Hegde, Madhu Limaye, S M Joshi, and L M Singhvi.

The draft bill made the establishment of PRIs mandatory; membership was by election and the chief election commissioner was put in charge of all election matters. The comptroller and auditor general was asked to audit the accounts and his report had to be submitted to the governor who, in turn, had to cause it to be laid before the state legislature. Panchayats could be empowered by the state legislature with executive and administrative functions including the "promotion of economic and social development and implementation of plans. . ."

A finance commission to review panchayat finances had to be set up by the state government once every five years and its report had to go before the legislature. As regards suspension and dissolution, where the governor of a state was satisfied that a panchayat was "not functioning in accordance with law or is grossly abusing its powers or is functioning in a manner which is detrimental to public interest" he could suspend or dissolve the panchayat (pp 207-212).

It was obviously not believed that such an amendment encroached upon the exclusive power of state governments to make legislation concerning panchayats ('local government' figures in the 'state list' of the Seventh Schedule to the Constitution). Nor did the bill contemplate amendment of any of the entries in the 'state' or 'concurrent' lists in the Seventh Schedule so as to transfer them to the 'union' list. Now, how does this compare with the 64th Amendment Bill?

The 1989 Bill

The bill mandates the setting up of panchayats at the village, intermediate and district levels and they will have a five-year term. Smaller states with a population not exceeding 20 lakh could do with a two-tier set up (Article 243A). The bill empowers the legislature of a state to determine the composition of panchayats (Article 243B). Members shall be elected in direct elections with one exception, namely, the legislature may provide for the membership of MPs and MLAs and chairmen of panchayats in the appropriate panchayat bodies. Seats shall be reserved for SCs and STs in proportion to their population and to the total number of seats in a panchayat institution. Similarly, 30 per cent of the reserved seats shall be reserved for women belonging to SC and ST and a further 30 per cent of the total number of seats shall be reserved for women (Article 243C).

A finance commission shall be appointed by the governor to review the financial position of the panchayats and to make recommendations regarding taxes and duties to be imposed and the basis of sharing the revenue with the state government, grants-in-aid and related matters. The recommendations will have to be laid before the state legislature.

The conduct of elections to PRIs including preparation of electoral rolls, etc, will be supervised and controlled by the Election Commission, as in Karnataka at the moment. However, it will be the

prerogative of the state legislature to enact laws to govern elections to panchayats (Article 243 I and J).

As regards accounts, the form in which accounts have to be kept will be determined on the advice of the comptroller and auditor general of India. The CAG will also arrange for the accounts to be audited and his reports to the governor will then be placed for consideration before the legislature.

Finally, it has been left to the state legislature to endow the panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government. For example, panchayats will have powers and responsibilities for the "preparation of plans for economic development and social justice" (Article 243F), for the "implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule". Thus (i) a distinction is made between preparation of 'plans' and implementation of 'schemes'. In the latter case, will it then be the right of the government to formulate 'schemes' which it has no right to in the case of 'plans'? And (ii) for the first time under the Constitution, the subjects listed in the Eleventh Schedule may be entrusted to panchayats. However, it is clear that such entrustment can be made only by a state legislature and not by the centre.

The 1978 Draft and 1989 Bill

It can be seen that both in terms of its format as well as the content, the 1989 amendment bill is similar to and in several instances even identical to the 1978 bill. Whether in powers and responsibilities, the manner of elections, accounts and audit there is very little difference. The role of the CAG in presenting forms for panchayat accounts and audit can hardly be described as promoting centralisation. Indeed in Karnataka, the accountant general has been requested to audit No 2 account of mandal panchayats, i e, development expenditure. There was a lot of fuss about the powers of dissolution given to the governor in the leaked (*Indian Express*, 10.4.1989) version of the 1989 bill. There was an identical provision in the 1978 bill. The bill in its present form has deleted that provision. There need have been no fuss at all since the governor, for this purpose, could not have acted in his 'discretionary' role but only in his formal, constitutional role. He would be bound by the aid and advice of the council of ministers (Article 163). "The governor is but a shorthand expression for the state government just as the president is an abbreviation for the central government" (Supreme Court in Shamser Singh vs State of Punjab, 1974).

Can the centre enact legislation to control panchayats? I believe that the centre has no power to do so. The directive in Article 40 cannot extend to law-making except by state legislatures. The Constitution confers power to make laws under Articles 245 and 246 on both parliament and state legislatures but this is very clearly limited by the words in Article 245(1): "subject to the provisions of this Constitution". The limitation refers to the distribution of legislative powers by the Seventh Schedule, i e, by the three lists, the union list, the state list and the concurrent list. Since 'local government' and 'village administration' appear in entry 5 of the state list, only a state legislature can make laws on these matters. There are some exceptional situations which empower the centre to legislate but they are not relevant for our purpose.

The proposed amendment, therefore, represents only a generally agreed common denominator and there is nothing obnoxious in it from the viewpoint of state governments.

Collector's Rule: PRI Package

It is not the amendment bill that is the problem. It is the rest of the elements in the prime minister's package on panchayati raj that has given rise to deep-rooted apprehensions. The centrepiece of these elements is the proposed role for the collector or the district magistrate and this has to be seen in the context of the much publicised concept of district planning in which the officials will have the activist seat with a more passive role for elected representatives.

In 1987 and 1988 the prime minister held a series of five workshops of district magistrates on the theme of 'responsive administration'—a theme which was no doubt welcome from the limited perspective of the civil service. The views of these officers were further discussed by state chief secretaries and secretaries to the government of India and distilled into *a report submitted in July 1988*. It is this report that should form the basis of discussion although where and how the recommendations pertaining to the supremacy of the DM would be drafted in the form of legislation is not known as yet.

The report recommends the constitution of a unified representative body—which will be the zilla parishad—to be in charge of planning, execution and monitoring at the district level. It brings in the DM as chief executive officer of the zilla parishad while he also continues as the district boss in charge of revenue and law and order. In other words the developmental as well as regulatory functions will be concentrated in the DM. The zilla parishad will have special subject committees to provide 'guidance' to officials. The new, powerful collector's role is sought to be justified by contrasting the ugly, if democratic, conduct of politicians with that of the more service-oriented bureaucrats. "The presidentship of zilla parishad proving such a glittering prize, furious contests will develop with money and communal/caste influences overshadowing considerations of competence and commitment to social justice among the candidates, leading to the capture of the top positions by undesirable elements. This may be contrasted with the existing position where the bureaucracy might be sluggish but tries to be fair in its dealings as a rule." No further comment is necessary! How poorly they think of the people's institutions is best conveyed in their own words: "Making the collector the CEO of the zilla parishad would bring to the zilla parishad the knowledge, the experience and the influence of the collector and thereby enhance its effectiveness."

To give the DM the pride of place in the district involves several problems. It means reversing the independence of the various technical departments like irrigation, agriculture or public works that had grown out of DM's control both in the execution of works and administration of their departments. The technocrats

brought up for decades in this tradition would surely resent the new line of control. Secondly, it is crucial for the success of *democratic decentralisation* that officials including the DM accept the ability of non-officials to work the system. A study of the Maharashtra zilla parishad showed the "officials' non-acceptance of and lack of faith in the capacities and capabilities of persons elected by the people to lead and work the system under democratic decentralisation" (V R Gaikwad, *Panchayati Raj and Bureaucracy*, 1969, p 65).

The question is asked reflecting the essence of the Westminster constitutional model: what is wrong if the bureaucracy is given a pivotal position so long as policy-making rests with the elected representatives and only its implementation with the bureaucracy? However, several countries have had bad experiences with this model. "The Westminster constitution guaranteed that the elected African governments would determine policy, and the civil service implement it. The African experience stood that myth on its head, and demonstrated what now seems self-evident: to grant anonymity, secrecy and independence to senior bureaucrats ensures their dominance over elected politicians" (Robert B Seidman, *The State, Law and Development*, 1978, p 395). Against this background, the Karnataka model promoted by Ramakrishna Hegde and Nazir Sab is a bold initiative. The elected zilla parishad is supreme in both plan formulation and execution. The president of the zilla parishad, who is of the rank of a state minister, is the executive head, and the chief secretary, who is an IAS official, is subordinate to him. The DM is in charge only of revenue and law and order, and is generally junior in service to the chief secretary. Here is an attempt to restructure the bureaucracy so that its compartmented character is altered. A new equation is sought to be built between the people and the law-makers and that should be the heart and soul of democratic (as different from bureaucratic) decentralisation.

Politics of Centralisation

The acrimonious opinions that greeted the introduction of the bill—despite the acknowledged need for a revamped PR system—is reflective of a certain lack of credibility on the part of the centre. The entire gamut of opposition parties and independent observers appear convinced that the centre is inexorably pushing its policy of centralisation in a hundred different ways, violating the essence of co-operative federalism, cutting into areas of state governments' activities. A government that centralises cannot, it is argued, decentralise selectively, and that, therefore, the amendment bill on PRIs is nothing but a gigantic exercise in vote-catching.

Thus does it make sense to speak of decentralisation of functions, authority and funds to the district and lower levels without such decentralisation from the centre to the states? Why is it that no correctives have been initiated to rectify the perverse use of such institutions as the governor, the Election Commission, the powers of the president in relation to states, especially, the imposition of president's rule under Article 356? Likewise, in the realm of economic and financial relations, planning and decision-making processes have become excessively centralised while the present constitutional arrangements and practices on the sharing of taxes between the centre and the states remain highly inequitable. The centralising phenomenon is most crudely displayed in the case of the electronic media and the well reasoned campaign by the opposition led, in this case, by Ramakrishna Hegde has elicited a negative and unconstructive response from the centre.

New Encroachments

The charge as well as the fear of centralisation is reinforced by the setting up recently of the 'National Informatics Centre' at Delhi for collection of data at the block level. An officer of the centre will be placed in every district to collect and computerise information at the district level and transmit it on to NIC. Curiously enough, the district computer terminals will reportedly be manned by NIC and not by state government staff. The information so gathered will be used for preparation of 'model' district plans. For example a model plan was prepared for Almora district in UP at the instance of the centre. The next step may be the vetting of the district plans by the Planning Commission bypassing the state governments.

While centrally planned and sponsored development schemes are an important feature of centre-state relations, they were not meant to reduce the responsibilities and initiative of state governments. Yet that is precisely what happened. Way back in the 1970s the National Development Council had decided that the value of centrally-sponsored schemes would be limited to 1/6 or 1/7 of the quantum of assistance for state plans, and that they should be in the nature of experimental projects, survey and research. But while such schemes amounted to Rs 77 crore out of a total of Rs 497 crore in 1969-70 or about 15.4 per cent, in 1987-88 they amounted to 53 per cent of all the state plan schemes. For Karnataka state, in 1987-88, the figure was a staggering 103 per cent. As a result "they contribute to centralisation and inflexibility in planning; and often they distort state priorities and immobilise the state resources" (*Centrally Sponsored Schemes: An Instrument for Centralisation in Planning*, Government of Karnataka, 1988).

The Sarkaria Commission on centre-state relations was therefore obliged to observe that the schemes should be kept to the minimum and the process of decentralisation in plan formulation should be pursued seriously.

But let alone cutting down central schemes, a new one has just been started, Jawahar Rozgar Yojana, in place of NREP and RLEGP. Funds are sent directly to the DMs or chief secretaries of zilla parishad and not via the state governments. The guidelines for the scheme include who the beneficiaries should be, how they should be identified, the mode of implementation and so on thus ensuring centralisation and the rigidity that goes with it.

Is it not a crude contradiction, it is asked, that the PM wants to decentralise power to PRIs while it is totally denied to the functionaries and members of his own party? A mind and a political structure which deny inner-party democracy will never really give "power to the people", according to opposition spokesmen. After Rajiv Gandhi's celebrated condemnation of the rot and the 'power brokers' in his own party at the 1985 Congress Centenary Session in Bombay, he announced in May 1986 that organisational elections would be held in early 1987. But that year elections were put off several times and eventually any talk of inner-party democracy or of Rajiv Gandhi giving up presidentship of Congress in deference to the principle of sharing power has been the given goby.

In sum, the centre has thrown away an opportunity to develop a consensus on a matter of national concern and its credibility gap is increasing. The decentralisation process must begin with the centre shedding its powers to the states, to be followed thereafter from the state government to PRIs. The centre should desist from direct funding of panchayats. Most important, the amendment should include a provision containing the basis of devolution of finances from the centre to PRIs via the state governments. Alternatively, the Finance Commission could be empowered to make such a recommendation.

GOETZE (INDIA) LIMITED

NOTICE

It is hereby notified for the information of the public that **Goetze (India) Limited** proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under Sub-Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969 for approval to the establishment of a new undertaking. Brief particulars of the proposal are as under:-

1.	Name and address of the applicant	: **GOETZE (INDIA) LIMITED** Registered Office: H-2, Connaught Circus, New Delhi 110 001
2.	Capital structure of the applicant organisation	: Authorised Capital: (Rs. Lacs) 1,00,00,000 Equity shares of Rs. 10/- each 1,000.00 Issued & Subscribed Capital: 69,33,599 Equity shares of Rs. 10/- each 693.35 Paid-up Capital: 69,33,599 Equity shares of Rs. 10/- each, fully paid-up 693.35
3.	Management structure of the applicant	: The Company is managed by the Managing Director under the supervision, control and direction of the Board of Directors. Mr. H. P. Nanda is the Chairman and Managing Director. The Board of Directors consists of: 1. Chairman & Managing Director: Mr. H. P. Nanda 2. Vice-Chairman: Mr. Anil Nanda 3. Dr. Ing. Christian Irmler 4. Mr. Gert M. R. Goetze 5. Mr. Jin Lin Pai, Alternate to Dr. Irmler 6. Dr. G. Dittmer, Alternate to Mr. Goetze 7. Mr. L. M. Thapar 8. Mr. J. Sengupta 9. Mr. M. M. Sabharwal 10. Dr. S. M. Patil 11. Mr. J. B. Dadachanji 12. Mr. Rajan Nanda 13. Field Marshal Sam Manekshaw, M.C. 14. Mr. V. K. Srivastava 15. Mr. Charanjit Singh 16. Mr B. R. Kapoor 17. Mr P. Bhalla, Director and Secretary
4.	Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division.	: New undertaking.
5.	Location of the new undertaking/unit/division	: Backward Area in District Bulandshahr, U.P.
6.	Capital structure of proposed undertaking.	: Not applicable as no new Company is proposed to be formed for the purpose.
7.	In case the proposal relates to production, storage, supply, distribution, marketing or control of any goods/articles, indicate:	
	(i) Name of goods/article	: Potable Alcohol
	(ii) Proposed licensed capacity (in metric tons)	: 10,000 Kilo Bulk Ltrs
	(iii) Estimated annual turnover	: Rs. 6,000 lacs
8.	In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover etc.	Not applicable
9.	Cost of the Project (Rs. in lacs)	: Rs. 1,000 lacs
10.	Scheme of finance indicating the amounts to be raised from each source.	(Rs. in lacs) Loans/Borrowings . . . 600.00 Internal Accruals/Share Capital . . . 400.00 Total 1000.00

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

for **GOETZE (INDIA) LIMITED**

Registered Office:
H-2, Connaught Circus,
New Delhi 110 001

Sd/-
(ANIL NANDA)
Vice-Chairman & Director

Dated: JUNE 27, 1989.

Business and Politics in India
A Historical Perspective

Sanjay P Thakur

Business is, of course, more than mere economic activity and it is necessary to understand the relationship between business and larger society. Report on a seminar.

AS a nation industrialises, business activities begin to provide an increasing share of the goods and services and generate more and more employment opportunities in the economy. Business, thus, ceases to be a mere economic activity and develops a social character. From this angle, an attempt to understand the relationship between business and larger society is not only desirable but also necessary. The IIMA Seminar Series in Business History, launched in 1982 by the Indian Institute of Management, Ahmedabad, has been directed to this end.

The first seminar focused on the historical evolution of business communities in India and explored the socio-cultural aspects of Indian business behaviour. The second held in 1984 sought to probe the relationship between the character of the governing structures and economic activities at different points in our history. The subsequent seminar held three years later attempted to trace the evolution of various functional strategies and structures in Indian business. Two books based on the first two events have been recognised as significant additions to historical literature. Business has a bearing on the distribution of power in society and vice versa. This was the theme of the fourth seminar in the series, on 'Business and Politics in India: A Historical Perspective' held on March 29-31 this year.

Attitudes to Business

The event began with S Ambirajan of IIT, Madras, presenting a provocative paper on changing attitudes towards business in India from ancient times up to the present. He focused on the attitudes of rulers, and of society in general towards business and also the self-image of businessmen themselves. Drawing primarily on literary sources, it was argued that the businessman held an honourable position in society well up to 1500 AD. He was occasionally seen as a miser or a hoarder of wealth but only rarely as a cheat and exploiter. By about 1800 AD, however, the business class had become more differentiated. During this period, while the petty trader became despicable, the big merchant began to exploit the artisans. The banking and moneylending community in the Mughal era, however, was an exception to the general decline in prestige and power of the business class. This was perhaps because of the nexus between the merchant princes and the Mughal nobility. The general attitude to business in the 19th and 20th century was more favourable than in the Mughal era but less so than in the pre-Mughal age. This was because the colonial legal system recognised individual pursuit of profit and sanctity of private property. The nationalist movement was not against capitalistic pursuits either.

The paper raised a number of questions of definition and methodology, many of which would recur in the course of the seminar. What constitutes business? Can the business class be treated as a homogeneous entity? What about regional variations? Can literary sources alone be a sufficient basis for generalisations? Absence of a 'view from below', i e, the peasants' view of business or the workers' view of the capitalist, was cited. At least a few participants felt that Ambirajan's assertion that the Mughal rule witnessed a sudden slump in the status of business smacked of a communal interpretation of Indian history. The general consensus, at the same time, was that the paper opened up a new and neglected area of historical enquiry.

In a paper fascinating in its sweep as well as detail Lakshmi Subramanian of Vishwa Bharati and Rajat K Ray of Presidency College examined the relations between businessmen and politics from the Mughals to the East India Company. They argued that before the beginning of the present century businessmen did not have any decisive voice in Indian politics. The sole exception was the 18th century when Mughal power declined and no dominant political power had yet emerged. The great Mughals were not dependent on the services of private bankers and the status of merchants depended entirely on the whim and fancy of the Mughal officer on the spot. In the 18th century, however, the Anglo-Bania alliance, symbolising the businessman's desire to seek the best political alternative necessary for stable business operations, was a major factor in the British conquest of India. For, the East India Company was more solvent than the Indian princes and, therefore, a more dependable client. The company initially used the vast 'hundi' network operated by the Indian merchants to support the wars of conquest, but later subordinated them to an international system of finance and trade which eventually led to the decline in the political power of Indian business.

Business Class and National Movement

A major portion of the seminar and perhaps the most stimulating one, revolved around the relationship between the business class and the Indian national movement. Of the several papers on this theme, the first one by Bhagwan Josh of Jawaharlal Nehru University set the tone for the proceedings to follow. Josh persuasively argued that the simplistic characterisation of the Indian National Congress as a bourgeois party must be discarded. With the broadening of the social base of the national movement in the 1920s and 1930s the Congress became an anti-imperialist party of the Indian people. The national movement developed two forms of anti-imperialist struggle—the constitutional and the non-constitutional mass upsurge kind. The Indian capitalist class favoured constitutional struggle, but kept aloof from the non-constitutional programmes of action. Josh suggested that despite the inner differentiations within the capitalists, they had by the 1930s developed a class identity and political vision vis-a-vis imperialism and other social classes in India. However, there was no evidence to suggest that the capitalists were able to influence the nature and course of the national movement in any direct way.

Dwijendra Tripathi of the IIMA (the seminar co-ordinator) in his paper on the same theme distinguished between the pre-Gandhi and post-Gandhi phases. During the first phase the Indian industrial class was weak, it had no conflict of interest with British business operating in India, and it was dependent on British technology and technicians. Conflict arose after the first world war as the Indian business class grew in strength. But businessmen had no intention of burning bridges with the government at a time when the threat of foreign competition was also severe. At the same time there was awareness of growing mass movements. In hindsight it would appear that after the emergence of Gandhi the industrialists followed a four-fold strategy: (1) keep aloof from the confrontationist politics of the Congress, (2) support constructive activity of the Congress to establish a claim on its gratitude, (3) influence policy formulation within Congress, and (4) act

in unison with nationalist forces in legislative assemblies and similar other forums. In support of his contention Tripathi traced the relations between the Congress and the industrialists from the 1920s up to the transfer of power and asserted that because of this ambivalent attitude the Indian industrialist class had only a marginal impact on political developments. In fact, by the time the end of colonialism was in sight, the industrialists were articulating positions similar to the Congress as was clear by the so-called Bombay plan prepared by some of the most important leaders of the Indian capitalist class, Tripathi argued.

Gita Piramal's paper on the political awareness of Bombay businessmen between 1850 and 1937 complemented Tripathi in many significant details. According to her, the Bombay capitalists had negligible interest in politics almost up to the end of the 19th century. Most of them had made their fortunes under Pax Britannica and there was a feeling of gratitude for the British. However, men like Jamshetji Jeejeebhoy were active behind the scenes, and J N Tata secretly financed the publication of Digby's book on Indian poverty. A few others too took limited interest in nationalist politics by participating in the activities of the Bombay Presidency Association, perhaps because of growing disenchantment with colonial rule under disturbed business conditions in the 1890s and the early decades of this century. However, as the national movement took a militant turn, the Bombay entrepreneurs retreated from even their limited participation in activities challenging the colonial regime. It was not until after the adoption of the Government of India Act of 1935 and the revival of constitutional struggle, Piramal argued, that the Bombay capitalists' interest in politics was revived. Several of them now stood for election to the provincial legislature and even won seats.

While there was general agreement with the conclusions of Josh, Tripathi and Piramal, their papers raised many important questions. What could be the basis of determining the character of a political party? Is it political participation, relationship with social classes, or its position on various burning issues? Why did the Left fail to hegemonise the Congress? If the dominant character of the Congress was anti-imperialist, why did it adopt anti-peasant and anti-labour stances on some occasions? At what point did the capitalists begin to visualise the Congress as the future ruler of the country? It was felt that to provide a satisfactory answer to these questions it would be necessary to look at a disaggregated picture of private capital in different regions, its relations with different groups or its position on specific issues.

A Disaggregated Picture

Three papers, in fact, attempted to do just that. The first in this category was by Kapil Kumar of the Indira Gandhi National Open University who examined the attitudes of Indian business towards the peasantry. He too agreed with the contention that the Indian capitalists sought to achieve a delicate balance between aligning with the national movement on the one hand and trying to check the threatening forces that mass nationalism inevitably released, on the other. Consistent with this strategy, the capitalist class, Kapil Kumar argued, was not averse to the controlled participation of the peasantry in the anti-colonial struggle, but sought to keep the peasant question within manageable limits. The strategies to keep the Kisan Sabha movement in check included the use of money power, support to constructive work in villages, and establishing links with the Congress right wing. After all many leading capitalists were landowners themselves and several Congress leaders received personal financial support from businessmen and had a sizeable investment in industrial units. The banning of Kisan Sabhas when the Congress ministries assumed power in the provinces can be understood in this context, Kumar averred. Doubts, however, were expressed whether he was not over-simplifying the issues and whether his analysis did not suffer from the fallacy of mono-causation, despite his rich factual data.

Another paper dealt with the attitude of the Indian business towards economic planning. Presented by Raghabendra Chattopadhyaya of IIM, Calcutta, it traced the genesis of the idea of planning, and asserted that the Indian business community played a crucial role in developing the planning concept during the two decades before 1947 and also during the formative years of the planning era. Capitalists advocating the concept of planning may appear paradoxical, but unlike the Soviet model, planning as visualised by Indian business was merely an economic method for rapid industrialisation as distinct from an instrument of the political transformation of society. Citing the Bombay plan in support of his thesis, Chattopadhyaya tried to emphasise that this document attempted to pre-empt state efforts in planning and, through it, Indian capitalists "set the limits of the domain of the state in the socio-economic field of the country" along capitalist lines.

The third paper in the category of those that dealt with specific issues was one on the role played by the Indian business in the partition of India. This was presented by Claude Markovits of the Centre National de la Recherche Scientifique, Paris, who argued that before the 1920s Indian businessmen were not divided along communal lines, though some businessmen were associated with Hindu revivalist activities. As Jinnah's campaign for Pakistan gained momentum, however, the Hindu capitalists, particularly Birla, began to realise that "the real choice was between on the one hand Pakistan and on the other hand a loose federal regime giving the Muslim provinces a large measure of autonomy...", as the Muslim League demanded. The Hindu capitalists were in favour of a strong central government, which the Bombay plan visualised. They considered Pakistan as a lesser evil and put whatever pressure they could on the Congress leadership to accept the partition. Though the paper generated a great deal of discussion, most participants felt that Markovits needed more supportive data for his thesis—a criticism to which the author readily agreed saying that his was at this stage only a preliminary analysis.

Running, directly or indirectly, through most of the papers discussed above, was the personality of Gandhi. It was, therefore, fitting that his relations with the Indian bourgeoisie were discussed in a paper presented by Bhikhu Parekh of the University of Hull, UK. Analysing Gandhi as a political philosopher rather than as a mere political activist, Parekh averred that despite his aversion to the institution of state, Gandhi by the 1930s began to view the state as the custodian of Indian civilisation. Parekh lucidly argued that neither capitalism nor socialism was an adequate category to describe Gandhi's thought and it is difficult to describe him as a supporter of either system. In practice, Gandhi developed a language of discourse between various groups in Indian society and developed the Congress as a body for creating some kind of consensus amongst various groups and sensitising them to each other's needs. Parekh, therefore, rejected the view that Gandhi was the spokesman of the Indian bourgeoisie, as has been argued by the Marxists, and pleaded that the bourgeoisie had little impact on his thoughts, politics or action. Parekh's was an interpretative paper, not based on factual details, but on content analysis of Gandhi's thoughts and utterances. Many participants naturally cited several details challenging his conclusions. The political scientist from Hull, however, stood his ground pleading that all facts in the ultimate analysis were subjective.

Politics of Business Groups

Though most of the papers were concerned with the attitude of Indian business towards nationalist politics, two dealt with the internal politics of the business groups themselves. One of these was presented by Raman Mahadevan of the Centre for Development Studies, Trivandrum, who discussed the development of business associations in colonial Madras. According to him the politics of businessmen was moulded considerably by their immediate economic interests. Business associations were not merely homogeneous interest groups. They also represented the articulation of business class identity through a process of realignments between various sub-groups. To support this contention, Mahadevan pointed out that initially South India was dominated by European business. Naturally, native business and Indian business associations were slow to develop. But the growing spirit of coalescence at the turn of the century coinciding with the Swadeshi movement, resulted in the founding of the Indian Bank and the South India Chamber of Commerce. Economic difficulties during the first world war I saw the articulation of more sectional interest groups within the Indian business community. The process continued in the subsequent period as well, resulting in the formation of several trade associations representing various interests.

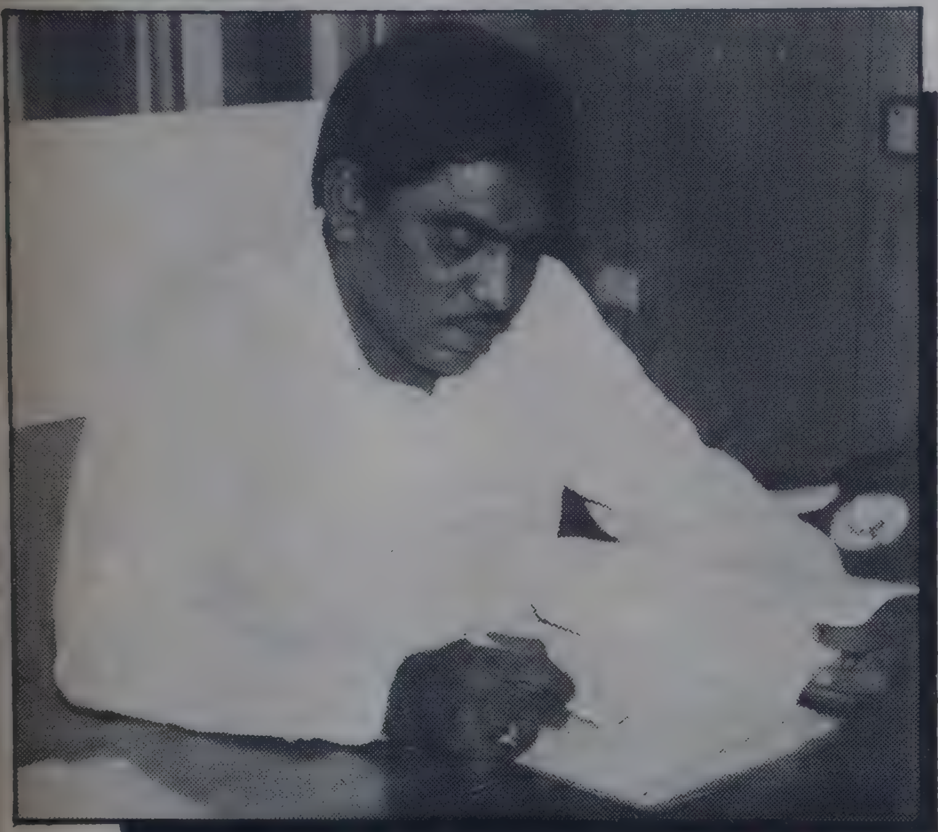
If Mahadevan's paper indicated that there ought to have been more presentations dealing with the rise of trade associations in various parts of the country, a contribution by B R Tomlinson of the University of Birmingham on British Business in India pointed to the need to study the business operations of other non-Indian interests in India. According to the author, the links between the British firms and the colonial state were complex. With regard to political alignments, the colonial administration was often criticised by colonial businessmen and they often defended 'Indian' interests against 'imperial' ones in alliance with the locals. The British expatriate managing agency houses from the late 19th century onwards succeeded because they provided the "organisational skills needed to co-ordinate India's new export-oriented primary produce sector". British subsidiary firms in their growth phase were characterised by heavy investment in management, organisation and plant. This was the basis of their success at a time when older types of expatriate managing agency firms were declining. Although Tomlinson's paper was related to the theme of the seminar somewhat indirectly it did provide a perspective for appreciating some other papers which dwelt upon the interaction between the Indian and European business interests in India and its impact on the political attitude of Indian business.

All in all, thus, the seminar was an academic exercise of very high quality. Although it did not quite exhaust the subject and some of the aspects could be discussed only partially, it underscored the need to examine more intensively a somewhat neglected subject.

ANDHRA PRADESH STATE FINANCIAL CORPORATION

5-9-194, Chirag Ali Lane, Hyderabad

Statement made at the 33rd Annual General Meeting held on Wednesday, the 28th June, 1989 by the Chairman Shri C. Ramachandraiah, MLA



GROWTH WITH CONSOLIDATION

Gentlemen,

It gives me immense pleasure to extend hearty and cordial welcome to you all to the 33rd Annual General Meeting of your Corporation. It is my pleasant privilege to inform you that your Corporation continued its momentum in its operations and attained greater heights during the year in all the key result areas. The Corporation's total sanctions crossed Rs 1,000 crores mark during the year. This is indeed a remarkable achievement in the history of any development financial institution!

The Annual Report along with the statement of accounts and auditors' report have already been circulated to you. With your permission I shall take them as read.

ECONOMIC SCENARIO:

After four successive droughts, agricultural production during 1988-89 showed a remarkable improvement. Industrial production also recorded an increase of over 9% during the year. The policy changes introduced by the Government of India for accelerating the pace of industrialisation yielded positive results. In spite of shortages in power supply in the state, industrial units also fared better when compared to the previous year. It is gratifying to note that further new oilwells have been dug in the Krishna-Godavari basin wherein oil and natural gas have been discovered and production on commercial scale is in progress. Industrial units in this region have already started utilising the oil and natural gas available. Government of India have given long over-due clearance for the export processing zone in Visakhapatnam during the year. This will give fillip to the promotion of export based industrial units in the state.

The improvement in economic conditions has helped our Corporation in stepping up its operations on a rapid pace.

OPERATIONAL HIGHLIGHTS:

During 1988-89, your Corporation sanctioned an amount of Rs 169.57 crores to 3999 applicants, recording a growth rate of 29% over the previous year and disbursed an amount of Rs 113.24 crores during the year. Your Corporation recovered an amount of Rs 84.86 crores, an increase of 22.75% over the previous year. The Corporation's sanctions, disbursements, and recoveries during the year are the highest in a single year in the Corporation's history.

Your Corporation continues to devise new policies and programmes to provide qualitative service to the entrepreneurs besides its quantitative contribution. Instant response to the growing needs of the society is essential to keep an organisation in the effective service of the people. I would like to briefly mention some of the important programmes that have been undertaken by the Corporation during the year 1988-89.

1. **Waiver of Service Charges on Tiny Sector Units:**

The Corporation waived service charges on loans upto Rs one lakh so that tiny sector units need not pay any more service charges to the Corporation.

2. The Corporation reduced interest rate by 1% for the industrial units if 50% or more of its employees are women with the objective of providing more jobs for women in the industrial sector.

3. **Assistance to Small and Tiny Sector Units:**

It is the objective of the Corporation to promote more and more small scale industrial units to provide gainful employment to a large number of people. During 1988-89 the Corporation sanctioned Rs 124.48 crores to 3776 small scale industrial units constituting 94.42% of total number of sanctions and 73.41% of amount sanctioned.

In order to help the small scale industrial units in securing working capital as well as term loans from a single source, the Corporation has started operating vigorously the Single Window Scheme. Under this scheme, assistance up to Rs 5 lakhs is provided by your Corporation. This includes loans towards working capital to the maximum extent of Rs 2.5 lakhs.

4. **Assistance to Backward Areas:**

Your Corporation has been laying more emphasis on the industrialisation of backward areas with the objective of reducing regional imbalances. During 1988-89, your Corporation sanctioned Rs 113.84 crores to 2472 units constituting 69.5% of total amount sanctioned and 68.8% of total number of sanctions in the notified backward areas of the state.

5. **Assistance to Underprivileged Sections of Society:**

Your Corporation has been striving to bring more and more persons from underprivileged sections of society into the fold of entrepreneurship. Your Corporation's special efforts have resulted in extending assistance to 690 Scheduled Caste entrepreneurs to an extent of Rs 841.3 lakhs and 130.7 lakhs to 82 entrepreneurs belonging to Scheduled Tribes.

6. **Assistance to Women Entrepreneurs:**

The Corporation lays special emphasis on extending assistance to women entrepreneurs. During 1988-89 your

Corporation sanctioned an amount of Rs 629.5 lakhs to women entrepreneurs as against Rs 355 lakhs during the previous year.

7. **Assistance to Physically Handicapped and Ex-Servicemen:**

Your Corporation during the year brought into operation special schemes meant for physically handicapped as well as ex-servicemen for promoting small industrial units.

8. **Relief Assistance to Units Affected by Riots:**

Your Corporation always rises to the occasion to meet the unforeseen contingencies being faced by its assisted units. Your Corporation sanctioned Rs 107.59 lakhs to 37 units which were damaged during the unfortunate riots in the last week of December in the four coastal districts. This assistance was to the extent of 100%, margin money being provided by the State Government.

9. During the year your Corporation introduced a new scheme for extending assistance to inland water transport vessels/barges to encourage transport through inland water.

10. **Entrepreneurs Development Programmes and Customer Meets:**

Your Corporation continues to take active part in entrepreneurship development programmes. Your Corporation has also taken initiative in organising customers meets to help the assisted entrepreneurs and solve their problems promptly.

11. **ADB Line of Credit:**

Your Corporation disbursed an amount of Rs 11.5 crores to industrial units for import of plant and machinery under Asian Development Bank line of Credit.

12. **Investment Subsidy:**

Your Corporation continued to disburse central subsidy to the units. During 1988-89 the Corporation disbursed central subsidy to the extent of Rs 706.3 lakhs. Your Corporation also disbursed an amount of Rs 21.22 lakhs towards state investment subsidy, and Rs 89.67 lakhs towards interest free sales tax loans.

PROFIT:

Your Corporation during 1988-89 earned a net profit of Rs 4.54 crores on cash system of accounting as against Rs 4.43 crores in the previous year.

RESOURCES:

During the year, your Corporation received a sum of Rs 990 lakhs from the Government of Andhra Pradesh as well as Industrial Development Bank of India in equal proportions as their share capital contribution.

The plough back of resources was Rs 535.18 lakhs during 1988-89 as against Rs 202.91 lakhs during 1987-88. Refinance from Industrial Development Bank of India during 1988-89 was drawn to the extent of Rs 6300 lakhs.

I am happy to report to you that despite resource constraints during 1988-89 your Corporation didn't resort to borrowings under new debt instrument, which is one of the costliest source of finance as the interest rate is 11.5%. In the previous year borrowings under NDI was Rs 5 crores. During 1988-89 debt equity ratio also improved from 3.25:1 in 1987-88 to 3.36:1. The debt service coverage ratio during 1988-89 also showed improvement.

PERSPECTIVE FOR 1989-90:

Your Corporation wishes to maintain the momentum in the growth rate in its operations during 1989-90 also. The Business Plan for 1989-90 approved by IDBI envisages Rs 152.5 crores of sanctions, Rs 123.6 crores of disbursements and Rs 99 crores of recovery. I am confident that your Corporation, in practice, will surpass these targets. Your Corporation not only lays emphasis on quantitative achievements but gives more importance for improvement in the quality of service being offered. Keeping this in view your Corporation has formulated the following policies for implementation during 1989-90:

Self-Employment Scheme:

In order to provide employment opportunities for educated youth, the Corporation during 1989-90 is going to operate a Special Self-Employment Scheme for First Generation Entrepreneurs.

Composite Loans:

The Corporation continues to lay emphasis on extending assistance to artisans under Composite Loan Scheme so that they could reap the benefits of industrialisation.

Single Window Scheme:

In order to provide working capital as well as term loans from a single source to small scale entrepreneurs, your Corporation gives special importance for the operation of this scheme during the current financial year.

Your Corporation proposes to conduct entrepreneurship development programmes in an intensive and effective way for speedy promotion of industrial units in the state. Special cell has already been created in the Corporation to meet this requirement.

ACKNOWLEDGEMENTS:

I am happy to inform you that your Corporation has been enjoying the full support and confidence of the Government of Andhra Pradesh and Honourable Chief Minister, Sri N T Rama Rao garu. It is my pleasant privilege to reassure the Government that your Corporation would spare no efforts in taking the state of Andhra Pradesh into the forefront of industrialisation, with special emphasis on small and tiny sector units and upliftment of underprivileged sections of society. I express my gratitude to the Government of Andhra Pradesh and our beloved Chief Minister. I wish to place on record my sincere thanks to Industrial Development Bank of India for their valuable and timely support in providing resources besides offering counsel and guidance in our operations.

I take this opportunity to express my heartfelt thanks to my colleagues on the Board for their valuable counsel and cooperation in formulating the policies and programmes of your Corporation.

I would like to express my thanks to RBI, Department of Industries & Commerce, LIC, Commissionerate of Public Enterprises, Commissioner of Industries, District Industries Centres, District Collectors, sister Corporations in the State and Commercial Banks for their active support extended to the Corporation.

It gives me great pleasure to extend my sincere thanks to Managing Director, General Managers, Officers and other employees of the Corporation for their sincere and devoted services. I compliment them for their professional approach to the job and discipline in implementing the policies and programmes sincerely which has enabled the Corporation to reach the pinnacle of success.

I am specially thankful to the shareholders of the Corporation for the interest they have been showing in the activities of the Corporation. I thank you all for sparing your valuable time and being present here today to attend this Meeting.

Now I take the pleasure of commending the Balance-Sheet and Profit and Loss Account of the Corporation along with the Directors' Report for your esteemed consideration.

Thanking you,

C. Ramachandraiah, MLA
CHAIRMAN
Hyderabad

28th June, 1989

NOTE: *This does not purport to be the report of the proceedings of the Annual General Meeting.*

Sword of Damocles over Tribal People of Andhra Pradesh

N Subba Reddy

It is necessary to delve into the intentions of the Andhra Pradesh government in wanting to allow free sale of land among non-tribals within the tribal tracts.

FOR the last two years the Andhra Pradesh government has been trying relentlessly to repeal a law enacted nearly two decades ago (Regulation I of 1970) which prohibits any transfer of land in the scheduled areas to non-tribals. While the existing regulation postulates that if non-tribals owning lands in scheduled areas want to dispose of them, they can sell them only to tribals or to the government, the present ministry wants to allow free sale of land among non-tribals within the tribal tracts.

Two arguments have been advanced by the government in support of its proposed move. One is that the non-tribals have expended a lot of labour and invested a good deal of capital in reclaiming and developing the lands in scheduled areas, and hence they should be free to sell their property in the open market without any restrictions. The second, which goes a little beyond the first argument, is a plea for even overlooking the question of the legality of acquisition of the land sought to be sold by the non-tribal if the non-tribal in question is in possession of only 5 acres of wet land or 10 acres of dry land. The implications of these arguments and the consequences of the proposed action of the government need to be carefully examined against the background of the historical necessity for successive land regulations which were enacted in the scheduled areas from time to time.

Protective legislation applicable to the tribal areas of Andhra Pradesh dates back to 1839 when the British government decided to treat the tribal areas of Vizagapatam and Ganjam districts on a different footing from the rest of the plains, and declared that the normal revenue and judicial laws would not apply to the former. Subsequently, as a result of a further realisation that the tribals needed to be shielded from the usurious moneylenders and land-grabbers from the plains, the then government enacted the Agency Tract Interest and Land Transfer Act of 1917 which prohibited transfer of land in the agency area to any one except a member of a hill tribe, unless it was permitted by an officer authorised for the purpose. The 1935 Act created excluded and partially excluded areas in respect of which the governor exercised special powers through the collector of the district. But in spite of these safeguards, land began to slip from the hands of the tribals into the hands of non-tribals. And with various developmental schemes launched in tribal areas after independence, these hinterlands became less forbidding and hence more vulnerable, leading to a faster rate of land alienation.

The growing contradiction between well meaning laws on the one hand and their uninterrupted contravention on the other, called for remedial action in independent India. The response came in the form of the Scheduled Areas Land Transfer Regulation of 1959. Apart from strengthening the main provisions of the 1917 Act regarding the transfer of lands in the scheduled areas, the 1959 regulation provided specifically for the eviction of non-tribals unlawfully occupying lands and for the restoration of the same to the tribals. The tribal tracts in some of the Telengana districts which were formerly part of the Nizam Dominions witnessed turmoil in the forties, following which some far-reaching steps were undertaken by the administration under the enlightened leadership of Grigson. Protective regulations preventing land alienation were formulated in 1946 under the title The Tribal Areas Dastur-Ul-Amal, 1356 Fasli. They received the assent of the Nizam in 1947 and became applicable to the tribal areas in different districts notified for the purpose in 1949.

After the merger of the Telengana districts with Andhra Pradesh, the Scheduled Areas Land Transfer Regulation of 1959 was made applicable to the Telengana districts also from 1963 onwards. But as the operational rules under the act were not formulated, this act remained a dead letter for nearly a decade. The cumulative discontent of the tribals led to the Srikakulam rebellion of late sixties, which jolted the government to enact a more stringent law in the form of Regulation I of 1970. It totally prohibited the transfer of lands in scheduled areas to non-tribals (whether the transferer was a tribal or non-tribal), and placed the onus on the non-tribals to prove whether their acquisition of land had been in conformity with the laws. It is this regulation which is now the target of attack by the non-tribal landholders and which the government has chosen to repeal.

Trumped-up Grievances of Non-Tribals

It needs a close examination as to who the people are that are really aggrieved by Regulation I of 1970. If any non-tribal acquired his land lawfully up to 1970, either from any non-tribal or even from a tribal with the permission of an authorised officer, his title to the land is secure. Only when the non-tribal acquired the lands against the law and without following the procedures prescribed his title comes to be questioned. Regarding freedom to sell the lands lawfully owned by a non-tribal to any one he likes, there is a counter-question to be answered. If his legal acquisition of land in the scheduled areas was itself dependent on the discretionary powers of a competent officer, cannot the latter also decide whether he can sell the land and to whom he can sell it?

There have been many conferences held by the non-tribals in Andhra Pradesh in the recent months to project their case against the protective legislation in the scheduled areas. One of their arguments is that many of the non-tribals have been living for a long time in the scheduled areas eking out a modest living off their lands. Hence they should not be barred from selling their lands to the highest bidder. But here again, there is a counter-question to be answered. If they have really identified themselves with the tribal areas, then should they not subject themselves to the same laws as the tribals? As the tribal is not free to sell his land to a non-tribal under the existing regulation, why should a non-tribal who has chosen to be a resident of the scheduled area have any more freedom than the former? A further plea is advanced in the name of poor non-tribals owning small plots of land who, in distress, choose to sell them in order to meet some of their dire necessities. In this case again, is it not undoubtedly better for them to retain the lands and raise loans by mortgaging them instead of selling them and reducing themselves to the position of landless labourers? It may be noted that by a subsequent incorporation of clause 3A (1) into the regulation of 1970, the lands legally owned by non- tribals in scheduled areas were made eligible for mortgage with financial institutions.

On an altogether different plane is the case of non-tribals who have no valid titles to the lands occupied by them in the scheduled areas. Even if they are small peasants owning only an acre of land, an illegal possession cannot be converted into a legitimate ownership just on humanitarian grounds. This does not happen even in the case of a tribal, and one has to

remember that there are many indigenous tribals not owning even a fraction of an acre.

At Utnoor, in Adilabad District, some leaders of the non- tribals put forth the most fantastic plea that they had acquired lands in scheduled areas in ignorance of restrictive laws such as Regulation I of 1970 and hence they should be exempted from its operation (*Andhra Prabha,* February 27). An MLA, Sudhakara Rao, in a letter published in *The Hindu* of February 20 made out a case that the laws meant for the scheduled areas of the coastal Andhra districts should not have been made applicable to the Telengana districts, as the latter did not previously have the category of tribal tracts with their separate laws on acquisition of lands by non-tribals. For his sake and for the sake of others who may be holding similar view, I shall quote a few clauses from the Tribal Areas Dastur-Ul-Amal of 1946:

> Without prejudice to the generality of powers conferred by sub-section (1), the rules and regulations may provide for all or any of the following matters.
>
> Prohibiting patta right in any land being given to any non- tribal in any notified tribal areas; authorising the agent to cancel or revise any title in land granted to a non-tribal in any notified tribal area during a specified period before the coming into force of this Dastur-Ul-Amal, or to order exchange of lands by way of compensation for settlement; and empowering the agent to eject any person from any land or to place any person in possession of any land in accordance with his decision.
>
> The cancellation of all sales not finally confirmed before the date of enforcement of this Dastur-Ul-Amal.
>
> Authorising the agent to extern from a notified tribal area any non-tribal if, for reasons to be regarded in writing, he is satisfied that his presence in such area is likely to be detrimental to the interest of tribals.

Face behind the Mask

Now we should try to look at the real face behind the mask. Notwithstanding the protective regulations which adorned the statute book for several decades, lands in the scheduled areas continued to pass into the hands of non-tribal exploiters. The greater part of land alienation occurred after the forties. The glaring fact that strikes one is that even according to the official records, 55 per cent of cultivable area in the scheduled areas of Andhra Pradesh is now in the hands of non-tribals. And in the vast majority of cases, the non-tribals acquired the lands not in conformity with the laws but by jumping the legal hurdles. They must have made use of every kind of subterfuge and underhand device, ranging from forgeries, cooked up records, physical violence, deceit, blackmail and bribery. Case studies illustrating all these processes of land alienation have been brought out by field researchers who investigated the problem in these areas. More inscrutable than others, there is the technique of benami holdings whereby a big non-tribal landholder holds several patches of land in the names of different poor tribals and non-tribals who are actually dependent on him as tenants or farm servants.

There are some cases of non-tribal landlords who own thousands of acres of fertile land in the scheduled areas. Some of the lands owned by these big landlords are within the command area of well developed irrigation systems. The moment the ban is lifted on the transfer of lands to non-tribals, there will be a flood of non-tribal immigrants trying to buy up the lands in the scheduled areas. The land values would sore, and even tribals will be tempted to sell away the remnants of their holdings. If the vested interests can now persuade the government to change Regulation I of 1970 so as to permit free sale of land among non-tribals, they need only just a little more time to push the government further and secure further liberalisation of laws so as to enable them even to purchase the lands of tribals. Of course, always there will be a handy humanitarian argument that the poor peasants have to sell their lands to meet their pressing needs. This is the actual game and even if a minor amendment is now made, it will serve as the thin end of the wedge.

Another mysterious operation which is going on in the name of development activity refers to the land survey and settlement. While one wing of the government is trying to investigate and establish the legality of land held by the non-tribals, the survey and settlement staff are trying to confer pattas on the basis of present occupancy. Elementary wisdom requires that the settlement operations should wait until the legality of possessions under the regulation of 1970 is established beyond doubt in all cases of non-tribal holdings.

Role of Tribal Advisory Council

Hand in glove with the vested interests, the government of Andhra Pradesh has been understandably impatient to do a good turn to the Telugu region by erasing the very category of tribal area from its map. There was one procedural hurdle in their way, that is, securing the concurrence of the Tribal Advisory Council (TAC) which is a prerequisite for any legislation affecting the scheduled areas as per the Fifth Schedule of our Constitution. The restlessness of the government until it achieved this objective could be gauged by the fact that the TAC was convened five times between December 1987 and December 1988, while the average frequency of its meetings was only once a year previously. In the first four meetings, the TAC could not force itself to agree with the government's proposal. At the fourth meeting held on March 29, 1988, the TAC made what appeared to be a big concession in recommending that in the case of non-tribals having to dispose of their lands, under unavoidable necessity, the government may purchase them at the market value (as distinguished from what is prescribed under the land ceiling act). But this did not satisfy the vested interests or their instrument, the government. Decisive pressure was brought to bear on the TAC by the chief minister by convening a meeting of the floor leaders of all the parties on April 9, 1988 and obtaining their approval for the repeal of Regulation I of 1970. (Later on a spokesman of the CPI(M), Balagangadhara Rao, gave a statement to the effect that his party did not support the repeal of the regulation but had only suggested a minor amendment to the effect that small peasants among the non-tribals living in scheduled areas may not be evicted.) Following some criticism in newspapers and journals and more importantly, the judgment of the Supreme Court delivered on July 14, 1988, upholding the regulation of 1970, the government held its hand for a while. A few paragraphs from the judgment of the Supreme Court are worth quoting in this context.

> With the advent of the non-tribals in the late 19th century and early 20th century, the lands changed hands from tribals to non-tribals. This change of ownership was a result of exploitation arising: (1) in the context of moneylending operations, and (2) in the context of dubious and unconscionable dealings in the course of trade. A legislation which in essence and substance aims at restoration to the tribals of the lands which originally belonged to the tribals but which passed into the hands of non-tribals in the aforesaid background certainly can't be characterised as unreasonable.
>
> In the first place should lessons not be drawn from past experience to plug the loopholes and prevent future recourse to devices to flout the law? The community cannot shut its eyes to the fact that the competition between the tribals and the non-tribals partakes of the character of a race between a handicapped one-legged person and an able-bodied two-legged person. True, transfer by non-tribals to non-tribals would not diminish the pool. It would maintain *status quo.* But is it sufficient or fair enough to freeze the exploitative deprivation of the tribals and thereby legalise and perpetuate the past wrong instead of effacing the same? As a matter of fact it would be unjust, unfair and highly unreasonable merely to freeze the situation instead of reversing the injustice and restoring the *status quo ante.*

There was a deceptive lull for about eight months, after which the government struck again with renewed determination, and wrested the concurrence of the TAC for the repeal of Regulation I of 1970 on

December 23, 1988. What exactly happened at the meeting of the TAC on that fateful day is a matter of controversy. According to the magazine, *Sunday*, (March 12-18, 1989), of the 12 tribal MLAs, six were not present at the meeting and among those who were present, three did not support the government's proposal. [These three were said to belong to the Congress, CPI(M) and CPI(ML)]. Three official members are reported to have spoken against the repeal of the regulation. In that case, the government proposal could not be said to have been endorsed by the TAC. There are also other versions of the proceedings on that day. One version is that when an MLA agreed to support a minor amendment but not total repeal of the regulation he was wrongly counted as a supporter of the government proposal. My own understanding is that there were 10 tribal MLAs present at the meeting of the TAC, barring the minister for tribal welfare. Of them, three were from the plains, that is, those who do not represent the scheduled areas and who are not affected by the laws applicable to those areas. Among the remaining seven who represented the scheduled areas, four gave their assent for the repeal of the regulation of 1970. Two opposed the proposal while another was in favour of a minor amendment and not wholesale repeal of the regulation. Four official members spoke against the repeal of the regulation. In that case, it would be wrong to conclude that the TAC clearly endorsed the proposal to repeal Regulation I of 1970. It was not clear whether a formal vote was taken or an assumed consensus was recorded. How even a few tribal representatives could support such a proposal is an altogether different story which highlights the tragic process by which the traditional morality of the tribals is traduced and the immorality of present day politics is transplanted among them.

FIFTH SCHEDULE AND GOVERNOR'S DUTIES

Besides questions of morality and the niceties of voting, there are serious issues of law bearing on the composition and functions of the TAC. The provisions regarding the TAC are adumbrated in the Fifth Schedule of our constitution. Article 4 (2) of Part A of this schedule reads as follows: "It shall be the duty of the TAC to advise on such matters pertaining to the welfare and advancement of the scheduled tribals in the state as may be referred to them by the governor." One should underscore the words 'welfare and advancement of scheduled tribes' in this clause. The proposal to repeal the regulation of 1970 can, by no stretch of imagination, be interpreted to pertain to the welfare and advancement of the scheduled tribes. How could the TAC be called upon to advise on a measure which in effect is meant to advance the cause of non-tribals? How could the Tribal Advisory Council become a non-tribal welfare council and how could the tribal representatives become the champions of the non-tribals?

A more basic question is whether the meeting was convened by the governor as prescribed in the Fifth Schedule of the constitution. It should be noted in this context that while, as far as the larger part of the state is concerned, the governor is supposed to be guided by the council of ministers, in regard to the scheduled areas, the Fifth Schedule of the constitution confers special powers on the governor which are discretionary and independent of the advise of the ministry. Clause 4(3) of Part A of the Fifth Schedule states that the governor shall make rules regarding the constitution and procedures of the TAC. According to the previous clause, it is the governor who can refer any matter to the TAC for advice regarding the welfare and advancement of tribes. As a matter of fact, some years back it was the governor who presided over the meetings of the TAC. Somehow this constitutional obligation of the governor came to be informally delegated to the ministry.

That the governor has discretionary powers, independent of the ministry in performing the functions specified in the Fifth Schedule is categorically expressed in Clause 5(1) of Part A which reads as follows: "Notwithstanding anything in this constitution, the governor may by public notification direct that any particular act of parliament or of legislature of the state shall not apply to a scheduled area or any part thereof in the state, or shall apply to a scheduled area or any part thereof in the state subject to such exceptions and modification as he may specify in the notification, and any direction given under this special paragraph may be given so as to have retrospective effect." The special position of the governor in respect of the scheduled areas becomes more clear when we look back at the excluded and partially excluded areas in the 1935 Act, which provided the model for the Fifth Schedule of our constitution. One of the clauses in the Instrument of Instructions to the Governor dealing with his special responsibilities in regard to the weaker sections of those areas, reads: "He should normally be guided by his ministers, unless in his opinion so to be guided would be inconsistent with his special responsibilities and with the proper discharge of any functions which he is otherwise, under the act, required to exercise in his individual judgment."

So here is a case where the governor allowed the ministry to usurp his discretionary powers. Even assuming for the sake of argument that the intentions of the governor and the ministry are one and the same on this issue, still constitutional formalities cannot be replaced by consensual informalities. What is more impor-

tant is that the governor and the ministry should have carefully assessed the consequences of intended action.

Confusion and Chaos

The acts of commission and omission committed by the Andhra Pradesh ministry have created utter confusion with the possibility of disturbing the peace in the scheduled areas. The prevailing situation warrants that the governor should be called upon to send a report to the centre as per Clause 3 of Part A of the Fifth Schedule which says: "The governor of the state having scheduled areas shall annually or when required by the president, make a report to the president regarding the administration of the scheduled areas in the state, and the executive power of the union shall extend to the giving of direction to the state as to the administration of the said areas." Following the meeting of the TAC on December 23, 1988, the chief minister gave a statement that the regulation of 1970 should be deemed to have been repealed. The legal absurdity of a deemed repeal of a regulation without an ordinance or an act of the legislature is too patent to need any comment. What is of material importance in this context is the message it is expected to convey to the administrators and the citizens of the scheduled areas.

Here is a situation where the government is contriving to achieve without going through the trouble of legislative action what under the constitution cannot be achieved otherwise. It may be added that this bizarre situation had its origin in a small measure in an executive order passed in 1979. It has been allowed to continue in spite of the corrective administered by the high court. In 1979 the government of Andhra Pradesh passed an order directing the officers not to evict the non-tribals from the lands unlawfully occupied by them in the scheduled areas, if the extent of their possession was less than 5 acres of wet land or 10 acres of dry land. The high court struck down that order with strictures. But from that time until now succeeding governments have not found it fit to formally repeal the order. All that was done was to inform the officers concerned of the high court judgment which left the situation vague and uncertain. Now to add to it, the chief minister has publicly stated on January 24 that the regulation of 1970 should be deemed to have been repealed. In his view, obviously, a *de facto* repeal of an act of legislature occurred the moment he uttered it, whatever might be the position *de jure*. The force of this make-believe performance could be seen from the way it prompted the Hyderabad columnist of *The Hindu* to write an article in which he stated, in no uncertain terms, that the regulation had been repealed (*The Hindu*, February 3, 1989).

What import does this have for the administration in the scheduled areas? The officers who are supposed to enforce the operational provisions of Regulation I of 1970 such as investigation into legalities of land ownership and eviction of unlawful occupants are obviously feeling perplexed. The non-tribal landholders are openly telling the officers that their efforts to investigate and evict them would be in vain as their possessions are going to be regularised with retrospective effect. At a place called Mulug in the Warangal district, an officer who served notices on non-tribals was assaulted recently. A few weeks back the project officer of the Integrated Tribal Development Agency at Utnoor was accused of going against the views of the government because he wanted to strictly enforce the existing regulations. He had to publicly explain his stand that as long as there was a law, it was his duty to administer it. The crux of the matter is that there is ever so much more to be done if the objective of Regulation I of 1970 is to be achieved. The magnitude of the problem can be judged by the fact that while 39,044 cases of non-tribal occupation of lands in the scheduled areas had been detected by February 1983, the number had gone up to 54,101 by September 1988. This problem needs vigorous action. But it is this very process that is being indirectly balked by the officially contrived impasse.

The confusion and chaos that is now being witnessed in the administration of the scheduled areas of Andhra Pradesh should be enough cause for the governor to initiate discretionary action in accordance with the provisions of the Fifth Schedule. The governor should consider taking the following steps immediately: (1) To reconstitute the statutory TAC so that it includes only representatives of the scheduled areas because the TAC has a constitutional nexus only with the scheduled areas. (There can be another informal advisory body for the scattered tribes.) (2) To convene and preside over the reconstituted TAC and ascertain its views on matters relating to the welfare and advancement of the tribals and not the welfare and advancement of non-tribals. (3) To send a report to the president on the situation prevailing in the scheduled areas as a consequence of the ministry's efforts to repeal the protective laws and ask for necessary directive from the Union to the chief minister not to repeal the Regulation I of 1970 and on the other hand to instruct the officers not to grant new pattas to non-tribals in scheduled areas until investigations under Regulation I of 1970 are completed. (4) To be prepared in the last resort to declare under Clause 5(1) of the Fifth Schedule that any retrogressive legislation, if enacted by the legislature, will not be applicable to the scheduled areas.

If the ministry continues to be adamant and initiates retrogressive legislation and if the governor is unable to act promptly and ward off the danger, should the country watch the tragedy helplessly and be a dumb witness to the unceremonial burial of the Directive Principles and the Fifth Schedule of the constitution? What do life, liberty and freedom from external exploitation, and educational and economic advancement guaranteed by Article 46 mean for the tribals of Andhra Pradesh? If the Fifth Schedule cannot come to the rescue of the tribals in Andhra Pradesh, then everyone interested in tribal welfare should plead, in the name of the Sixth Schedule, for the constitution of autonomous district councils in the hilly tracts of tribal concentration within the state. The scheduled areas of Andhra Pradesh have a population of about 21 lakh, of which about 13 lakh are tribals. There may be justification for redrawing the boundaries of scheduled areas here and there as some non-tribal leaders have pointed out. It will be better if the scheduled areas remain compact with majority tribal populations and have self-governance and autonomy of their own, without being swamped by a large number of exploitative non-tribals living in their midst.

The history of tribal development in north-eastern India indicates that remarkable achievements have been possible under a system of self-governance by the tribal people. One striking example is that of Arunachal Pradesh which had the lowest level of literacy in the country at the time of independence, but has now come to approximately the average literacy level for the whole country. In contrast, the tribes of Andhra Pradesh have a literacy level of 7.8 per cent, the lowest among the tribal population in any state in the country. Hence in the present circumstances, with the attitude of Andhra Pradesh ministry being what it is, there is no future for the tribals unless administrative autonomy is ensured for the scheduled areas. As for the rest of the tribals living in small pockets amdist the other population, their problems need to be dealt with on a different level. In any case the AP ministry, the governor and the union government should not, by their acts of commission and omission, drive the tribals to the desperate conclusion that only violent action can ward off their doom.

Britain's 'Ten-Year Itch' under Thatcher Administration

T V Sathyamurthy

The changes that are likely to follow the Tory debacle in the 1989 European election will almost certainly weaken the Thatcher government. Whether or not the Labour Party will be ready to take over will depend on its capacity to consolidate the gains already achieved and to put together a viable package aimed at undoing some of the major damages inflicted during ten years of purblind Toryism.

THE lady is still not for turning. But the political tide seems set for turning, at long last away from the Tories, though not yet decisively in the direction of a refurbished Labour. Already, prior to the local elections in May, the British economy was showing signs of geriatric fatigue caused mainly by the strains imposed upon the monetarist strategy of the government which had come to be focused on the essentially divergent ways of the prime minister under the influence of Sir Walter Allen on the one hand, and, on the other, her chancellor of the exchequer.

The differences between the prime minister and the chancellor go back to the weeks immediately following the presentation of the 1988-89 budget in parliament. A government which had ridden to power on the strength of the promise that it would keep inflation down even at the cost of rising unemployment had, within nine years in office, reached a stage at which it had shown itself to be unable to prevent a resurgence of inflation against a background of falling unemployment. The chancellor's approach to the mounting difficulties faced by the economy has rested on bringing the British economy more in line with the European Community, with the aim of integrating it with the European Monetary System as soon as practicable, thereby eliminating the need for a strong pound as a factor affecting the economy. The prime minister's attitude to the question of exchange rate, tactic of combating inflation by putting up the bank base rate and interest rates, and the vexed question of Britain joining EMS have been increasingly at odds with the chancellor's general approach to what he sees as the immediate problems confronting the economy.

Repeatedly papered over by statements from Margaret Thatcher unconvincingly defending Lawson, their differences have festered during the last twelve months or so as the economy has showed fewer and fewer signs of responding to the chancellor's nostrums applied in the face of the prime minister's scarcely concealed doubts about their rightness or efficacy. Inflation, the great enemy of the British economy, which the Tories claimed they alone knew how to defeat, is once again looming menacingly and defiantly on the political horizon.

It would appear that the prime minister's political instinct deserted her when she decided to embark upon a policy of striking a discordant note on the question of Britain's alignment with the rest of Europe in respect of the progress toward a united Europe leading up to the opening of the next big chapter of integration in 1992 under the provisions of the Single European Act. The differences between the pro-European elements in the Tory Party and the anti-Europeans led by the prime minister herself became more and more pronounced during the months leading up to the recent general election to the Strasbourg parliament. Over the months they have come to be lodged at the very heart of the cabinet itself, with the foreign secretary and the chancellor preferring a more co-operative stance on Britain's part towards European integration (at least the economic side of it, if not yet the political side involving such issues as 'no border checks'), in opposition to the prime minister's open hostility to what she derisively dismisses as the Brussels bureaucracy and socialism through the European backdoor. During the weeks prior to the European election, the prime minister was strident in her condemnation of the 'social charter' embodying the rights of workers which the new parliament is vigorously and enthusiastically poised to adopt.

In sharp contrast to the disarray in the Conservative Party over the government's policy on Europe (often obfuscated by the contradictory lines pursured in public by the prime minister and Heath, her Tory predecessor, into a personal conflict), the Labour Party has been able to overcome its earlier chauvinism and forge a united outlook on Europe and what needs to be done about it as Britain approaches 1992. It was only in November 1988 that Labour was still in the doldrums, apparently lacking a sense of direction and coherence of outlook, and shattered by the defeat that it suffered in the parliamentary by-election for Govan where victory was snatched from it by the Scottish Nationalists in one of the biggest electoral upsets of post-war history. Since then, the Labour Party has re-grouped itself into an effective opposition, partly by taking advantage of the increasingly beleaguered position in which the government is finding itself in relation to the economy, but mainly by putting together a far-reaching and comprehensive 'policy review' in the form of a set of policies embracing the sphere of government as a whole—from defence and foreign affairs to economic, welfare and European matters—effectively providing for the first time a credible challenge to the government's policies, by now somewhat ragged at the edges.

Political observers have been well placed to evaluate the impact on the electorate of these big changes under way in the strategies adopted by government and opposition through the results of the local elections in May and the European parliamentary election of June held simultaneously with the parliamentary by-elections to the Vauxhall (London) and Glasgow Central (Scotland) constituencies. Despite the fact that Labour's new policy has been arrived at by ditching the 'old consensus' between the left and the rest of the party in favour of 'pragmatic' policies reflecting 'reality' on the ground, there was a fear in the early stages of its public unveiling that it might misfire by being mistimed. In the event, however, the high risk strategy of labour presenting its new policy to the electorate in advance of, rather than after, the European election would appear to have paid off. For the first time in the ten years of Thatcher government, three successive electoral events, spread over a period of six weeks, have demonstrated that the new surge of support for Labour is holding and by the same token, opposition to the Tories shows every sign of intensifying rather than abating. Labour may well have installed itself in British politics during the Thatcher era as a credible alternative to the ruling party.

In both the by-elections, Labour has won convincing victories. Its performance at Glasgow Central, where the main rival was the Scottish National Party (SNP), has once again brought it to the centre of Scottish politics as the most reliable barometer of Scottish opinion on devolution within the national and European contexts. Despite a slight reduction in the proportion of total votes polled, labour was well ahead of SNP, leaving the Tories far behind. The ghost of Govan had thus been laid, at least for the foreseeable future. In Vauxhall, where the Labour

Party was at odds with the constituency organisation by imposing Kate Hoey as the candidate, an independent black labour candidate was rejected by the electorate. The Vauxhall victory against Tories and local dissidents alike, was of an even higher order than the victory at the Glasgow Central hustings.

If Labour's victories at the by-elections to relatively safe seats—overcoming minor minefields in the form of SNP's all out attack in Glasgow Central against both the main parties using as a major plank its plan to campaign against payment of the hated 'community charge' and against the aggrieved and defiant black sections of the constituency party in Vauxhall—was not a convincing enough proof of its resurgence, the results of the European elections demonstrated that labour's new political reach went beyond regional divisions and was fast extending to cover the country as a whole. It made solid gains not only in the hinterland of the north and in Scotland (where, except for Ewing of SNP, all the seats went to Labour), but also won surprising victories in the south and in the London area displacing Tories by large and convincing margins.

The Labour campaign contrasted sharply with the Conservative campaign both in style and in substance. It was entrusted to Bryan Gould, himself a latter-convert to the community, whose packaging of Labour policy in the 1987 general election had attracted much admiration even among the Tories. He orchestrated a powerful campaign urging the electorate that Britain's place was in Europe which it ought to enter without any moral reservation. Labour's support for the European 'social charter', entry into the European Monetary System (EMS), and systematic progress towards a single economic and political Europe, put the divided Tory Party on the defensive.

The fact that the prime minister herself led the 'anti-European' camp in the ruling party completely undermined the Conservative campaign. At the same time, the all but unseemly quarrel between neighbours on Downing Street, and the timing of the Spanish government's decision to take the peseta into EMS with effect from June 19 (thus leaving out only the Greek drachma, the Protuguese escudo and the British pound) highlighted Britain's isolation in a crucial sphere of European integration.

The shrillness with which Margaret Thatcher chose to arraign the 'Brussels bureaucracy', 'European socialism', and the 'social charter' had the effect of leaving Tory voters, already dissatisfied with her style of government, indifferent to the issues raised by her on the one hand and 'pro-European' Tories on the other, positively angry. Among Tory MEPs, several including Lord Plumb (the outgoing president of the parliament) openly opposed Margaret Thatcher's stand on Europe. All in all, the Tory campaign during the 1989 European parliamentary elections was in a shambles. The Tory election broadcast on the eve of the polls was widely regarded as revealing a positively menacing feature of the Thatcher government beating an enforced retreat from the citadel of power. By comparison with the substantial rift in the inner circles, the public spectacle of the prime minister and her Tory predecesor quarrelling like Kilkenny cats over Europe was a mere diversion. The leader of the opposition was in a position to derive maximum political advantage by turning the patriotic table on the prime minister and characterising her 'anti-British' in a many-nuanced sense of that epithet!

With a voter turn-out of 35-40 per cent (varying from region to region and constituency to constituency), Labour won 40.2 per cent of the total vote (over 6 million) against the Conservative Party's worst electoral performance during this century (and worst but one performance in the entire history of elections in the country) polling 34.1 per cent (5.2 million). Disgruntled Tory voters (especially in the south) either stayed away from the polls or cast their votes for the Green Party (rather than, as in the past, the Liberals or SDP), thus signalling that their disapproval of the regime stemmed as much from their disillusionment with its domestic as from its European policies. Whilst the bottom of the traditional centre in British politics was thus knocked out, the Green Party came of electoral age by winning the third place in the national count by polling 14.99 per cent of the total votes cast (2.3 million).

Britain's manifestly unfair 'first past the post' system (in contrast to the more robust variations of 'proportional representation' practised on the continent) produced the absurd result of the Greens not obtaining a single seat in the European parliament, thus taking the struggle for fair and equitable representation one step further even in this anomalous bourgeois parliamentary democratic system. In Scotland and in Wales, not a single Tory MEP was returned.

For the first time, too, the Tory Party has fallen short of being the party of the south, whilst it has failed to make any new gains in the north of England. With 45 MEPs returned to Strasbourg, Labour has gained 13 seats and is all set to play a substantial part in the socialist bloc of the parliament as well as in the coalition involving it and the Christian Democrats. With 32 seats (13 down from its previous strength), and with several European groups belonging to the centre-right coalition deserting the ship to join forces with the Christian Democrat-led group in the new parliament, the British Tory contingent in Strasbourg (along with a few stragglers such as the two solitary Danish Conservative MEPs) is doomed to present a sorry spectacle of a spent force witnessing changes which it can do nothing to stop.

The changes that are likely to follow the Tory debacle in the 1989 European election will almost certainly weaken the government. Short of a miracle, the road that Margaret Thatcher has taken can only lead to political oblivion. The invincible 'Iron Lady' is poised to lead her flock to its next electoral doom, this time in the national setting of a general election in 1991 or 1992. Whether or not the Labour Party will be ready to take over will depend on the capacity that it brings to the task of consolidation of gains already achieved and of putting together a viable policy package aimed at undoing some of the major damages inflicted during ten years of purblind Toryism of the worst kind that has plagued Britain during this century.

SPCL

SUMITRA PHARMACEUTICALS AND CHEMICALS (SPCL), incorporated in 1988, is promoted by Ramesh Jain, B D Jain and Suresh Kumar. SPCL is setting up a Bulk Drug Project to manufacture Ibuprofen and Mebendazole. SPCL has been licensed to manufacture 2,000 tonnes per annum of Ibuprofen and 500 tonnes per annum of Mebendazole. Initially, the plant is being set up to produce 300 tonnes/annum of Ibuprofen and 50 tonnes/annum of Mebendazole in Medak district of Andhra Pradesh, a notified central backward area. The technical know-how and detailed engineering for the project will be provided by Threelinga Technical and Management Consultants.

The project cost has been estimated at Rs 615 lakh and is proposed to be financed as follows: Equity: promoters—Rs 107 lakh, public—Rs 308 lakh; term loans—Rs 200 lakh. The project has been appraised jointly by SBI Capital Markets and State Bank of Hyderabad. The company has received the Controller of Capital Issues consent for the proposed public issue, with a reservation for preferential allotment to: non-resident Indians and persons of Indian origin residing abroad on repatriation basis—Rs 123.20 lakh, SBI Capital Market—Rs 20.00 lakh, and employees (including Indian working directors/workers of the company—5 per cent of the total issue.

THE MITSUI BANK LIMITED

(INCORPORATED IN JAPAN WITH LIMITED LIABILITY)

BALANCE SHEET OF BOMBAY BRANCH AS AT 31ST MARCH, 1989

As at 31st December, 1987 Rs. P.	CAPITAL AND LIABILITIES	Rs. P.	As at 31st March, 1989 Rs. P.
	1. Capital Deposited with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949.		
	1) 6¾ % I.C.I.C.I. Bonds 1999 of the face value of Rs. 15,00,000/- included in investment as per contra.		
	2) 6¾ % I.C.I.C.I. Bonds 2000 of the face value of Rs. 20,00,000/- included in investment as per contra.		
	3) 8¾ % I.C.I.C.I. Bonds 2000 of the face value of Rs. 10,00,000/- included in investment as per contra.		
	4) 7½ % I.C.I.C.I. Bonds 1998 of the face value of Rs. 10,00,000/- included in investment as per contra.		
	5) 6½ % I.C.I.C.I. Bonds 1999 of the face value of Rs. 10,00,000/- included in investment as per contra.		
	6) 7¼ % I.C.I.C.I. Bonds 2001 of the face value of Rs. 10,00,000/- included in investment as per contra.		
–	**2. Reserve Fund and Other Reserves:**		22,04,851.07
	3. Deposits and Other Accounts:		
	Fixed Deposits		
75,00,000.00	From Banks	–	
6,68,01,579.84	From others	5,99,72,827.99	
3,62,17,819.88	Savings Bank Deposits	3,35,16,338.49	
	Current Accounts, Contingency Accounts etc.		
2,13,410.71	From Banks	27,256.51	
5,05,65,904.41	From others	6,61,39,602.90	
16,12,98,714.84			15,96,56,025.89
	4. Borrowings from Other Banking Companies, Agents etc. (Secured)		
5,22,52,025.14	(i) In India	21,00,78,162.44	
–	(ii) Outside India	–	
5,22,52,025.14			21,00,78,162.44
29,72,073.66	**5. Bills Payable**		62,60,357.92
21,65,22,813.64	Carried Forward		37,81,99,387.32

As at 31st December, 1987 Rs. P.	PROPERTY AND ASSETS	Rs. P.	As at 31st March, 1989 Rs. P.
1,74,68,966.76	**1. Cash** In hand and with Reserve Bank of India and State Bank of India (including foreign currency notes)		5,14,13,511.83
	2. Balances with Other Banks		
–	(i) In India	4,28,203.79	
9,62,558.65	(ii) Outside India	2,11,959.10	
9,62,558.65			6,40,162.89
–	**3. Money at Call and Short Notice**		
	4. Investments (At Cost)		
3,90,17,250.00	Securities of the Central and State Governments and other Trustee securities, including Treasury Bills of the Central and State Governments	6,24,84,952.00	
17,47,500.00	Shares fully paid up equity shares	21,07,500.00	
3,52,12,500.00	Debentures and Bonds	4,32,12,500.00	
7,59,77,250.00			10,78,04,952.00
	5. Advances (Other than bad and doubtful debts for which provision has been made to the satisfaction of the auditors)		
	I. Loans, Cash Credits, Overdrafts, etc.		
10,78,55,903.27	(i) In India	17,20,54,440.62	
–	(ii) Outside India	–	
	II. Bills discounted and purchased (excluding Treasury Bills of the Central and State Governments)		
2,31,61,487.15	(i) Payable in India	6,44,95,940.27	
56,35,373.08	(ii) Payable outside India	31,92,520.78	
13,66,52,763.50			23,97,42,901.67
	Note: Particulars of Advances as per Schedule 'A' annexed.		
	6. Bills Receivable being Bills for Collection As Per Contra		
17,46,339.21	(i) Payable in India	3,76,208.33	
53,94,316.59	(ii) Payable Outside India	1,52,13,490.37	
71,40,655.80			1,55,89,698.70
23,82,02,194.71	Carried Forward		41,51,91,227.09

THE MITSUI BANK LIMITED

(INCORPORATED IN JAPAN WITH LIMITED LIABILITY)

BALANCE SHEET OF BOMBAY BRANCH AS AT 31ST MARCH 1989

As at 31st December, 1987 Rs. P.	CAPITAL AND LIABILITIES	Rs. P.	As at 31st March, 1989 Rs. P.
21,65,22,813.64	Brought Forward		37,81,99,397.32
	6. Bills for Collection being Bills Receivable As Per Contra		
17,46,339 21	(i) Payable in India	3,76,208.33	
53,94,316.59	(ii) Payable outside India	1,52,13,490.37	
71,40,655.80			1,55,89,698.70
	7. Other Liabilities		
12,06,299.02	Head office, Branches and Agencies outside India	4,90,45,190.02	
9,531.00	Provision for Gratuity	—	
66,05,420.23	Other Liabilities	70,83,274.81	
78,21,250.25			5,61,28,464.83
13,12,44,842.76	**8. Acceptances, Endorsements and Other Obligations As Per Contra**		24,25,69,468.73
	9. Profit and Loss		
1,46,69,941.90	Profits as per last balance sheet	1,83,18,732.44	
—	*Less*: Appropriations	—	
1,46,69,941.90		1,83,18,732.44	
36,48,790.54	*Add*: Profit for the year brought from the Profit and Loss Account	88,19,404.27	
1,83,18,732.44			2,71,38,136.71
	10. Contingent Liabilities		
1,12,56,431.58	(i) On outstanding forward exchange contracts.	13,07,55,248.20	
7,06,66,818.71	(ii) On Guarantees issued on behalf of constituents	11,43,25,967.26	
—	(iii) On partly paid shares	—	
4,50,00,000.00	(iv) Our Bills Rediscounted	4,50,00,000.00	
38,10,48,294.89	TOTAL Rs.		71,96,25,166.29

As at 31st December, 1987 Rs. P.	PROPERTY AND ASSETS	Rs. P.	As at 31s March, 198 Rs. P
23,82,02,194.71	Brought Forward		41,51,91,227.0
13,12,44,842.76	**7. Constituents' Liabilities for Acceptances, Endorsements, and Other Obligations As Per Contra**		24,25,69,468.7
—	**8. Premises Less: Depreciation**		—
	9. Furniture and Fixtures etc. Original Cost		
36,69,921.73	Balance as per last Balance Sheet	43,39,479.73	
6,69,558.00	*Add*: Additions during the year	2,88,465.40	
43,39,479.73		46,27,945.13	
—	*Less*: Sales and adjustments	3,41,313,13	
43,39,479.73		42,86,632.00	
28,22,386.93	*Less*: Depreciation written off (including adjustments) to date	31,71,323.15	
15,17,092.80			11,15,308.8
	10. Other Assets		
7,07,255.86	Prepaid Expenses	4,91,438.37	
20,04,134.95	Interest Accrued on Investments	25,53,633.06	
16,63,699.95	Interest, Exchange Difference, etc. Receivable	40,80,606.88	
24,22,783.86	Head Office, Branches and Agencies Outside India	16,68,991.06	
32,86,290.00	Deposits	39,16,681.25	
—	Construction in Progress	4,80,37,811.00	
1,00,84,164.62			6,07,49,161.62
38,10,48,294.89	TOTAL Rs.		71,96,25,166.29

NOTES: As per Schedule 'B' annexed.

As Per Our Report of Even Date

For S. B. BILLIMORIA & CO.
Chartered Accountants

Sd/-
(Y.H. MALEGAM)
Partner

For THE MITSUI BANK LTD.

Sd/-
(K. NAKANO)
General Manager and Chief Executive Officer in India

Bombay, 27th June, 1989.

THE MITSUI BANK LIMITED

(INCORPORATED IN JAPAN WITH LIMITED LIABILITY)

PROFIT AND LOSS ACCOUNT OF BOMBAY BRANCH FOR THE 15 MONTH PERIOD ENDED 31ST MARCH, 1989

12 months ended 31-12-1987 Rs. P.	EXPENDITURE	15 months ended 31-3-1989 Rs. P.	12 months ended 31-12-1987 Rs. P.	INCOME (Less Provisions made during the period for bad and doubtful debts and other usual or necessary provisions)	15 months ended 31-3-1989 Rs. P.
2,26,62,450.49	Interest paid on deposits, borrowings, etc.	3,53,25,701.72	2,94,65,232.09	Interest and Discount	4,78,07,630.79
49,67,359.41	Salaries, allowances, gratuity & provident fund (including Bonus paid Rs. 51,702.22 for the previous year)	65,09,789.75	58,51,623.03	Commission, Exchange and Brokerage	1,13,44,096.62
			—	Rent	—
9,000.00	Directors and local committee members' fees and allowances	10,500.00	—	Net Profit on sale of Investments, Gold & Silver, Land, Premises and Other Assets (not credited to Reserve or any Particular Fund or Account)	—
6,70,946.09	Rent Taxes, Insurance, Lighting, etc.	11,66,524.36			
9,005.00	Law Charges	1,68,434.65			
6,78,931.76	Postage, Telegrams and Stamps	14,26,420.84	—	Net Profit on revaluation of Investments, Gold and Silver, Land, Premises, and Other Assets (not credited to Reserve or any Particular Fund or Account)	—
30,000.00	Auditors' Fees	37,500.00	—	Income from Non-Banking Assets, and Profit from sale of or dealing with such Assets	—
8,15,127.72	Depreciation on & repairs to Banking Company's Property	8,18,326.64	6,143.19	Other receipts	3,467.00
				Net Loss	
2,45,678.22	Stationery, Printing, Advertising etc.	2,97,953.68			
—	Loss on Sale of or dealing with Non-Banking Assets	—			
15,85,709.08	Other Expenditure	23,69,787.43			
—	Loss on Revaluation of Investments	—			
—	Provision for Statutory Reserves	22,04,851.07			
36,48,790.54	Net Profit	88,19,404.27			
3,53,22,998.31	TOTAL RUPEES	5,91,55,194.41	3,53,22,998.31	TOTAL RUPEES	5,91,55,194.41

Notes Forming Part of the Accounts for the 15 Month Period ended March 31, 1989

Particulars of remuneration relating to the Bank's General Manager and Chief Executive Officer in India.

1,82,580.00	Salary	2,48,910.00
35,400.00	Allowance	49,440.00
—	Bonus	—
—	Employer's contribution to Provident Fund or any other funds	—
31,293.26	Monetary value of perquisites	38,003.02
2,49,273.26		3,36,353.02

Schedule 'B'

1. **Basis of accounting:**
The foregoing financial statements have been prepared in conformity with generally accepted accounting principles and conform with the practices within the banking industry.

2. **Head Office administrative expenses:**
The head office administrative expenses have not been debited to the profit and loss account but the bank proposes to claim the same for tax purposes.

3. **Investments:**
Investments are valued at cost. The total market value of quoted investments exceeds the cost.

4. **General:**
(a) Previous year's figures have been regrouped where necessary.
(b) Previous year's figures are not comparable as the financial statements are prepared for a period of 15 months due to amendment to the Banking Regulations Act, 1949.

5. The Income tax department has preferred appeals to the higher appellate authorities against the appellate orders in favour of the bank. The contingent liability on this account is estimated at Rs. 95.45 lakhs.

As Per Our Report of Even Date.

For S.B. BILLIMORIA & CO.
Chartered Accountants

Sd/-
(Y. H. MALEGAM)
Partner

For THE MITSUI BANK LTD

Sd/-
(K. NAKANO)
General Manager and
Chief Executive Officer in India

Bombay, 27th June, 1989

THE MITSUI BANK LIMITED

(INCORPORATED IN JAPAN WITH LIMITED LIABILITY)

SCHEDULE 'A

Schedule of Particulars of Advances required by the Banking Regulation Act, 1949 (Act X of 1949) annexed to and forming part of the Balance Sheet as at 31st March, 1989

31st December, 1987 Rs P.	PARTICULARS	31st March, 1989 Rs. P.	31st December, 1987 Rs. P.	PARTICULARS	31st March, 1989 Rs. P.
8,78,57,671.72	1. Debts considered good in respect of which the banking company is fully secured	18,13,15,606.00	6,50,295.00	5. Debts due by Directors or Officers of the banking company or any of them either severally or jointly with any other persons	10,09,180.00
1,73,83,287.84	2. Debts considered good for which the banking company holds no other security than the debtors' personal security	1,97,11,639.04	NIL	6. Debts due by companies or firms in which the directors of the banking company are interested as directors, partners or managing agents, or, in the case of private companies, as members	NIL
3,14,11,803.94	3. Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	3,87,15,656.63	6,53,675.00	7. Maximum total amount of advances including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either severally or jointly with any other persons	10,86,695.00
NIL	4. Debts considered doubtful or bad not provided for	NIL	NIL	8. Maximum total amount of advances, including temporary advances granted during the year to companies or firms in which the directors of the banking company are interested as directors, partners, or in the case of private companies as members	NIL
			NIL	9. Due from banking companies	NIL
13,66,52,763.50	TOTAL	23,97,42,901.67			

Auditors' Report

We have audited the Balance Sheet of the Bombay Branch of The Mitsui Bank Limited as at 31st March, 1989, signed by us under reference to this report, and the relative Profit and Loss Account of the Bombay Branch of the Bank for the fifteen months ended on that date with the books of account maintained and produced to us at Bombay.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account, together with the notes thereon are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956. The accounts are therefore drawn up in conformity with Form 'A' and 'B' of the Third Schedule to the Banking Regulation Act, 1949.

We report that:-

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and found them to be satisfactory;

(b) the transactions which have come to our notice have been, in our opinion, within the powers of the Bombay Branch of the Bank;

(c) in our opinion, proper books of account as required by law have been kept by the Bombay Branch so far as it appears from our examination of those books;

(d) the abovementioned Balance Sheet and Profit and Loss Account of the Bombay Branch of the Bank dealt with by this report are in agreement with the books of account;

(e) in our opinion, and to the best of our information and according to the explanations given to us, the accounts together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required for Banking Companies, and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Bombay Branch of the Bank as at March 31, 1989 and the Profit and Loss Account gives a true and fair view of the profit of the Bombay Branch for the fifteen months ended on that date.

For S.B.BILLIMORIA & CO
Chartered Accountants
(Sd/-)
(Y. H. MALEGAM)
Partner

Bombay: 27th June, 1989

بنــك ابوظبــي التجــاري المحــدود
Abu Dhabi Commercial Bank Limited

تـاسس بـدولـة الامـارات العربيه المتحده بمسؤوليه محدوده
Incorporated in the United Arab Emirates with Limited Liability.

BOMBAY BRANCH
BALANCE SHEET AS AT 31ST MARCH, 1989

31.12.1987	CAPITAL AND LIABILITIES		31.3. 1989 Rs.	Rs.
	1. Capital (Abu Dhabi Head Office)			
	Amount deposited with Reserve Bank of India under section 11(2) of the Banking Regulation Act 1949 (In			
3,100,000	Approved Securities)		3,100,000	
	2. Reserve Fund and Other Reserves			
	Reserve Fund as per last			
1,391,313	Balance Sheet		1,579,814	
188,501	Additions made during the year		632,238	
1,579,814			2,212,052	
	Other Reserves			
	Other Reserves as per last			
563,062	Balance Sheet		563,062	
Nil	Additions made during the year		192,108	
563,062			755,170	
2,142,876				2,967,222
	3. Deposits and Other Accounts			
	Fixed Deposits:			
10,000,000	(i) From Banks	Nil		
79,438,043	(ii) From Others	190,295,264		
89,438,043			190,295,264	
	Savings Bank Deposits			
Nil	(i) From Banks	Nil		
11,226,385	(ii) From Others	13,757,039		
11,226,385			13,757,039	

31.12.1987	PROPERTY AND ASSETS		31.3. 1989 Rs.	Rs.
	1. Cash			
	In hand and with Reserve Bank of India and State Bank of India			
9,795,973	(including foreign currency notes)			41,178,328
	2. Balance with other Banks			
	On current account			
18,445,749	(i) In India	21,433,068		
2,556,620	(ii) Outside India	576,759		
21,002,369			22,009,827	
	On Deposit Account			
Nil	(i) In India	Nil		
Nil	(ii) Outside India	Nil		
			Nil	
21,002,369				22,009,827
22,500,000	**3. Money at call and short notice**			Nil
	4. Investments (At cost)			
	(i) Securities of the Central and State Governments and other Trustee			
19,448,775	securities including Treasury Bills		44,417,275	
500	(ii) Shares		Nil	
	(iii) Debentures or Bonds (Approved			
23,955,000	Securities)		23,000,000	
43,404,275			67,417,275	
430,000	(iv) Other Investments		530,000	
Nil	(v) Gold		Nil	
43,834,275				67,947,275
	5. Advances			
	(Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)			
	(I) Loans, Cash Credits, Overdrafts etc			
[illegible]	(i) In India	33,048,918		

Previous year	Particulars			
	Accounts etc			
622,369	(i) From Banks	1,771,329		
94,344,770	(ii) From Others	87,448,914		
94,967,139			89,220,243	
195,631,567				293,272,546
	4. Borrowings from other Banking Companies, Agents etc.			
Nil	(i) In India		Nil	
Nil	(ii) Outside India		Nil	
Nil			Nil	
	Particulars			
Nil	(i) Secured		Nil	
Nil	(ii) Unsecured		Nil	
21,431,569	**5. Bills payable**			44,795,856
	6. Bills for collection being bills receivable as per contra			
735,069	(i) Payable in India		8,211,462	
3,143,472	(ii) Payable outside India		13,804,591	
3,878,541				22,016,053
	7. Other Liabilities			
	Branch Adjustment			
20,622,434	Abu Dhabi (Head Office)		20,879,017	
Nil	Unclaimed Dividend		Nil	
1,532,057	Rebate on bills discounted		5,416,174	
22,154,491				26,295,191
2,067,432	**8. Acceptances, Endorsements, and other obligations as per contra**			589,000
Nil	**9. Profit and Loss**			2,336,847
	10. Contingent Liabilities			
Nil	(i) Claims against the Bank not acknowledged as debts		Nil	
Nil	(ii) On Letters of Guarantee on behalf of Directors/Officers		Nil	
36,906,534	(iii) On Letters of Guarantee on behalf of constituents		38,753,168	
39,000,000	(iv) Liabilities on Bills of Exchange Rediscounted		70,000,000	
276,929,604	(v) Liabilities on account of outstanding forward exchange contract		480,303,622	
247,306,476	Carried forward			392,272,715

Previous year	Particulars			
	(Excluding Treasury Bills of the Central & State Government)			
82,689,773	(i) Payable in India	158,314,371		
513,453	(ii) Payable outside India	1,134,930		
83,203,226			159,449,301	
109,471,159			192,498,219	
	Particulars of Advances			
20,849,708	(i) Debts considered good in respect of which the Bank is fully secured		29,749,958	
5,971,180	(ii) Debts considered good for which the Bank holds no other security than the debtors' personal security		4,750,630	
82,650,271	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors.		157,997,631	
Nil	(iv) Debts considered doubtful		Nil	
109,471,159			192,498,219	
Nil	(v) Debts due by Directors or Officers of the Bank or any of them either severally or jointly with any other persons		Nil	
Nil	(vi) Debts due by companies or firms in which the Directors of the Bank are interested as Directors, Partners or Managing Agents or in the case of Private companies as members		Nil	
Nil	(vii) Maximum total amount of advances including temporary advances made at any time during the year to Directors or Managers or Officers of the Bank or any of them either severally or jointly with any other person		61,500	
Nil	(viii) Maximum total amount of advances including temporary advances granted during the year to the companies or firms in which the Directors of the Bank are interested as Directors, Partners or Managing agents or in the case of Private companies as members		Nil	
Nil	(ix) Due from Banking Companies		Nil	
	6. Bills receivable being bills for collection as per contra			
735,069	(i) Payable in India		8,211,462	
3,143,472	(ii) Payable outside India		13,804,591	
3,878,541				22,016,053
2,067,432	**7. Constituents Liabilities for Acceptances, Endorsements and Other Obligations per contra**			589,000
212,549,749	Carried forward			346,238,702

بنك ابوظبي التجاري المحدود
Abu Dhabi Commercial Bank Limited

تأسس بدولة الامارات العربيه المتحده بمسؤوليه محدوده
Incorporated in the United Arab Emirates with Limited Liability.

BOMBAY BRANCH
BALANCE SHEET AS AT 31ST MARCH, 1989

31.12.1987	CAPITAL & LIABILITIES	Rs.	31.3.1989 Rs.	31.12.1987	PROPERTY AND ASSETS	Rs.	31.3.1989 Rs.
247,306,476	Brought forward		392,272,715	212,549,749	Brought forward		346.238.702
					8. Premises		
				771,031	Cost as per last Balance Sheet	771,031	
				Nil	Add: Cost of Additions during the year	812,809	
				771,031		1,583,840	
				Nil	Less: Deduction during the year	647,750	
				771,031		936,090	
				258,249	Less: Amount written off to date for depreciation	268,337	
				512,782			667,753
					9. Furniture and Fixtures (Including Vehicles and Equipments)		
				4,730,492	Cost as per last Balance Sheet	5,222,325	
				505,643	Add: Additions made during the year	3,606,842	
				5,236,135		8,829,167	
				13,810	Less: Deductions during the year	158,181	
				5,222,325		8,670,986	
				3,624,664	Less: Amount written off to date for depreciation	4,830,513	
				1,597,661			3,840,473
					10. Other Assets		
				15,786,233	Branch Adjustments Abu Dhabi Head Office	15,786,233	
				943,443	Interest accrued on Investments	2,939,009	
				276,370	Interest paid in Advance	473,428	
				4,559,588	Income Tax deducted at Source	6,453,745	
				8,969,849	Income tax paid in advance	13,814,351	
				94,622	Suspense Receivable	93,913	
				2,816,179	Sundry Advances, Deposits, Stamps Stationery, Safe Deposit Boxes	1,965,108	
				25,669,608			41,525,787
					11. Non Banking Assets		
				Nil	Acquired in satisfaction of claims		Nil
				Nil	**12. Profit and Loss**		Nil
247,306,476	TOTAL		392,272,715	247,306,476	TOTAL		392.272.715

IN TERMS OF OUR ATTACHED REPORT OF EVEN DATE

For S.R. BATLIBOI & COMPANY
Chartered Accountants

NAWSHIR H. MIRZA
PARTNER

BOMBAY
DATED 28th JUNE 1989

For ABU DHABI COMMERCIAL BANK LIMITED
Bombay Branch

BOMBAY
DATED: 28th JUNE 1989

EBRAHIM ABDUL RAHMAN
CHIEF EXECUTIVE—INDIA

بنك ابوظبي التجاري المحدود

Abu Dhabi Commercial Bank Limited

تاسس بدولة الامارات العربيه المتحده بمسؤوليه محدوده

Incorporated in the United Arab Emirates with Limited Liability.

BOMBAY BRANCH

PARTICULARS OF INVESTMENTS ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 1989 EXCLUDING ITEM (iv)—OTHER INVESTMENTS

	31st March, 1989			31st December, 1987		
	Face Value	Market Value	Book Value (At cost)	Face Value	Market Value	Book Value (At cost)
A.1. 6% Government of India Loans 1988	—	—	—	2,000,000	1,962,000	1,976,000
2. 6.5% Government of India Loans 2005	100,000	57,000	92,000	100,000	63,950	92,000
3. 11.5% Government of India Loans 2015	12,378,000	12,427,512	12,349,275	7,378,000	7,341,110	7,380,775
4. 11.5% Government of India Loans 2006	10,000,000	10,200,000	10,000,000	10,000,000	10,145,000	10,000,000
5. 11.5% Government of India Loans 2008	22,000,000	22,000,000	21,976,000	—	—	—
B. Shares of Empire Guide Co-operative Housing Society Limited	—	—	—	500	500	500
C. Debentures & Bonds (unquoted)						
1. Bonds fully paid: 7.5% ICICI (2001) 4th Issue	—	—	—	9,000,000	8,955,000	8,955,000
2. Bonds fully paid: 7.75% ICICI (2002)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
3. Bonds fully paid: 8.75% ICICI (2001)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
4. Bonds fully paid: 11% ICICI (2001)	1,500,000	1,497,000	1,500,000	1,500,000	1,497,000	1,500,000
5. Bonds fully paid: 11% ICICI (2002)	5,000,000	4,990,000	5,000,000	5,000,000	4,990,000	5,000,000
6. Bonds fully paid: 11% IDBI (2002)	2,500,000	2,495,000	2,500,000	2,500,000	2,495,000	2,500,000
7. Bonds fully paid: 11.5% IDBI (2008)	5,000,000	5,020,000	5,000,000	—	—	—
8. Bonds fully paid: 11.5% IDBI (2009)	3,000,000	3,006,000	3,000,000	—	—	—
TOTAL	67,478,000	67,692,512	67,417,275	43,478,500	43,449,560	43,404,275

NOTES FORMING PART OF THE ACCOUNTS AS OF MARCH 31, 1989

1. There is a contingent liability for rent on the branch premises as at March 31, 1989 of Rs. 13.23 lakhs (net of tax of Rs. 24.57 lakhs), including Rs. 3.15 lakhs (net of tax of Rs. 5.85 lakhs) accrued during 1988-89. This liability would crystallise should the sale of the concerned premises to the bank not take place by February 29, 1994.

2. As per the bank's practice, the provision for bad and doubtful debts maintained at the Bombay Branch is debited to the Profit and Loss Account of the Head Office, except to the extent of the interest income credited to the Interest Suspense Account in the Bombay branch books.

3. Income tax disputed and in appeal aggregates to Rs. 75 lakhs. There is a further Rs. 71 lakhs income tax on similar items for those years where assessments are pending. Pending the outcome of appeal proceedings, the said sums have not been provided for.

4. The bank's policy is to account for Head Office charges in the branch's books when and to the extent Reserve Bank of India permits their remittance.

5. In computing market value of unquoted investments, book value of such investments has been taken into account.

6. Assets and liabilities in foreign currencies are converted at the rates prevailing as of March 31, 1989.

7. Figures of the previous year have been regrouped to the extent necessary. However, as the Profit and Loss Account for the current period is drawn up for fifteen months ended March 31, 1989 corresponding figures for the previous year ended December 31, 1987 are not wholly comparable.

For S.R. BATLIBOI & COMPANY
Chartered Accountants

NAWSHIR MIRZA
PARTNER

BOMBAY
DATED. 28th JUNE 1989

for ABU DHABI COMMERCIAL BANK LIMITED—Bombay Branch

EBRAHIM ABDUL RAHMAN
CHIEF EXECUTIVE—INDIA

بنــك ابوظبــي التجــاري المحــدود

Abu Dhabi Commercial Bank Limited

تأسس بدولة الامارات العربية المتحده بمسؤولية محدوده

Incorporated in the United Arab Emirates with Limited Liability.

BOMBAY BRANCH

AUDITORS' REPORT

AUDITORS' REPORT ON THE ACCOUNTS OF THE INDIAN BRANCH OF ABU DHABI COMMERCIAL BANK LIMITED UNDER SECTION 30 OF THE BANKING REGULATION ACT, 1949.

1. We have audited the attached Balance Sheet of the Indian Branch of Abu Dhabi Commercial Bank Limited, incorporated in Abu Dhabi, as at 31st March, 1989 and also the Profit and Loss Account annexed thereto for the fifteen months period ended on that date.

2. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with Section 211 of the Companies Act, 1956.

3. We report that:

(a) we have obtained all the information and explanations to the best of our knowledge and belief which were necessary for the purposes of our audit and have found them to be satisfactory;

(b) the transactions of the Indian Branch of the Bank, which have come to our notice, have been within their powers;

(c) in our opinion subject to non-provision of accruals vide paragraph 3(e) below, proper books of account as required by law have been kept by the Indian Branch of the Bank, so far as appears from our examination of the books;

(d) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;

(e) in our opinion and to the best of our information and according to the explanations given to us such Balance Sheet and Profit and Loss Account subject to note 1 regarding rent and note 3 regarding taxes, to the extent as stated therein, give the information required by the Companies Act, 1956, in the manner so required for Banking Companies and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Indian Branch of the Bank as at 31st March, 1989 and the Profit and Loss Account gives a true and fair view of the Profit of the Indian Branch of the Bank for the fifteen month period ended on that date.

For S.R. BATLIBOI & COMPANY
Chartered Accountants

Per NAWSHIR H. MIRZA
PARTNER

BOMBAY
DATED: 28th JUNE 1989

On Approaches to Apartheid

M S S Pandian

Race, Class and the Apartheid State by Harold Wolpe; James Currey, London, OAU, Addis Ababa and Unesco Press, Paris, 1988; pp 120.

THIS slender volume on the history of apartheid in South Africa proceeds with two objectives. First, it intends to develop a critique of the existing theoretical positions on the relationship between race and class and the nature of the political system in South Africa. Taking this critique as a point of departure, secondly, the book aims to analyse the post-1948 political formation in South Africa within a historical perspective.

The book is divided into five chapters. The first two chapters provide, through a review of literature, a detailed theoretical critique of the existing South African studies. In the third chapter, the author, informed by the shortcomings of the existing approaches, sets out his own perspective on apartheid. The last two chapters give a concrete analysis of the political formation in South Africa in the post-1948 period.

Theoretical Critique

The book begins with identifying and criticising three theoretical closures, which characterise the existing approaches to the South African political formation. These theoretical closures are: (1) over-emphasis on the historical continuity of apartheid (2) class and race reductionisms, and (3) over-emphasis on the description of political struggles.

The first theoretical closure, i e, the over-emphasis on the historical continuity of apartheid, is found in liberal, racist and black consciousness literature. Marxist literature on South Africa is also not totally free from this. According to Wolpe, this all-pervading approach reduces the whole history of South Africa to a single catch-all category of white domination and in that process fails to recognise and analyse the discontinuities in or the changing phases of South African political formation. In other words, it does not account for "[the] emerging tensions and contradictions within the social system and structural transformation of the 'space' in which conflicts are waged" (p 6).

The second theoretical closure, class and race reductionisms, treats class and national struggles as separate and distinct modes of political intervention. While the race reductionists treat politics as if it has nothing to do with the economy, the class reductionists "allow the political only insofar as it reflects economically determined interests". Criticising this separation of class and national struggles, the author shows that such a separation oversimplifies the political sphere and "makes it impossible to analyse the complex interaction of these struggles in the political arena" (p 15).

The last of the theoretical closures which the book analyses is the tendency to reduce analysis of politics to mere description of struggles. While Wolpe agrees that description of struggles is important, he notes that mere description of struggles delinks them from the wider structural contexts, which give rise to them. Thus this approach cannot even pose such central questions like how different structural contexts promote and constrain different forms of political struggle.

In pursuing his critique further, the author takes up, in chapter 2, the different conceptions of the economy, the state and politics found in South African studies for analysis. Here, Wolpe concentrates on the position of liberal modernisation theory on apartheid, the concept of 'colonialism of a specific type' which the African National Congress (ANC) believes in, and the concept of South African fascism. He also analyses the way in which the category of capitalist state is applied in South African studies.

The liberal modernisation theory argues that racism "originates, and is reproduced, outside the modern industrial or capitalist economy" (p 25) and thus it does not aid capitalism but is in contradiction with it. Granting an evolutionary role to capitalism, it believes that the advancement of capitalism will subvert racism which is based on irrational considerations unlike capitalism. But Wolpe aruges that racism can indeed serve the interests of capitalism in certain contexts by supplying cheap labour, etc, as is the case in South Africa. Further, he notes, the political implication of this approach is quite dangerous. It pleads for limited intervention against racism as it believes that the economy, left to itself, will, in its evolutionary advancement, obliterate racism.

According to the concept of 'colonialism of a specific type', "The colonial structure guarantees the superior position and dominance of the white bloc as a whole and with it the specific interests of the different classes within that bloc. Correspondingly, it reproduces the subordinate position of the black group and the different classes within it. Each class is, thus, riven by racial divisions and the fate of different classes, within each racial group, is tied to the maintenance or destruction of racial domination" (p 31). Thus in this approach, the anti-apartheid struggle is also a struggle against capitalism. Though Wolpe's sympathy lies with this approach, he aruges that the concept of 'colonialism of a specific type' is also flawed on certain counts. According to him, one cannot treat nationalist/anti-apartheid struggle as singularly anti-capitalist since different classes which are involved in the nationalist struggle give different content to the struggle and only one among them is anti-capitalism.

The concept of South African fascism connotes "a closing down of the space available for the organisation of struggle on the political terrain, to that extent it may lead, for example, to a struggle which emphasises the armed rather than other forms of illegal struggle" (p 40). There is substantial truth in this characterisation of South African political formation, especially for the period after the Sharpeville massacre in 1960. However, the believers in the concept of South African fascism, by over-emphasising the lack of legal space for political action, do not analyse the role of parliamentary and other independent centres of politics (like trade unions and educational institutions).

In a different manner, the existing studies on the character of the capitalist state in South Africa distort and oversimplify the terrain of politics. These studies, by treating state as a *unified* instrument serving the interests of the hegemonic class faction, fail to take into account "the contradictory and asymmetrical relations within the matrix of state organisations and institutions and the way in which these condition and are conditioned by struggles in the political terrain" (p 37).

Concrete Analysis

Based on this critique, Wolpe develops his own perspective in chapter three of the book. He argues, "If... it is accepted that classes are concretely formed even in the sphere of production, simultaneously through politics, economics and ideology, the race may well become the content, under specific conditions, of the class struggle" (p 52). He notes that such a position "opens the possibility that opposition to racial domination *may* lead to unite black people across class lines and, yet, specifically defined class interests may at the same time tend to divide them along class lines. Similarly, investment in white domination may tend to unite white people across class lines and yet, at the same time, specifically defined class interests may tend to divide them" (p 52).

From such a stance and by taking into account the changing nature and context of political struggles in South Africa, Wolpe periodises, in chapters four and five, the post-1948 political formation in South Africa into three phases: 1948 to 1960, 1960 to 1973, and 1973 to mid-1980s.

When the National Party came to power in 1948, there already existed "a range of

deeply-rooted extra-parliamentary, mass political [black people's] organisations which were in the process of radicalising themselves and an organised trade union movement". This was so despite white domination being a fact of life then. Moreover, the executive was under the control of the legislature and the judiciary enjoyed a certain degree of autonomy from both the executive and the legislature. This basically meant that certain legal space was available for the black people for political action. However, the National Party was in favour of the white farmers and the white workers. The interests of these two classes could be met by restricting the townward movement of the black labour from the countryside. This would force the black labour into white farms and reduce competition from them in the urban labour market.

Since legal space was available for the black people, any move from the state to benefit the whites at the expense of the blacks would draw protests. Given this context, the state enacted a series of laws between 1948 and 1960 to restrict the space available for the blacks for political action. It enacted Suppression of Communism Act and Public Safety Act. While it banned several black political organisations, it increased the power of the executive over the judiciary. Along with this, the state moved to restrict the influx of black labour into urban areas through labour bureaus and pass laws. The culmination of this process was the ruthless killing of 69 blacks at Sharpeville in March 1960 when they demonstrated against the pass laws.

During the second phase, i e, the period between 1960 and 1973, South Africa witnessed further erosion of the legal space for political action and a particular transformation of the economy which resulted in the restructuring of the political space for anti-apartheid action in the subsequent period. Following the Sharpeville massacre, the state assumed emergency powers and banned the African National Congress and the Pan-Africanist Congress. Under the Terrorism and Sabotage Act, the power of the police was increased enormously and the autonomy of the judiciary was drastically reduced. "The outcome of the state policies was not only the abolition of virtually all legal rights to extra-parliamentary political activity but, in addition, the substantial elimination of the organisations within this sphere by banning them and proscribing and imprisoning their activists" (p 70). ANC became an underground organisation and engaged itself in acts of sabotage, hoping to develop full-fledged armed resistance in future. In this context of forced political stability, the economy boomed. There was large-scale foreign investment in the manufacturing sector and the labour force in that sector increased by 63 per cent between 1960 and 1970. There was, despite state restrictions, large-scale townward migration of blacks during this period. As we shall see soon, these developments helped the anti-apartheid movement to restructure the existing political space to its own advantage.

During the third phase (from 1973 to mid-1980s), the parliamentary control over the executive was weakened still further and the role of military was intensified. With Botha's accession to power in 1978, the military took its place "not merely in the defence ministry and in the armed forces but in the president's council, in the state security council and in other departments of the state including economic planning" (p 80). But this destruction of political space for black protest was accompanied by the re-emergence and strengthening of the extra-parliamentary political terrain in South Africa. How did this happen?

The developments during the period 1960 to 1973 contributed towards this quite substantively. With the growth of manufacturing and capital intensification in that sector, there emerged a semi-skilled and stable black labour force in urban South Africa. Moreover, in an effort to confine the politics of this labour to shop-floor (i e, to cut them away from the national struggle), the South African state granted the registration of black trade unions in 1979. These two factors contributed to the proliferation of black trade unions and 5,00,000 workers belonging to various unions came together in 1985 and formed the Congress of South African Trade Unions (COSATU). COSATU supports the national liberation struggle. It became difficult to contain trade unions as a new terrain of politics because the white capital cannot easily replace a stabilised workforce with a high level of skill.

Again there was opposition against apartheid from a section of the white community itself, especially from the large-scale capital. Their interest is only too evident: "Given the limited availability of export markets, the growth of manufacturing depends heavily on the intensification and extensification of the home market which the labourforce provides. Clearly, the reproduction of cheap black labour and the extension and intensification of home market stands in contradiction to one another" (p 89). This again gave some political space for the black labour to agitate.

It is not only the black labour who retrieved legal space for political action during this period. With the destruction of legal space for political action during 1960 to 1973, several previously non-political black organisations—cultural, religious and sporting institutions—became politicised. This process of politicisation first took place discreetly in differnt organisations. In a significant step in 1983 700 such organisations with a membership of two million came together and formed the United Democratic Front. The expansion of education among the blacks during this period turned schools and universities as centres for the black consciousness movement.

With the re-emergence of the legal terrain of political protest and the division among the whites with a powerful section taking positions against the intensification of apartheid, the state introduced limited reforms to co-opt the black petit bourgeoisie and bourgeoisie. It created the subordinate state structure of bantustans which confined considerable number of blacks to bantustans and gave rise to a black bureaucratic bourgeoisie which ran the administration of these administrative units. The limited representation granted to the blacks through the Community Council Act 1977, Black Local Authorities Act 1982 and the Tricameral parliament of 1984 helped in co-opting the urban black petit bourgeoisie. Though these reforms meant to co-opt a section of the blacks have failed to stem the growing protest against apartheid, these are the reforms which give the Botha regime the image that it is a "regime of reform protected by the coercive apparatus of the state by contrast with previous governments which stressed only their repressive role in maintaining control over the black population" (p 93).

General Validity

The importance of this book lies not only in introducing one critically to the various theoretical approaches to apartheid and in deepening one's understanding of the South African political formation. The approaches which characterise the South African studies and analysed in the book are not confined to South African studies alone; but could be found as being employed extensively in analysing other political formations which have ethnicity or even caste as an important component. Nearer home, the abounding literature on Sri Lanka would vouch for this. In this sense, the theoretical critique which Wolpe develops in the book is of general interest. The concrete analysis of the South African political system which constitutes the latter parts of the book, again, could be a model for studying political formations. Steering clear various forms of reductionism which oversimplify and distort one's understanding of politics, the book takes into account the complexities of political formations. It creatively links politics to the economy and struggles to the wider context of shifting class positions and the asymmeterical relations between the different compartments of the state.

The book has a useful bibliography and a brilliantly designed cover. Unfortunately, the credit for the cover design is given nowhere in the book.

Against the Numbers Game

P G K Panikar

From Population to People by Ashish Bose; BR Publishing Corporation, Delhi, 1988; 2 Vols, pp 574, Rs 320 (set).

THE publication under review is a miscellaneous collection of papers presented at various national and international seminars and conferences, presidential addresses at the annual conferences of IASP, articles published in national dailies, etc, during the last two decades. Produced over such a long period, and addressed to diverse groups, the contents are apt to be a disparate collection. They are spread across 17 chapters and several annexures in two volumes.

The focus of Volume I is avowedly on India's family planning programmes. Chapter 1, 'Demography beyond Decimal Points', begins with the remark that the new generation of Indian demographers have failed "to make their mark on the national scene" thanks to their inability to look beyond decimal points. Hence Bose's exhortation to his fellow demographers: "Look beyond decimal points". In the course of the analysis of the pitfalls in India's family planning porgramme he identifies three villains, viz, foreign influence, central government, and bureaucrats in the concerned ministry (pp 4-5). Of these, the bureaucrats receive special attention. "The present scheme of things assumes that the bureaucrat is the best social reformer and catalyst of social transformation" (p 24). Bose next suggests the need for widening our vision of the population problem by paying attention to issues like rapid urbanisation, internal and international migration, etc. He concludes the piece with the sermon: "We should abandon the number game and move from population to people" (p 24), thus demystifying the title of the publication.

Chapter 2, 'Pitfalls in Our Population Control Programme', consists of six parts. Part I, 'Future Prospects of Family Planning in India', covers more or less the same ground as the previous chapter. The message to fellow-demographers is to apply their minds to the various facets of the problem and "not be carried away by the game of numbers" (p 48). Part II covers mostly the excesses in family planning during the emergency and their after-effects. Part III examines the 'New Policy Directions' as formulated by the Janata government in 1979. Bose observes that "...apart from renaming family planning as family welfare, there was no change in the programme" (p 56). This observation seems to be a bit too harsh. He repeats the rejection of the "game of numbers" and pleads for a fresh approach, the main elements of which include dropping the idea of a centralised family planning programme, speedy reduction of infant mortality rate, concentration of family planning campaign in Bihar, MP, Rajasthan and UP (Bi Ma R U), which together account for 40 per cent of India's population, creation of a new agency to market condoms, revamping of communication strategy, decentralisation of family planning, etc (pp 59-64). Part IV 'From Coercion to Persuasion' is mainly an endorsement of the views of the late Indira Gandhi expressed in the course of a television interview when she said that her "government believes in persuasion and not coercion in tackling the population problem" (p 65). Some of Bose's own observations are interesting. He aruges:

> A switch-over to the small family norm... in an economy marked by unemployment and limited opportunities for women outside the home or the farm will mean more leisure which, if untapped, may give rise to family and other tensions and create serious problems for the society. A small family norm and a stagnant economy cannot go together. (p 68).

Is Bose implying that for a stagnant economy the better option is large family, one wonders. Part V, 'People's Movement' opens with a reference to the New Twenty Point Programme wherein the need for promoting family planning on a voluntary basis as a "people's movement" is emphasised. After taking another dig at the bureaucrats, "who are the last persons to trigger off a people's movement", the author passes on to the attainment of the goal of Health for All by 2000. He warns against continued over-emphasis on curative programmes and dependence on foreign aid and foreign technology. These are obviously a part of the received doctrine. However, there is an element of novelty in the suggestion that "instead of appealing for people's participation in government programmes, there should be people's programme with government participation" (p 73). In Part VI, 'Human Resources Development', the author observes that in the light of the poor performance of the family planning programme, the goal of NRR=1 by the year 2000 is unrealistic (p 83). The malady, it is repeated, is that "far from being a people's movement, India's family planning programme is one hundred per cent a bureaucratic programme, designed, financed, controlled and monitored from New Delhi" (p 84). Bose concludes this section with an agenda for human resources development which includes ICDS, compulsory schooling, vocational education.

Part II of Volume I comprises two chapters. Chapter 3, 'Beyond Family Planning Targets', starts with some adverse comments on our population research institutions. According to Bose, the administrative control by non-professional bureaucracy at the centre fails to attract competent researchers.

> To make matters worse, the foreign funding agencies in the field of health and family planning programme have through their use of money power built up a servile squad of 'yes men'... The researchers from these institutions are intellectuals who put good life before good ideas and are therefore available for malleable research and evaluation (p 95).

Bureaucrats remain the targets of vitriolic attack in this chapter also.

> Nowhere in the world have bureaucrats been social reformers... The feeble attempts to put up unimaginative postures urging people to get their sons and daughters married late only indicate the failure of the bureaucrats to communicate with the masses in a meaningful way (p 98).

After repeating the cliche that reproductive behaviour is conditioned by numerous factors Bose arrives at the obvious conclusion that "a family planning programme centred round targetism will not succeed in curbing birth rate" (p 101). He then proceeds to explain why the "present target-setting strategy" is bound to fail. Bose dwells at length on the theme that it is meaningless to set targets for oral pills, for condoms, for IUDs, etc. He once again repeats the by now worn out aphorism: "The family planning programme cannot succeed in isolation. It will fail if other development programmes fail" (p 109). That 'development is the best contraceptive', first aired by Karan Singh at the Bucharest Conferences (1974), has been widely noted. Next Bose presents a slightly modified version of the Gopalan Plan, Grameen Bala Progati Yojana, as a new approach and strategy of family planning. Most of the ingredients of the programmes such as health and nutrition, education, employment, etc, are part of a widely accepted recipe. For example, in his comprehensive study, *India's Population: Aspects of Quality and Control*, Asok Mitra has covered these aspects in great depth [Asok Mitra, 1978]. He concludes the chapter with repetition of a few platitudes: "There are no short-cuts to population stabilisation. There is no substitute to sustained good work. No democracy can take the people for granted. If the people are with you every target can be fulfilled" (p 125).

Chapter 4, 'For Whom the Target Tolls' starts with the assertion: "India's family planning programme is a one hundred per cent bureaucratic programme, a vertical programme designed, financed, controlled and monitored from New Delhi" (p 135). There are other instances of repetition like, for example, obsession with target-setting, pressure exerted on poor peasants seeking loans, recourse to the number game, to mention a few. An 'innovation' which Bose has introduced is "project 1234", according to which "a sound family planning strategy should... concentrate on the age group [illegible] to 34 years". The rationale underlying th[e]

novel proposal is that "our villagers are used to such numbers... is much easier to remember and pronounce than English abbreviations (widely used in rural areas) like ICDS, LHW, ANM or VHG" (p 149). The ingredients of the project are the same as emphasised on earlier occasions like nutrition, health education, employment and income generation, etc, with one difference that in the present case the beneficiaries are those in the target age group. The seminar on Population Policy with Special Reference to Infant Mortality and Fertility in India organised by the Population Research Centre, Baroda (1978) had gone into the various aspects of the family planning programme and come out with a balanced set of recommendation [Gandotra and Narayana Das, (1984)].

Part III of Volume I, 'International Perspective', contains two chapters. Chapter 5, 'Exploring China's Population Policy', covers various aspects of China's population policy: its objectives, targets, norms (perferably one child), steps (late marriages, late births, fewer births, healthier births), methods (incentives and disincentives) and degree of success. In conclusion Bose observes that the advocacy of one-child family reflects a pragmatic approach. However, he has expressed concern over the outcome in the long run, if the one-child norm is strictly adhered to:

> Thus, the Chinese might succeed in solving one type of population problem symbolised by high birth rate and in that process land with another type of population problem symbolised by a high proportion of aging population (p 192).

Chapter 6, 'Democracy and Demography' is directed to the question: Are democratic institutions unable to cope with demographic processes in Asia? Admittedly, there is clear evidence of demographic pressure in the Asian countries. However, Bose argues that none of the successful models of fertility control tried out in Asia so far—Japan, Hong Kong, Sri Lanka and China—seems to be applicable in south Asian countries like India, Pakistan and Bangladesh (p 212). The conclusion is that despite compelling demographic pressures, democratic institutions are still the best option for Asian countries.

Volume II contains 11 chapters and several appendices. It is also divided into three parts. Part I, 'Demographic Data Base', comprising two chapters, covers the highlights of the Indian censuses before and after independence. Chapter 7, 'Census in British India: An Imperial Tool?' (the first in the volume) attempts to give a historical perspective of the census in British India. Considerable space is taken up in the recitation of wild rumours about the objectives of the census count and the constraints experienced by the census enumerators in the rural areas during the earlier censuses. Why there had been so much emphasis on caste, tribe, religion and language in the censuses during the British rule is the next question which receives a good deal of attention.

Chapter 8, 'Census in Post-Independent India: An Ineffective Tool?' begins with the question of why demographic data are not effectively utilised in our planning exercises. The main source of data is the census; but the author contends that "the Census Organisation suffers from a high degree of obsolescence. It continues to be headed by a non-professional IAS officer" (p 308). The other sources of demographic data, viz, the Sample Registration System (SRS), Civil Registration System (CRS), National Sample Surveys (NSS) and Family Planning Performance Statistics, fail to make available data at the district level. Turning to the issue of the quality of data, Bose puts the blame for the poor quality of the census and SRS data on the paltry honorarium paid to the persons collecting the data. As to the CRS, it is observed that the data collected on births and deaths are grossly underestimated. The quality of the NSS data is also apparently dubious. FPPS seems to suffer in quality thanks to a built-in over-reporting bias inherent in the policy of the government of India consisting of cash incentives (p 315). The discussion is followed by a series of recommendations aimed at strengthening the demographic data base, covering census, SRS, CRS, and Family Welfare Statistics (pp 317-320) and five appendices (pp 321-336).

Part II of this volume, 'Politics of Population' includes four chapters. The first in this section, Chapter 9, 'Foreign Aided Health and Family Planning Projects', is a case study of area projects. The picture emerging from the field work in the BiMaRU states is that

> the money under these projects was mostly spent on bricks and mortar and the real beneficiaries were the building contractors and sub-contractors and not the people. The weak conceptualisation of the projects coupled with poor implementation led to their failure.

This is followed by a number of generalisations on the lessons from India's experience, like, for instance: in a large country like India, there cannot be one blanket model plan; the selection of areas for implementation of projects should not be guided by political considerations but by scientific criteria; highest importance must be given to the development of leadership at the grassroots level.

Chapter 10, 'Centre-State Relations: Areas of Conflict?' is a reproduction of the evidence given by the author before the Sarkaria Commission in January 1985. His main suggestion before the commission is that family planning should be on the concurrent list, with greater devolution of power and funds to the states and lower tiers of administration. Chapter 11 'Are Religious Minorities Growing Fast?' analyses the reasons behind the higher growth rate of Muslim population in India, chief among them identified being illegal immigration from outside. Chapter 12, 'Re-tribalisation of Scheduled Castes?', looks at the puzzle of a much higher growth rate of tribal population, 42 per cent during 1971-81 as against 25 per cent for the total population of India. Part of the explanation, it is brought out, lies in the differences in classification of the successive censuses. The tendency of non-tribals to return themselves as tribals in order to take advantage of special provisions for the tribal population is identified as another factor (p 318).

In Part III, 'Health Care for the Vulnerable', there are five chapters (and a few appendices). Of these the first, 'Allocation of Resources for Health Care' goes over the reports of various expert committees on health, right from the Bhore Committee to the report of the ICSSR-ICMR joint committee. After reciting the observations of some researchers on the allocation of resources for health care, Bose attempts to take "a historical perspective" of the dominant health issues confronting India. Next the author reproduces the objectives and priorities of the health policies in the First and Second Five-Year Plans. Under the caption of "allocation between health and family planning", the author repeats platitudes such as: "there are no short-cuts to population stabilisation", "there is no substitute to sustained good work", "no democracy can

take the people for granted", etc (p 401). In the concluding section of this chapter Bose dilates on the inadequacy of the budget of the PHCs, disillusionment and frustration of the young doctors posted in remote rural areas, the ill-fated CHV/VHG scheme, etc. "It is a sad story of a raw deal given to our rural masses by the elitist medical bureaucracy" (p 409). Chapter 14, 'Orissa's Low Growth of Population: Tribal Development or Tribal Stagnation?', is perhaps the most interesting paper in this collection. Bose attempts to explain the puzzle of the low growth rate of Orissa's population during 1971-1981, viz, 19.7 per cent, the third lowest among all the states. Possible explanations of a low growth rate in population such as under-enumeration, high mortality, fall in fertility, outmigration, fall in fecundity, under-nutrition, etc, are eliminated. Then Bose posits the hypothesis that the fall in the population growth rate in Orissa is due to the high rate of acceptance of family planning by the tribal population: "the story of family planning success is centred round the tribal population" in Orissa which has the second largest tribal population in India.

> There is a lurking suspicion that the innocence, poverty and credulity of the tribals has been exploited by the family planning dalals (brokers) who must have excelled in the game of fulfilling targets (p 437).

In Chapter 15, 'Welfare Programme for Women and Children', Bose takes a critical look at the MCH, ICDS and family planning. One major deficiency of these programme, it is noted, is the weakness in their monitoring and evaluation. Since the evaluation reports of ICDS are in effect glorification of spurious statistics ICDS, according to Bose, stands for 'Indiscriminate Collection of Dubious Statistics'. On the impact of the programmes, the author is not able to come to any firm conclusion, thanks to several limitations in the methodology used in the evaluation reports. Apparently the impact is negligible. Who is to blame?

> ...more often than not, the local functionaries are not working effectively because of lack of training, supervision and management. Therefore the fault lies not at the grassroots level but in the air conditioned offices in New Delhi! (p 453).

He concludes with the proposal of a five-point strategy which includes a stress on quality of the delivery service at the grassroots level, actual involvement of the people in formulating and implementing those programmes, discontinuance of cash awards to the states for family planning work and of the incentive scheme for the acceptance of family planning. And, last but not least, "the number game must stop" (p 456).

The last two chapters in Volume II are concerned with the problems of ageing population. Chapter 16, 'Concern for the Ageing Population' purports to present a profile of the aged and to highlight some critical issues. Our retired persons are presumed to be better off than their counterparts in the western countries thanks to the continuance of the joint family system here (p 494). However, "the plight of the aged in rural areas, especially the position of landless workers, who have nothing to fall back upon after retirement" is deplorable (p 501). Bose, therefore, proceeds to bring out the more acute problems associated with ageing for this hapless group.

> The poor nutrition and low income levels to which they are subjected right from the beginning of their life lead to premature ageing. In a country like India, the focus should be on premature ageing rather than active ageing.

Bose in this connection makes the observation that India has much to learn from the experience of developed countries about the care and treatment of the aged; but the latter can likewise learn several things from India. The concluding part of the essay spells out a plan of action which includes counteracting premature ageing, institutional care for the aged, extension of Employees' State Insurance Scheme to agricultural workers, mobilising retired teachers to banish illiteracy, etc. In Chapter 17, 'Agenda for Active Ageing' one of the novel ideas thrown up by Bose is the establishment of UNICEF II (United Nations Care for Elderly Fund). Another innovative proposal is inter-city co-operation, a programme under which

> voluntary agencies should bring a few hundred elderly persons, preferably in the age group 65 to 75, from the developed countries and settle them temporarily in selected cities of India. If the elderly from the developed countries spend their pension money in Indian cities during their stay in India, such a scheme would be economically viable... (p 529).

In brief, the book is replete with too much of rhetoric, adverse if not uncharitable remarks on bureaucrats, but it fails to provide any fresh insights on either population or people. However, the large number of tables and other annexures would be useful as a ready reference for researchers in this area.

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On Participating in the International Capital Market

V V Bhatt

The rationale for participation in the international credit and capital market as well as the domestic institutional and policy framework, essential for the purpose, are presented in this paper with particular reference to India. However, this is just for the sake of illustration; what is said about India applies to other developing countries of her type as well. For active participation, it is essential for her to adapt her macro-economic policy framework and institutional capacity to the evolving nature and characteristics of the international market. The nature and characteristics of the evolving international capital market are tersely presented in Section I. The immediacy as well as the urgency for participation in this market is the theme of Section II, while Section III deals with the prerequisites for such participation in the sphere of institutional and policy framework. Section IV stresses the need for liberalisation of the domestic financial markets. Some concluding observations are made in the final section.

SINCE 1970, international credit and capital market has grown in size and sophistication and provides considerable opportunities for the developing countries to operate in this market for the purpose of meeting their growing requirements for external resources and as well as for the optimum management of their external assets and liabilities. Further, it enlarges the scope of export possibilities in the field of financial services particularly for the Asian countries like India. Thus, it is essential for the developing countries to participate actively in this market. However, for such participation to be possible, they need to evolve an institutional and policy framework that is appropriate for establishing their creditworthiness, organically linking their domestic market with the international market, integrating their domestic financial markets and developing the necessary institutionalised expertise and technology. Moreover, to take advantage of export possibilities with regard to financial services as well as other types of service products, they need to be active participants in the process of multilateral negotiations relating to trade in services in the Uruguay Round of trade negotiations; only thus will they be able to evolve a services compact that suits their needs and capacities.

The rationale for participation as well as the domestic institutional and policy framework, essential for the purpose, are presented in this paper with particular reference to India. However, this is just for the sake of illustration; what is said about India applies to other developing countries of her type as well.

India is one of the few countries in the group of less developed countries (LDCs) that has the potential for developing the needed institutionalised expertise and technology for active participation in the international market; further, there is a certain immediacy as well as urgency for her to do so in order to reduce the foreign exchange cost of operating in this market as well as to enlarge the scope of her export effort. For such active participation, it is essential for her to adapt her macro-economic policy framework and institutional capacity to the evolving nature and characteristics of the international market.

Such is the broad theme of this paper. The nature and characteristics of the evolving international capital market are tersely presented in Section I. The immediacy as well as the urgency for participation in this market is the theme of Section II, while Section III deals with the prerequisites for such participation in the sphere of institutional and policy framework. Section IV stresses the need for liberalisation of the domestic financial markets. Some concluding observations are made in the final section.

I

Nature and Characteristics

The international capital market that has been evolving since the late fifties and early sixties after a state of suspended animation during the inter-war years is characterised by the interrelated interlinked phenomena of internationalisation, globalisation, integration and innovations.[1]

Internationalisation: This market is international in the sense that it is not subject to the regulation and control of any national authority. The Euro-market is in this respect similar to the informal credit markets in several developing countries—the markets that are out of reach of the national regulating agencies. The former is relevant for large participants—large corporations, public entities and sovereign governments—while the latter for small enterprises of all types; however, both these markets are characterised by relatively low transaction costs for borrowers partly because of their freedom from regulation.

Globalisation: The globalisation aspect refers to the *interlinkage that is established among national markets* as a result of progressive removal of exchange controls on capital flows, liberalisation of the various financial centres in the developed countries and the revolution in information gathering, processing and transmission made possible because of technological developments in the fields of computer and telecommunications (both described pithily as computronics). This phenomenon has widened and deepened the scope of the international market as financial institutions are now able to offer 24-hours sales and trading capability in debt and equity instruments; it is possible now to make global offerings of debt and equity, which *widens* the scope of the market, and the market now provides opportunities for swap deals relating to currency and/or interest rate—the opportunities that *deepens* the scope of the market.

This interlinkage of national markets has evolved particularly after the mid-seventies into an international market in financial instruments, denominated in several key currencies. International transactions were predominantly in sterling during 1870-1914 and in the US dollars in the sixties and early seventies; the international market since then is a multi-key currency market and it is this phenomenon which has made it possible to evolve the currency swap markets after 1982— an evolution which was pioneered by the World Bank in 1983.[2]

The interlinking of national markets—the phenomenon of globalisation—has led to the convergence of interest rates in different national markets. In Euro-markets, covered interest rate parity holds almost instantaneously. More significantly, interest rate changes—nominal and real—originating in one major financial centre are being quickly transmitted to the other financial centres, despite the floating of the major key currencies. There has been thus a growing interdependence among major financial centres and this has reduced the scope for national monetary policies that are out of line

with those in the other centres. Further, capital flows have become a dominant causal factor at least in the short run in the determination of interest rates and exchange rates; and this can lead to misallocation of resources among various productive sectors as a result of such price signals that may not be consistent with comparative cost patterns. To minimise the adverse effects of speculative capital flows, it has now become essential to have international co-ordination of macro-economic policies in major countries, particularly relating to interest rate and exchange rate policies, through an international institution like the International Monetary Fund.

Integration: The integration of money, banking and securities markets as a result of progressive deregulation—that is, removal of legal restrictions on interest rates and the functional scope of various financial institutions particularly since 1979—has integrated the national financial markets, created a competitive environment, and given rise to the phenomenon known as securitisation. The large borrowers—and in particular the multinational corporations—find it profitable now to borrow directly from the securities market at a cost lower than the cost of borrowing directly from the international banks. This development has blurred the distinction between investment banks and the commercial banks and both are evolving into universal banks, which provide all types of financial services, a sort of a department store type of banking.[3] This development has widened the market for financial services because of the integration of bank and non-bank financial intermediaries; the borrowers tap now not only the resources of the banks but also the resources of the other financial intermediaries. Even the international banks are now raising resources from the securities market through securitisation of their assets as well as by issuing their own securities. The market is also deepened because of the securitisation of assets, which otherwise would have been dormant—for example, the assets in the form of houses or loans.

To take advantage of the globalisation and integration phenomena, there has been a progressive implantation of banks worldwide—an institutional internationalisation of banks.[4] Banks have continued rapidly to increase their branches and representative offices abroad. Furthermore, foreign banks have continued to expand their share of total bank business. There has also been a growing importance to banks of international business.

These developments in the international capital market have increased competition among financial institutions. As a result, the cost of borrowing, for example, for large corporations has declined and the net yield (net of risk and transaction costs) to primary lenders or investors has increased, while the fees and margins of banks have diminished.

Innovations: The widening and deepening of the market and the growing intensity of competition among financial institutions have induced several financial innovations or technical change. As Adam Smith[5] observed long time ago, the size of the market and technical change (or division of labour) are interrelated phenomena; the greater the size of the market, the greater the scope for technical change; the greater the technical change, the greater is the size of the market. And so it has happened in the international financial markets. These innovations[6] or new financial instruments have widened the choice with regard to instruments for both savers/investors and borrowers; investors now can choose instruments with characteristics (relating to yield, liquidity, risk and transaction costs) that they prefer and similarly borrowers too have a wider choice with regard to instruments with different cost-risk combinations.

The basic rationale for these innovations relates to the reduction of subjective risk by wide diffusion and sharing of risk. The *perception* of risk is different for different market participants because of asymmetry of information, different capacity to absorb and process information and the differing attitudes towards risk;[7] these innovations tend to shift risk to willing risk takers—willing partly because their perception of risk or subjective risk is lower than those who want to shift the risk. This process of diffusing, sharing and shifting of risk—largely as a result of the phenomenon of securitisation—has its dangers; it creates uncertainty with regard to the location, extent and pricing of risk and as a result a sort of inertia or lethargy in properly appraising the risk involved in the light of potentially available information.[8] This may lead to instability and vulnerability of the international financial system as a whole because of the inter-locking assets and liabilities of various financial institutions. Further, expectations tend to be based on what Keynes calls, "average opinion thinks about average opinion" or what Pigou calls, "errors of optimism and pessimism", resulting in inherent instability of credit as Keynes christened it.[9] Adequate prudential regulation of the national as well as the international financial system with lender of last resort provision is, thus, essential for the stability of the system as a whole. This is the rationale for an institution like the international central bank.[10] The requirement for prudential regulation is already recognised by the national authorities and an international agreement with regard to capital adequacy requirement for financial institutions is a pointer to what needs to be done at an international level. After this necessary digression to pinpoint the vulnerability of the unregulated international market, let us now revert to the nature of financial innovations that have been introduced in the international financial markets.

In the seventies, the OPEC countries preferred to keep their surpluses arising from the oil price stock—quadrupling of oil prices in 1973, which quintupled in 1979—as Eurodollar deposits with international banks. At the same time, there was instability in the interest rates in the various financial centres. These two events gave rise to the *innovation of syndicated bank loans* at variable interest rates. These loans were primarily made to the oil-importing developing countries and the lack of proper risk appraisal by the international banks as well as the borrowing developing countries ultimately led to the debt crisis of 1982 and after—a crisis which still remains to be resolved.

The other important innovations were introduced after 1982. By that time, the payment imbalances were arising largely among the developed industrial countries. The surplus countries like Japan and West Germany preferred to invest in securities, and in the borrowing countries—mainly the US—the borrowers preferred to borrow by issuing securities of various maturities. This conjuncture led to the securitisation process and the major innovations tried to deal with the risks arising from the volatility of interest rates and exchange rates, resulting from the breakdown after 1973 of the Brettonwoods system of fixed exchange rates, and the structural payment imbalances among the developed countries; these are also the innovations which are relevant for the developing countries that are creditworthy.

The first such innovation is Note Issuance Facility (NIF) or its variants like Revolving Underwriting Facility (RUF) or Euro-Commercial Paper (ECP). A RUF is a facility in which a borrower issues, on a reviving basis, bearer notes which are sold to investors, who may or may not include banks, either by a placing agent or under a tender mechanism. This issuance of notes may or may not be underwritten for a medium-term period by a group of underwriting banks. ECP was developed by adopting the technique customary in the US commercial paper market, whereby short-term paper of variable maturities is issued to one or more dealers on an uncommitted basis, whose task it is to place it with the banks and other investors.

The main advantage is one of cost. The borrower essentially benefits from short-term interest rates and a smaller margin on the rate because the investor is only taking on a short-term risk. A small underwriting fee to the underwriter, who will have only a contingent risk, converts it into a medium-term facility. The particular advantage to creditworthy LDCs, like some of the Asian countries, is that as the borrower's credit standing improves, the margin on its paper decreases, whereas with a syndicated loan the borrower would be fixed into a margin for the life of the loan. The other advantage to a developing country is that, as the investors are a separate group, it can diversify the funding source away from those banks who have traditionally been lenders to the country—which is obviously very important

if the country has substantial financial needs. Lastly, as notes under a RUF are issued regularly and partly to non-bank investors, a borrower's name would become established in a market which is effectively a bridge between the banking and capital markets, making it possible ultimately to tap the capital market by way of Floating Rate Notes and Euro-bonds.

Though so far NIFs have been arranged overwhelmingly for developed countries, a number of developing countries, notably South Korea, Singapore, India and Indonesia, have begun to arrange NIFs, mostly for small amounts. First RUF for an Indian borrower was undertaken by the London branch of the State Bank of India at the end of 1984 which was then refinanced in 1986 partially by way of a Euro-Commercial paper programme—again a first for an Indian borrower. This experience enhanced India's creditworthiness; though the first paper was traded at the margin of a few basis points above LIBOR, it was then placed with investors at rates below LIBOR.[11] The first issuance of Euro-Commercial Paper (ECP) from India has been by the Industrial Credit and Investment Corporation of India (ICICI) in 1987. The Bank of Baroda is currently contemplating (1988) a NUF in the US for the purpose of lending in the UK market.

TABLE 1: BALANCE OF PAYMENTS: CURRENT ACCOUNT SURPLUS

(*millions of dollars*)

	1970	1986
Industrial Market Economies		
Spain	79	4,102
Italy	902	3,961
Belgium	717	3,586
Netherlands	−483	4,686
Germany, Fed Rep	853	37,357
Japan	1,980	85,831
Sweden	−265	3,795
Switzerland	72	4,525
United States	2,330	−141,460
United Kingdom	1,913	−1,392
High Income Oil Exporters		
Kuwait	853	6,160
United Arab Emirates	75	6,486
Libya	645	1,890
Saudi Arabia	71	−10,360
Other Countries		
Taiwan, China	1	16,217
Portugal	−158	1,121
Yugoslavia	−372	1,097
Israel	−562	1,262
Hong Kong	225	1,552
Singapore	−572	478
Korea, Rep of	−623	4,617
South Africa	−1,215	3,125
Romania	—	1,489
Iraq	105	—
Peru	202	−1,055

Source: World Development Report 1988; World Bank, Washington, DC, June 1988.

While the advantages of the securitised market obviously apply to developing countries, who generate enough bank and investor interest, it also has, in a different form through some methods, a limited application to other countries. These methods may be called *credit enhancement schemes.*[12] In essence, the security—a bond or a note—issued by a borrower would have to be structured in a way to make the risk acceptable to international investors. One way to enhance creditworthiness would be through collateralising the debt instrument. Such credit support may take the form of direct collateralisation by the assignment of certain foreign currency revenues to back principal and interest payments on a bond. Commodity indexed bonds or bonds linked with export performance or performance of specific projects are also instances of such schemes. Credit enhancement can take other forms such as the comfort to investors of having the World Bank in a co-financing role or a guarantee from a multilateral agency.

Credit enhancement can be used not only to allow countries of lesser creditworthiness to tap private capital sources but can also be used by other developing countries, including India, to meet other objectives. Collateral, partial or whole, can for example be used to lengthen the maturity of a borrowing beyond the normal term of a market financing. Alternatively, if the collateral were in a foreign currency or linked to a foreign currency, it could be a useful hedge against the risk of a devaluation of the domestic currency. These methods of credit enhancement can, of course, be used on non-securitised financings equally well.

Such innovations, however, can be introduced only if the developing countries become active participants in the international market. The innovations so far introduced have not been motivated by the special needs of the developing countries. The reasons are: developing countries have not been significant participants in the market and secondly most financial institutions are inherently conservative and therefore tend to introduce innovations mainly in their dealings with the most creditworthy borrowers—which developing countries have not been for some time.

The most interesting innovation as a result of globalisation relevant to the developing countries is the development of the swap market in both currency and interest rate swaps. A swap, as the market understands the term currently, is a medium- or long-term arrangement between two parties in which each party commits to service the debt obligation of the other. This has been the most radical or revolutionary innovation that has been introduced in the international market in recent years.[13] As a result, borrowers are no larger restricted only to those markets in which their name is acceptable or where their credit standing is the highest but which do not provide the currency and type of debt they require. A borrower can tap the market for borrowing, where he is most creditworthy and hence can get the most favourable terms and then trade or exchange this debt obligation with the most creditworthy borrower in another market, where his own credit standing is low but which is still preferred by him for business reasons. This in fact is the application of the comparative cost principle to capital transactions. For example, a developing country, traditionally excluded from the fixed rate dollar bond market, can raise a syndicated floating rate dollar- or sterling-loan and swap it into fixed rate dollars. Such swap techniques are not linked to new transactions only. Indeed, to a considerable extent, the swap market does not distinguish between primary and secondary swap transactions and swaps can be arranged in such a way as to match identically the payment date of existing borrowing, that is, for the purpose of the management of existing debt with a view to reducing the risk arising from exchange rate and interest rate changes.

The Industrial Development Bank of India (IDBI) and the Export Import Bank of India (EXIM BANK), for example, have taken advantage of this swap market; so far, the IDBI has entered into four currency-cum-interest swap transactions and the EXIM BANK has entered into two such deals. (These two along with the ICICI and the State Bank of India (SBI) have resorted to external borrowing from the international market as have some public sector firms like Air India, which also took advantage of one swap transaction to reduce its debt obligation). Some other Asian countries like South Korea have also tapped this market.

Unfortunately, swaps are generally confined to the more creditworthy developing countries like some Asian countries particularly as swap counterparties tend to be large corporations as well as banks who are not in a position to take on third world risk. Certainly, the role of multilateral institutions who may stand up as swap counterparties would be useful and institutions like the Work Bank and Asian Development Bank could assume this role. It is the World Bank which pioneered swap transactions in 1983 and it has considerable experience of dealing in the international market as well as taking advantage of financial innovations;[14] it is hence in a position to offer advisory services to the developing countries and suggest methods and techniques of credit enhancement for participating in the international market.

Size of the Market and Share of Developing Countries: The size of the market has grown very significantly since 1970 in terms of several indicators. For example, the current account surplus of the payment surplus countries has increased from about $ 13 billion in 1970 to about $ 200 billion in 1986 (Tables 1 and 2). The net resource outflow as a proportion of GDP has increased during 1965 to 1986 in several developed countries; for Federal Republic of Germany,

it has risen from 1 per cent to 5 per cent and for Japan, from 1 per cent to 4 per cent (Table 3). The net new resources raised through all facilities in the international market have increased from 5.7 per cent of world exports in 1976 to 9.3 per cent in 1984 or from about $52 billion in 1976 to $ 315 billion in 1987.

However, the share of the developing countries in this net resource inflow has declined in the eighties and is currently negative. (Table 3). The net payments surplus of the developed countries was about $ 7.5 billion in 1970; but by 1986, this was converted into a deficit of about $ 22.7 billion (Table 2). In fact, by 1986, the developed countries and in particular the US had a net inflow of resources from the developing countries; the surpluses of Japan and Germany were more than offset by the deficit of the US. The developing countries, thus, have become paradoxically net exporters of capital to the developed countries—the result of the debt crisis which emerged since 1982. The participation of the developing countries as a group in the international capital market is negligible except for a few Asian countries like South Korea and India. The total debt obligations of the developing countries in the international market are much less than 10 per cent of the total.[15]

The growth in the size of the market since 1970 has been largely because of the payment imbalances that emerged since then. The OPEC surpluses that emerged after the oil price shocks of 1973 and 1979 were largely kept as deposits with the international banks, who recycled them largely to oil importing developing countries; the latter's external debt as a proportion of GNP rose from about 13 per cent in 1970 to about 35 per cent in 1986. For the highly indebted developing countries, mainly in Latin America, the external debt as a proportion of GNP rose from about 10 per cent in 1970 to about 46 per cent in 1986; for the Sub-Saharan countries, it rose from about 13 per cent in 1970 to about 57 per cent in 1986. Thus all these developing countries lost their creditworthiness by 1982 (Table 5).

The payment imbalances that emerged after 1980 were largely confined to the developed countries; the largest surpluses in 1986 were in Japan and in the Federal Republic of Germany. The other major surplus countries were Taiwan, China and South Korea. Most of these surpluses were absorbed by the developed countries like the US and what was left for the developing countries out of a total current account surplus of all surplus countries of about $ 200 billion was a negligible amount of about $ 11 billion in 1986 (Tables 1 and 2), which was more than offset by their debt service obligations, resulting into a negative resource inflow for the developing countries as a group.

The size of the market may shrink if the current payment imbalances are corrected by national as well as international policy measures. However, there would be adequate scope for creditworthy developing countries, like the Asian countries, to operate in this market and take advantage of the new financial innovations. The rationale for their participation in this market and the preconditions or prerequisites for such participation are discussed in the subsequent two sections of this paper.

II

Rationale for Participation

The developing countries like India would have to rely increasingly on the international market for several reasons:
—to obtain external resources essential for accelerating their pace of development;
—to manage external debt with a view to reducing debt service obligations;
—to manage international reserves; and
—to take advantage of import substitution and export possibilities relating to financial services.

External Resources: The average annual growth rate of GDP for developing countries as a group has declined from 6.1 per cent during 1965-80 to 3.8 per cent during 1980-86 partly as a result of a negative resource inflow from abroad (Table 6). They need net external resources at least equal to 3 per cent of their GDP to regain the pre-1973 momentum of development. The opportunities for concesssional borrowing from multilateral and official agencies are quite limited because of the fiscal, payments and growth problems facing the developed countries. Thus the developing countries have to take recourse to borrowing from the international market.

For India, the average annual growth rate has increased to about 5 per cent during 1980-86 from 3.7 per cent during 1965-80 (Table 6). However, this growth rate is inadequate for raising appreciably living standards, removal of poverty and securing reasonable levels of employment.

However, even for maintaining the growth rate at 5 per cent per year, India requires external assistance of 2.5 to 3 per cent of her GDP. It has been estimated by the World Bank that external resource requirement would be about 2.78 per cent of GDP during 1988-89 and 2.40 per cent during 1990-91 on the assumption that exports would increase at an annual rate of at least 6 per cent. The debt service obligations are estimated to be about 1.76 per cent of GDP during 1988-89 and about 1.40 per cent during 1990-91; thus the requirement of net resource inflow (net of debt service obligations) would be about 1 per cent of GDP during 1988-91.

The opportunity of obtaining concessional assistance have been diminishing in importance since 1975; her non-concessional debt as a result has been rising from about 6.5 per cent of total external debt to about 27 per cent currently and is estimated to be about 50 per cent by 1990 (Tables 7 and 8).

External Debt Management: The external

TABLE 2: BALANCE OF PAYMENTS: CURRENT ACCOUNT SURPLUS AND DEFICIT
(millions of dollars)

	1970			1986		
	S	D	NS	S	D	NS
Industrial market economies	10.8	3.2	7.5	147.8	170.6	−22.7
High income oil exporters	1.6	—	1.6	14.3	10.3	3.9
Subtotal	12.4	3.2	9.2	162.1	181.0	−18.9
Other countries	0.5	3.5	−3.0	31.0	1.0	30.0
Total	12.9	6.7	6.2	193.2	182.0	11.2

Notes: S = Surplus, D = Deficit, NS = Net Surplus.
Source: *World Development Report 1988*; World Bank, Washington, DC, June 1988.

TABLE 3: GROSS DOMESTIC INVESTMENT, GROSS DOMESTIC SAVING AND RESOURCE BALANCE
(Percentage of GDP

	Gross Domestic Investment		Gross Domestic Saving		Resource Balance	
	1965	1986	1965	1986	1965	1986
Developing economies	21	24	20	24	−1	—
Oil Exporters	19	23	21	22	2	−1
Exporters of Manufactures	23	29	22	29	−1	—
Highly Indebted Countries	21	19	23	22	2	3
Sub-Saharan Africa	15	14	15	11	—	−3
India	18	23	16	21	−2	−2
China	25	39	25	36	—	−3
Industrial market economies	23	21	23	21	—	—
Germany, Federal Republic	28	19	29	24	1	5
Japan	32	28	33	32	1	4
United States	20	18	21	15	1	−3
United Kingdom	20	18	19	18	−1	—

Source: *World Development Report 1988*; World Bank, Washington, DC, June 1988.

public debt of all developing countries has increased from about 13 per cent of GNP in 1970 to more than 35 per cent in 1986 and debt service as a percentage of exports of goods and services has risen from about 10 per cent in 1970 to about 20 per cent in 1986. For India, total external debt as a percentage of GNP has been more or less stable during 1970-86, though private debt as a percentage of GNP has risen from about 0.2 per cent in 1970 to about 1.1 per cent in 1986; the debt service as a percentage of exports of goods and services, too, has been more or less stable in the range of 24-27 per cent during this period (Table 5).

The debt service obligations change as a result of the volatility of interest rates and exchange rates. However, the risk arising from such changes can be reduced by effective and efficient management of debt. Such opportunity has been created in the international market since 1982 as a result of the innovation of currency-interest rate swaps. It is not possible to avail of this opportunity without actively participating in the international financial markets.

For highly indebted countries, the debt/GNP ratio is very high (about 45 per cent in 1986) and the debt service ratio too is quite high (about 30 per cent in 1986). For Sub-Saharan countries, the debt/GNP ratio is even higher at 57-58 per cent in 1986 and the debt service ratio is about 20 per cent (Table 5). For these countries, the reduction of both these ratios is essential for attaining reasonable rates of growth. For the Sub-Saharan countries, debt relief in various forms is already being considered; it is possible to do so as most of their debt is to official agencies.

However, most of the debt of the highly indebted countries particularly in Latin America is owed to the private sector; for these countries, some radical solution to this problem is imperative. This debt is being securitised and sold at a discount in the international market; but the advantage of this discount is not available to the debtors. It may be possible to devise some mechanism to pass on the discount to the debtors. The International Monetary Fund (IMF), for example, can buy this debt at a discount in the market and pass on this discount to the debtors. In such a case, the discounted debt obligation of the debtors would be to the IMF. The latter can create a type of trust fund to finance the purchase of debt and can recover this debt from the indebted countries over a period of time. The advantage of the IMF as an intermediary is that it is in a position to negotiate with the debtor countries and monitor the changes in the macro-economic and institutional policy framework—the changes which are essential for promoting growth and development and establishing creditworthiness in the international market.[16] The evolving international market could create suitable financial instruments for these types of transactions. However, for this to be possible, the developing countries should have the capacity of exploring the possibility of and introducing such innovative financial instruments as may be necessary.

Management of Foreign Exchange Reserves: The developing countries as a group have gross foreign exchange reserves equal to about 3.5 months of import coverage (or about $ 160 billion in 1986); for India, these reserves constitute about 4 months import coverage (or about $ 10 billion in 1986). The international market provides opportunities of investing these reserves and changing the composition of such investment so as to obtain a satisfactory yield on such investment and reduce the risk arising from interest rate and exchange rate changes.

Import Substitution and Export Possibilities: For some countries like South Korea and India, which have a sound well developed financial system and adequate technical and professional manpower, there is a potential that can be developed, through institutionalised expertise and financial technology, for acquiring the capacity to provide financial services to domestic borrowers, intending to have operations in the international market, as well as to export such services to other developing countries. These services are generally skill- intensive and much less capital-intensive than some of the manufactured products. Developing the capacity for providing such services on the basis of their dynamic comparative advantage would strengthen their payment position by saving on foreign exchange cost relating to their transactions in the international market (import substitution advantage) as well as by earnings from the export of such services. This potential somehow has not been exploited; the necessary institutional and policy changes, hence, have not been identified and implemented. For their effective and efficient participation in the international market, it is essential to seize all opportunities for the actualisation of this potential.

III

Pre-Requisites for Participation: Agenda for Research

Participation in the international capital market is possible only if certain pre-conditions or pre-requisites are satisfied through an appropriate institutional and policy framework. This framework has to be such as to:

— establish and maintain creditworthiness;
—bring about progressive integration of the domestic and international markets; and
— promote competitive impulses and pressures for improving the effectiveness and efficiency of domestic financial markets in an environment of financial stability ensured through strategic and prudential regulation of the financial system.

These are inter-related and inter-linked policy measures and it is not possible to take action on one front without at the same time relating it to the other two. How to evolve such an institutional and policy framework requires detailed study and research in the context of a given country like India. At this stage, what is attempted in this and the next

TABLE 4: INTERNATIONAL BANKING AND CAPITAL MARKET FLOWS

(billions of dollars)

Items	1976	1980	1984	1987
International bond issues	25.1	35.3	108.1	n a
Syndicated bank loans	27.5	82.9	36.6	255.0
Note issuance facilities	—	—	18.9	n a
Total	52.6	118.2	163.6	315.0
As a per cent of world exports	5.7	6.3	9.3	n a

Source: For 1976 to 1984, Alexandre Lamfalussy, Structural Changes in the International Financial Markets, *International Journal of Development Banking*, Volume 4, Number 1 (January 1986); for other years, World Bank Estimates based on Bank of International Settlements (BIS) data.

TABLE 5: EXTERNAL PUBLIC DEBT AND DEBT SERVICE RATIOS

	External Public Debt (Per Cent of GNP)		Debt Service (Per Cent of GNP)		Debt Service (Per Cent of Exports of Goods and Service)	
	1970	1986	1970	1986	1970	1986
Developing economies	13.1	35.5	1.5	4.4	10.1	20.0
Oil exporters	12.2	47.6	1.7	6.2	12.0	30.5
Exporters of manufactures	n a	22.7	n a	3.1	n a	14.0
Highly Indebted Countries	10.2	45.8	1.6	5.0	12.4	29.5
Sub-Saharan Africa	13.1	57.4	1.1	4.3	5.3	19.3
India	15.0	14.0	1.0	1.2	25.8	17.9
Including Private Debt	15.2	15 1	1.1	1.6	27.3	24.6
China	n a	6.3	n a	0.9	n a	7.8

Source: *World Development Report 1988*; World Bank, Washington, DC, June 1988.

section is merely a tentative broad outline of such a framework.

Establishing and Maintaining Creditworthiness: Creditworthiness, as the market understands it, depends generally on certain characteristics of the growth process. One is that external debt should be growing at a rate of lower than the growth rate of national income and the other is that exports should grow at a rate higher than the rate of increase of debt servicing obligations. Thus, the higher the growth rate of income and exports, the greater would be the opportunity of external borrowing; and the larger the external borrowing—if productively and efficiently invested—the higher would be the growth rate of income and exports.

Productivity or efficiency of investment is thus the most critical factor. The institutional and policy framework, however, should be such as to create a favourable environment for entrepreneurial functioning and competitive pressures and incentives for improving investment and productive efficiency. The price system for this purpose has to be as little distorted as possible; otherwise the decision signals would turn out to be misleading. Further, administrative controls or regulations or interventions, when essential for the purpose of accelerating the pace of development, should be minimum, of strategic significance, selective, purposive and time bound and should be, what Bhagwati calls 'prescriptive' rather than 'proscriptive'.[17] The "Far Eastern governments, by and large, issue prescriptions rather than proscriptions... whereas countries such as India do the opposite. The governments of 'dos' generally produce economic performance superior to that produced by government of 'don'ts'.[18] The former foster and promote entrepreneurial impulses, while the latter stifle them; the former establish symbiotic partnership relationship with the private entrepreneurs, while the latter induce adversarial response and unproductive wasteful expenditure to overcome or to take advantage of restrictive measures without a positive rationale.

To be creditworthy is not enough. A country has to establish its creditworthiness in the market by its continuous presence in order to seize opportunities as they arise of borrowing as well as management of external assets and liabilities. It may be advantageous to borrow, even when external resources are not required, when one's payments position is strong and growth experience good; one may obtain most favourable terms in such a situation and the additional resources so obtained can be used for pre-payment of debt incurred earlier on less favourable terms. Further, in such a situation, it may become possible to introduce credit enhancing innovative financial instruments, that tailor debt service obligations to one's ability to repay. Such transactions or operations need to be undertaken in all the major financial centres and in particular in the Asian centres like Tokyo, because of what Linder calls the emergence or arrival of the Pacific Century[19] in place of the earlier American Century and still earlier, the British one or Pax Britannica of the nineteenth century.

For borrowing for financing infrastructure projects, the cost of borrowing from the international market can be reduced if such borrowing can be arranged along with assistance from multilateral international institutions like the World Bank. Such co-financing arrangements can enhance one's creditworthiness in the market and thus make it possible to borrow on favourable terms.

Integration: Such operations are not feasible without some degree of integration of domestic markets with international market—a purposive integration that induces the required capital inflow, while at the same time fosters and promotes the growth of the domestic financial markets.

To promote such integration, it is essential to develop investment banking expertise and computer and telecommunication facilities for rapid gathering, processing and transmittal of information, essential for decision-making. It may not be possible for domestic banks initially to undertake guarantee or underwriting obligations or to lead manage loans or issue of securities. However, it is possible and essential to develop the expertise and capacity to offer advice and assistance to domestic as well as foreign clients, particularly in the developing countries. The domestic banks are likely to have better information and understanding of the domestic and external resource requiremen of domestic firms—public or private—a well as of the domestic financial markets an the opportunities they offer; hence, the would be in a better position to offer advic to and formulate suitable proposals for th domestic firms, thus reducing the foreig exchange cost of external transactions. An once this capacity is developed, such advic and assistance can be given to the oth developing countries as well, thus exportin financial services on the basis of the dynamic comparative advantage.

Several Indian banks—commercial as we as development banks—have developed m chant banking expertise for offering adv to Indian firms with respeet to their ope

TABLE 6: GROSS DOMESTIC PRODUCT (AVERAGE ANNUAL GROWTH RATE)

(*Per Cent*)

	1965-80	1980-86	1986	1987	1988
Developing economies	6.1	3.8	n a	4.5	4.5
Oil exporters	7.1	1.7	0.4	0.6	2.0
Exporters of manufactures	6.6	6.2	7.4	6.3	5.8
Highly Indebted Countries	6.6	0.7	3.4	1.6	2.2
Sub-Saharan Africa	5.6	0.0	2.0	−1.5	2.8
India	3.7	4.9	4.9	1.8	7.2
China	6.4	10.5	7.9	9.4	7.6
Industrial market economies	3.6	2.5	n a	3.2	3.5

Source: *World Development Report 1988*; World Bank, Washington, DC, June 1988 for 1965-80 and 1980-86; for 1986, 1987 and 1988, World Bank Estimates.

TABLE 7: INDIA—EXTERNAL DEBT

(*millions of doll*

	Debt Outstanding and Disbursed		Disbursements		Principal Repayments		Interest Payments	
	1976-77	1986-87	1976-77	1986-87	1976-77	1986-87	1976-77	1986-8
Concessional of which	12,486	23,219	1,374	1,861	342	756	211	348
IDA	3,333	10,529	533	714	9	61	21	90
IBRD	240	173	3	—	33	13	16	11
Non-concessional of which	796	8,694	164	1,781	154	825	52	766
IBRD	216	2,494	73	641	24	139	15	28
Bilateral loans	288	1,185	33	111	63	138	18	10
Commercial loans	293	5,014	58	1,029	68	548	18	37
Private non-guaranteed	295	2,598	61	849	62	773	19	24
Total (excluding IMF)	13,577	34,511	1,600	4,491	559	2,354	282	1,35

Source: *India: Recent Developments and Medium-Term Issues*, Vol II; World Bank, Washington, DC, April 27, 1988; pp 48-51.

tions in the Indian markets. And the banking system has several branches abroad in major financial centres. Thus, it is not difficult for Indian banks to develop the capacity and expertise of operating actively in the international market as some of them like the State Bank of India are already doing to some extent. What is now required is a deliberate strategy for the purpose.

Only four banks—State Bank of India, Bank of Baroda, Bank of India and Indian Overseas Bank—have a significant presence abroad in terms of their branches; State Bank of India has 23 branches; Bank of Baroda 50, the Bank of India 25 and the Indian Overseas Bank 11—accounting in all for 109 branches out of a total of 122 branches for the entire Indian banking system. (Tables 9 and 10). These are the banks that have the institutional basis for operating in the international market, provided they develop the required expertise at the head office as well as in their branches. They need to have a strategy of using purposively their branches abroad for operations in the international market. So far, the top management of these banks have had no strategy with regard to their branches abroad and there was no proper guidance and assistance from the head offices to these branches with regard to their operations—largely because of lack of expertise and experience at the level of top management with regard to the international market and the obsessive involvement of the banking system, including the Reserve Bank of India, with the regulation of interest rates and credit allocation in India without much appreciation of the international context.[20]

It may be necessary for these banks to have a strong link with some international banks for evolving partnership relationships with regard to operations in the international market. In that case, the international banks can lead manage issues of securities or syndicated loans with or without guarantee or underwriting obligations, while the Indian partners could concentrate on the background work relating to formulation of proposals for client firms or institutions; such relationship should ensure equitable sharing of fees and margins between the two partners. Since some of the prominent international banks have branches in India, it should not be difficult to forge such relationships.

Attracting Foreign Investors to the Indian Market: India, like some other countries such as South Korea, has already evolved some financial instruments and institutions to attract foreign investors.

The Unit Trust of India (UTI) started in 1986 INDIA FUND in Guernsey and the India Growth Fund Inc in the US in 1988 in collaboration with Merril Lynch to induce foreign investors and particularly non-resident Indians (NRIs) to invest in the securities market of India. Further, India has attractive deposit schemes and other schemes for portfolio and direct investment in India for the NRIs. All these instruments are primarily developed to attract capital inflow from NRIs and that is quite a good tactical move. NRIs are quite familiar with India, have emotional and other links with India and a strong desire to be fully informed about Indian developments and also to contribute towards her development—particularly if that is also profitable for them. Further, once these instruments become established and well known as a result of NRIs participation, it may not be difficult to attract other foreign individuals and institutions to invest in these instruments.

With the experience gained so far, it may be desirable to offer these facilities for investment to all foreign individuals and institutions. In this effort, the branches of foreign banks in India can be very useful. They have been involved in attracting NRI investment and because of their experience, familiarity and links with the major financial centres, they are in a position to induce foreign investors other than NRIs to invest in India in the instruments currently aimed at only the NRIs.

These foreign banks have been useful also as a catalyst in generating competitive impulses even in the segmented financial markets in India. Though their business in India represents only about 3 per cent of the total for the banking system, about 24 foreign banks have 150 branches and are quite active in introducing financial innovations. The Standard Chartered is proposing to start a stock broking firm; Grindlays is trying to diversify and enter the fields of venture capital fund, leasing and mutual fund; and Citibank has already started a computer software subsidiary that now ranks third in the business of Indian exports in this field. The banks like the Citibank and the Hong Kong Bank have introduced innovations like Automatic Teller Machine and electronic gadgets that enable customers to perform banking business round the clock. The Citibank has now set the pace in terms of showing what a foreign bank can do in the field of retail banking; it has introduced new ideas relating to personal loans, service on telephone, etc. The Bank of America is going upmarket offering the services of personal banking officers to clients who are known in the business as high net-worth individuals. As the chairman of State Bank of India perceptively observed, the new edge to the competition from the foreign banks "has made us less complacent".[21] It has been a wise decision of the Indian authorities to let these foreign banks operate in India; they are a window to the outside world, an instrument for adapting foreign innovations to the Indian environment and also for integrating Indian markets with the markets abroad. They have provided a fresh breeze of competition in the highly administered system of Indian banking; their presence is an opportunity that can be exploited for forging vital links with the international market.

The other link which needs to be established is with the Emerging Markets Growth Fund (EMGF), sponsored by the International Finance Corporation (IFC) to purchase securities of developing countries' companies listed on foreign as well as domestic stock exchanges. The EMGF is investing in nine emerging stock markets; they include, in Asia, India, the Republic of Korea, Malaysia, the Philippines and Thailand; and in Latin America, Argentina, Brazil, Chile and Mexico. Other countries currently under consideration include Jordan, Nepal and Turkey.[22] The securities of companies, in which EMGF is interested in investing in the domestic market, can be later on listed in the markets of the major financial centres; the EMGF approval of such securities would enhance their attractiveness to foreign investors in foreign markets.

Of course, it would be essential to reduce the transaction cost of the foreign investors of dealing in securities of Indian firms by

TABLE 8: INDIA: BALANCE OF PAYMENTS: 1987-88 TO 1990-91
(millions of dollars at current prices)

	1987-88	1988-89	1989-90	1990-91
(A) Exports of goods and non-factor services	16,954	18,859	20,749	21,719
(B) Imports of goods and non-factor services	−21,848	−24,296	−26,267	−27,804
(C) Resource balance	−4,895	−5,437	−5,518	−6,086
(D) Net factor income and net current transfers (excluding interest payments)	827	2,450	2,430	2,505
(E) Current balance (excluding interest payments)	−3,968	−2,987	−3,088	−3,581
(F) E as a per cent of GDP at market prices	1.56	1.02	0.96	1.00
(G) Interest payments	−1,652	−1,670	−1,712	−1,820
(H) Repayment of loans	−3,358	−3,474	−3,403	−3,195
(I) G + H as a per cent GDP at market prices	1.97	1.76	1.60	1.40
Total gross capital inflow (E+G+H)	8,978	8,131	8,203	8,596
Total gross capital inflow per cent of GDP (F+I)	3.53	2.78	2.56	2.40
End-year reserves (excluding gold)	6,354	6,095	7,091	8,237

Source: India: Recent Developments and Medium-Term Issues, Vol II; World Bank, Washington DC, April 27, 1988; pp 48-51.

streamlining legal and other administrative procedures. The attractiveness of Indian securities for foreign investors can be enhanced by deliberate and purposive elimination of transaction costs and risk, arising from *functionless* political and bureaucratic procedures or interventions, and reduction of other such costs and risk by innovative ways of handling such transactions with minimum delay, and adequate and timely provision of required information.

Integration and Interest Rate Policy: Integration of domestic with the international market implies that interest rates in India should be related fairly closely to the interest rates in the major financial centres. Since, countries like India would like to stimulate capital inflows and discourage capital outflows, domestic interest rates or yields, adjusted for expected exchange rate changes, on deposits and bonds should be higher than those prevailing abroad; and at the same time, to discourage excessive borrowing from abroad, the domestic interest rates or cost of borrowing should be lower than the cost of borrowing abroad, adjusted for expected exchange rate changes. Such interest rate policy can be implemented only if there are pressures and incentives for the domestic banks and financial markets to improve their efficiency of operations by reducing transaction costs for both lenders/investors and borrowers and an exchange rate policy that is consistent with and adequately coordinated with the domestic interest rate policies.

The domestic interest rate policies have also some relationship with the differential relating to domestic and foreign gold prices. The foreign investors and particularly the NRIs may prefer to invest in gold by purchasing gold abroad and selling it in India when the profit margins on such transactions are quite high. It appears from available evidence that the NRIs are selling foreign exchange to the gold smugglers for rupees at a premium of about 20-25 per cent above the official exchange rate; and the latter export gold illegally to India because of about 50 per cent differential between the domestic and international gold prices. Thus, the attraction of financial instruments for some NRIs is much less than for illegal transactions in the currency markets.

If the NRIs and the foreign tourists are permitted to bring gold to India with an import duty of 20-25 per cent on the value of gold, it is quite likely that the differential in the international and domestic prices of gold would be narrowed. And this for two reasons:

—because of freedom to import gold in India, the supply price of gold may become lower than what it is now; currently, there is a risk attached to gold smuggling.

—further, with such import of gold, the demand for gold with an investment motive may decline as the expectation of higher domestic prices may be damped.

If the price differential is narrowed, the NRIs currently selling foreign exchange to smugglers may be attracted by the other financial instruments, thus increasing the inflow of resources through official banking channels.

Even if the price differential were not narrowed, the situation would be better than what it is now. The government expenditure incurred to prevent gold smuggling would considerably diminish, government revenues would increase as a result of import duty on gold, and with a free market for gold, there would be possibilities for the Reserve Bank of India to use gold as an instrument for its open market operations, as well as for strengthening its gold reserves. Such gold imports may also facilitate larger exports of gold ornaments and jewellery, in which because of traditional skills, India has a comparative advantage. And the NRIs may, in that case, import them from India. Further, the black market in foreign exchange may shrink and there may result a closer alignment between the official and the black market exchange rates of the rupee.

Gold is a commodity unlike any other in the sense that it is durable, not subject to wear and tear, and internationally acceptable like any other convertible currency. Further, in India, for traditional reasons—sanctity attached to gold, its value as a reserve asset and its use in ornaments—the demand for gold is likely to increase, despite high prices,

TABLE 9: BANK-WISE AND COUNTRY-WISE BREAK-UP OF OVERSEAS BRANCHES OF INDIAN BANKS

Country	Bank of Baroda	Bank of India	Bharat Overseas Bank Ltd	Canara Bank	Indian Bank	Indian Overseas Bank	State Bank of India	Syndicate Bank	UCO	Total
Bangladesh	—	—	—	—	—	—	1	—	—	1
Bahamas	1	—	—	—	—	—	1	—	—	2
Bahrain	1	—	—	—	—	—	1	—	—	2
Belgium	1	—	—	—	—	—	1	—	—	2
Cayman Islands	—	1	—	—	—	—	1	—	—	2
Channel Islands	—	1	—	—	—	—	—	—	—	1
Fiji Islands	11	—	—	—	—	—	—	—	—	11
France	—	1	—	—	—	—	1	—	—	2
Guyana	1	—	—	—	—	—	—	—	—	1
Federal Republic of Germany	—	—	—	—	—	—	1	—	—	1
Hong Kong	—	2	—	—	—	6	1	—	2	11
Japan	—	2	—	—	—	—	2	—	—	4
Kenya	7	2	—	—	—	—	—	—	—	9
Maldive Islands	—	—	—	—	—	—	1	—	—	1
Mauritius	6	—	—	—	—	—	—	—	—	6
Oman	3	—	—	—	—	—	—	—	—	3
Panama	—	—	—	—	—	—	1	—	—	1
Seychelles	1	—	—	—	—	—	—	—	—	1
South Korea	—	—	—	—	—	1	—	—	—	1
Sri Lanka	—	—	—	—	2	3	1	—	—	6
Singapore	—	1	—	—	1	1	1	—	3	7
Thailand	—	—	1	—	—	—	—	—	—	1
United Arab Emirates	6	—	—	—	—	—	—	—	—	6
United Kingdom	11	13	—	1	—	—	5	1	2	33
United States of America	1	2	—	—	—	—	4	—	—	7
Total	50	25	1	—	3	11	23	1	7	122

Notes: (1) Includes 8 off-shore banking units in Bahamas, Bahrain, Cayman Islands, Channel Islands and Singapore.
(2) As at end-December 1997.

Source: Reserve Bank of India

at least at half the rate of growth of population. It is for these reasons that in spite of stringent gold control, illegal gold imports have continued for several years.

From the country's point of view, the private gold stocks can be mobilised in emergencies like a breakdown of the international monetary and financial system or a war and used as foreign exchange. Any way, the suggested policy measure is worth trying out for some years to find out its consequences, particularly as it does not involve any use of India's official foreign exchange earnings or reserves.

IV

Liberalisation of the Domestic Financial Markets

For gaining access to the international market as well as for improving the investment and productive efficiency in India, it is essential to reduce transaction costs and risk, relating to financial instruments, through financial innovations that provide a wider choice of instruments to savers/investors as well as borrowers. For this purpose, there has to be freedom from functionless legal and administrative restrictions on the functioning of financial markets and deliberate creation of a policy environment favourable for generating competitive impulses and for entrepreneurial functioning.

Competitive Impulses: The restrictions on the functional scope of financial institutions need to be progressively relaxed for creating a competitive environment. As is happening in the major financial centres, the commercial banks should be permitted to engage in investment banking activities, which are, as emphasised earlier, are essential for operating in the international market. Several banks have now entered the field of merchant banking, mutual funds, leasing, housing finance, etc, and they need to extend their activities to investment banking also.

The entry of commercial bank in this field is essential for another reason also. As is happening in the international market, the major corporate borrowers in India too are increasingly relying on the securitised markets for their resources. The banks are likely to lose this profitable market and if they are to be financially viable, they need to diversify their activities into fields like investment banking that make it possible for them to earn fees from domestic as well as foreign clients.

Such competitive and entrepreneurial impulses cannot be generated unless the top management of financial institutions has freedom from *ad hoc* interference from the government and other administrative controls and restrictions that prevent them from operating in an entrepreneurial manner. The fixity of tenure, at least for five years, for the top management of these institutions is imperative if they are to function as innovative entrepreneurs. Currently, the entrepreneurial talents of the top management have scope only in a vertical direction, that is, in accommodating the whims and caprices of the politicians and the bureaucrats rather than in the horizontal direction of improving their services to their customers. This has to change.[23]

Strengthening Money and Capital Markets: Several measures have been taken recently to promote and strengthen the securities markets in India. Discount and Finance House of India (DFHI) has already started its operations relating to short-term financial instruments. Credit Rating Information Services of India Ltd (CRISIL) has been established to rate companies as well as securities listed in the capital market. A national market has effectively been created by an electronic link-up between five major stock exchanges in India, which simultaneously transmits price information and other data to all exchanges. The Stock Holding Corporation of India (SHCI) has been formed by the financial institutions in order to provide clearing house facilities t promote speedier transfer of securities; th corporation acts as a central clearing agenc for registering of transfers of securities an reduces considerably the time-lag in effec ting transfers. Securities and Exchang Board of India (SEBI) similar to th Securities and Exchange Commission of th US has been set up to promote orderly an healthy growth of the securities market. A these developments seek to attract and pro tect investor interest by provision of bette and fuller information with regard to th companies, whose securities are listed in th national stock exchanges.

However, unless the financial institution are permitted to operate as brokers, dealers underwriters and investors in the money an capital markets, the growth and developmen of these markets may be inhibited. Variou types of banks should be permitted to assume such functions. In that case, it ma become possible to evolve a market in short-

TABLE 10: COUNTRY-WISE DISTRIBUTION OF INDIAN BANKS OVERSEAS

Country	Branches		Banking Subsidiaries		Affiliates	Represen-tative Offices
	Conventional	Offshore Banking Units	Wholly Owned	Majority Owned		
Australia	—	—	—	—	—	1
Bangladesh	1	—	—	—	—	—
Bahamas	—	2	—	—	—	—
Bahrain	—	2	—	—	—	—
Belgium	2	—	—	—	—	—
Bhutan	—	—	—	—	1	—
Canada	—	—	1	—	—	—
Cayman Islands	—	2	—	—	—	—
Channel Islands	—	1	—	—	—	—
Egypt	—	—	—	—	—	1
Fiji Islands	11	—	—	—	—	—
France	2	—	—	—	—	—
Guyana	1	—	—	—	—	—
Federal Republic of Germany	1	—	—	—	—	—
Hong Kong	11	—	3	—	—	—
Indonesia	—	—	—	—	—	3
Iran	—	—	—	—	—	1
Italy	—	—	—	—	—	1
Japan	4	—	—	—	—	—
Kenya	9	—	1	—	—	—
Malaysia	—	—	—	—	1	—
Maldive Islands	1	—	—	—	—	—
Mauritius	6	—	—	—	—	—
Nigeria	—	—	—	—	2	—
Oman	3	—	—	—	—	—
Panama	1	—	—	—	—	—
Seychelles	1	—	—	—	—	—
South Korea	1	—	—	—	—	—
Sri Lanka	6	—	—	—	—	—
Singapore	6	1	—	—	—	—
Thailand	1	—	1	—	—	—
United Arab Emirates	6	—	—	—	—	—
United Kingdom	33	—	—	—	—	—
United States of America	7	—	1	—	—	1
Uganda	—	—	—	1	—	1
USSR	—	—	—	—	—	1
Zambia	—	—	—	1	—	—
Zimbabwe	—	—	—	—	—	1
Total	114	8	6	2	4	10

Notes: As at end-December 1987.
Source: Reserve Bank of India.

term instruments by converting the present inter-corporate deposits into a negotiable commercial paper, making company deposits into a tradeable certificate of deposit and bills of exchange into what are known in the international market as NIFs. The markets for these instruments and the treasury bills need to be integrated with the active participation in these markets by the financial institutions including UTI, Life Insurance Corporation of India (LIC) and the Employees' Provident Fund (EPF); for this to be possible, restrictions on their investment portfolio need to be relaxed. The commercial and development banks, if they assume investment banking functions, could strengthen these markets in various ways. These markets can also be widened and deepened by securitising dormant assets like house mortgages and the like. The commercial and development banks too can securitise some of their assets as a measure of raising more resources for their functioning.

The promotion or strengthening of the market for short-term instruments through refinancing or rediscounting facilities with the Reserve Bank of India or Industrial Development Bank of India is not an effective or efficient method for the purpose; such facilities should be used sparingly and only as a last resort. They become necessary only when the financial markets are fragmented along with the interest rate structure because of administrative regulations. The viable method of strengthening these markets is through an appropriate interest rate policy.

Structure of Interest Rates: The fragmentation of financial markets has arisen partly because of the irrationality in the administered structure of interest rates. This structure does not reflect the differential transaction costs and risk attached to various instruments and this gives incorrect signals to investors/savers, lenders and borrowers and prevents integration of the financial markets as well as adaptation of appropriate financial innovations. The lack of integration is further aggravated through fiscal measures like exemption from tax on interest income from some instruments.

This structure hence needs to be rationalised. It may be necessary to have some administered rates but they need to be flexible so as to reflect the changing economic situation. However, even to know the levels at which such interest rates should be fixed and changed in the light of the developing situation, it is essential to have market determined interest rates, particularly related to negotiable tradeable instruments. On this logic, interest rates on bank deposits and government securities should be flexibly administered, while the financial markets and institutions should be free to determine the other rates including interest rates on loans.[24]

It may be necessary to direct credit to certain so-called priority sectors; but these sectors, to be priority sectors, must be very few like small farmers, small enterprises of all types and exports. As is done currently, credit to these sectors should be fixed as some proportion of deposits; but it is not necessary to fix administratively interest rates on advances or loans. Fixing both price and quantity would affect the viability of the banks if they strictly adhere to the directives; if they do not, they will be induced to raise the cost of borrowing by levying non-interest charges to such borrowers, thus adversely affecting the very sectors that are given priority status.

Credit allocation to such sectors through directives without fixing interest rates on loans would induce the banks to introduce such innovations as reduce transaction costs and risk to both lenders and borrowers and thus improve the effectiveness and efficiency of the banking system; at present, there is no such incentive and the financial viability of the banks is already undermined.

Exemption of interest income on some instruments from taxation does not appear to be the right instrument for raising the rate of financial saving; it merely provides artificial incentive for reallocating saving towards favoured instruments. For stimulating saving in terms of financial assets, it would be much more effective to exempt net saving—that is, increase in financial assets minus change in financial liabilities—from taxation; this would raise the net return on all financial instruments and discourage consumption, without fragmenting the financial markets. Such a modified expenditure tax can replace several separate taxes if the following tax base is adopted:

> (income from all sources + capital gains + gifts received)—[(increase in financial assets − change in financial liabilities) + gifts given to others + expenditure on one house meant for one's own use].

Such a tax would replace several separate taxes like income tax, capital gains tax, gifts tax and inheritance tax, thus simplifying the tax system, and at the same time stimulate financial saving.[25]

Prudential Regulation and Supervision: Liberalising financial markets from *functionless* administrative controls, regulations and directives does not mean that there should be no regulation and supervision of these markets. In fact, financial markets are fragile and susceptible to what Pigou calls errors of optimism and pessimism and in addition, unsound financial practices—like cheating, fraud and unwise hasty ill-informed decisions—have large cumulative and self-reinforcing external diseconomies as they affect the entire financial system and through it the productive sectors.

For this purpose, the institutional infrastructure is already in place. The Reserve Bank of India has this responsibility *vis-a-vis* the banking system; the Industrial Development Bank *vis-a-vis* the development banks; and the newly created Securities and Exchange Board of India *vis-a-vis* the securities markets. These institutions need to be strengthened in the light of the emerging needs that may arise as a result of liberalisation.

V
Concluding Observations

The international capital market as it has been evolving provides an opportunity for developing countries like India to attract the required capital inflow for accelerating their pace of development, manage their foreign exchange assets and liabilities to their advantage and develop export capabilities in the field of financial services. Active participation in this market would not only improve their access to the market but also indicate the institutional and policy framework essential for developing effective and efficient domestic financial markets. Of course, since participation does imply a progressive integration of domestic markets with the international market, it would make the domestic markets vulnerable to the vicissitudes of the international market. But as the Chinese say: by opening your windows you of course get flies along with fresh air; but if you don't open the windows, you will not get flies but at the same time, no fresh air either.

The possibilities of such participation would be enhanced if the developing countries like India take a constructive stand with regard to the multilateral negotiations in respect of trade in services under the Uruguay Round. Such active participation in negotiations would result into multilateral rules in the sphere of trade in services and safeguards for the developing countries, subject of course to eventual and negotiated erosion with 'graduation', perhaps even slower paced than as now discussed for goods.[26]

This would open out opportunities for ex[port] of services like financial services an[d] computer software, that are skill intensiv[e] and with regard to which countries like Indi[a] have a potential dynamic comparative ad[vantage]; further, the increased competitio[n] would also tend to improve the domest[ic] financial system, thus stimulating great[er] productive and investment efficiency in th[e] productive sectors.

Confrontation and rhetoric for speci[al] and differential treatment in the matter [of] trade as well as trade in services or for [a] international economic order arouse or[ ] hostility and are self-defeating. In fact a[s] has happened in the area of trade in goo[ds] that would give greater discretionary pow[er] to the administrative authorities in [ ] developed countries; without an agreed a[nd] negotiated system of multilateral rules, [ ] international system would provide opp[or]tunities for governments of the economic[ally] strong countries to dominate in one wa[y or] another (witness the Voluntary Ex[port] Restrictions—VERs—and Voluntary Im[port] Expansions—VIEs) the weaker ones.[27] [ ] to the advantage of the developing coun[tries]

to have an international system based on multilateral rules rather than political and economic power. And to have such a rule-based system, it is essential—nay, vital—for the developing countries to participate actively and intelligently in the negotiations for trade in goods as well as trade in services. Intelligent participation in negotiations would also indicate to the developing countries the areas in which the domestic institutional and policy framework needs change and improvement. Hostility and confrontation are possible with ignorance; co-operative ventures require intelligence and diligence.

Notes

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Rural Social Transformation and Changes in Health Behaviour

Debabar Banerji

This paper discusses the findings of a wide-ranging study of health behaviour in nineteen villages spread over eight states and covering a time-span of fifteen years. The study, which has provided a range of information on rural social, cultural and economic transformation on the one hand and changes in health behaviour on the other, highlights the close correlation between the two and brings out that change of health behaviour can be considered as one of the indices of the degree of rural transformation.

EARLIER studies on health behaviour were conducted along the tradition of village studies. They suffered from profound ethnocentric biases in data collection and in analysis and interpretation of the data. Some more influential of these are briefly mentioned below.

Two cultural anthropologists from foreign countries—McKim Marriot [1955] and Morris Carstairs [1955] were among the first to carry out 'formal' social science studies in health in India. Both of them lived in villages for considerable periods to present the contrast between western and rural Indian medicine in terms of doctor-patient relationship.

Marriot carried out his study in the village Kishan Garhi in Aligarh district of Uttar Pradesh in 1952. He attempted to analyse the cultural problems involved in introducing what was considered to be more effective medical techniques to a 'conservative' village. He describes the overall social organisation of the village, then analyses the village medical institutions in particular, and finally re-examines the role of the western doctor as it appears to villagers in the context of their own social organisation and their own medical institutions. Analysis reveals several contrasts and conflicts that have existed in the past between the roles assumed by indigenous and by western medical practitioners, conflicts that have acted as obstacles to the spread of western medicine. The analysis also points to certain resemblances between the roles of indigenous and western medical practitioners and suggests how some of these resemblances might be exploited in establishing what the author terms as 'scientific bridgeheads'. The successful establishment of effective medicine here appears to the researcher to depend largely on the degree to which "scientific medical practice can divest itself of certain western cultural accretions and clothe itself in the social home spun of the Indian village". The value position of the researcher is quite obvious.

Carstairs conducted his studies in 1951 and 1952 in two villages—Surajpur and Delwara—located in the extreme north of the then Udaipur state. He was familiar with this region because his father was a missionary and he grew up there. Significantly, he starts his presentation with a reference to a short story by Rudyard Kipling where he describes how a young district officer persuaded a frightened village community to submit to vaccination by reminding the people that its effectiveness is derived from the sacred cow, and then getting one or two leading men to be the first to undergo it.

His conclusion was that to the people of rural India sickness is as much a moral as a physical crisis. Villagers can scarcely be expected to change their whole cosmology simply to accord with the outlook of a western trained doctor. According to him those who are interested in introducing western technology in public health and medicine ought to study how they can adapt the roles of the doctor and other health workers to fit in to the existing cultural expectations. In the process they may have to consent to assume the mantle of the priest or the magician. Carstairs hastens to explain that by this he does not mean the western doctors will themselves subscribes to 'non rational' beliefs, but simply that they will accept the inevitable fact that their own techniques of healing will be accepted 'irrationally'. Carstairs contends that western health personnel can, however, turn this fact to advantage by dramatising the concepts of infection, sterilisation and chemotherapy for all their worth and by accepting as an asset the quite unscientific awe which the ritual of even minor surgery can inspire. He concludes that these considerations may sound devious and machiavellian, but "as long as western trained worker remain clear in their own minds about the worth of the contribution they have to make to the community's well-being, they will be able to play their roles with that conviction and assurance of ultimate success which the villagers themselves recognise as the hallmark of true potent therapy".

Khwaja Arif Hasan [1967] has been among the first scholars (1959-60) to have carried out field work specifically to elaborate on cultural dimensions of health in an Indian village. The village selected by Hasan is atypical in many ways—it is near Lucknow city, it is a part of the field practice area of the department of preventive and social medicine of KG Medical College, Lucknow and the study population had a disproportionately high representation from the Muslims and lower castes. The author stayed in the village for full one year and conducted participant observation, besides analysing available records and administering a voluminous questionnaire to a purposive sample of 80 out of a total of 215 households. In the report he describes the village environment, sanitary habits, personal hygiene, food habits and taboos, drinks and drugs, concepts of aetiology and illness and doctor-patient relationship. He has pointed out the factors that directly affect the health of a community because of certain customs and practices, beliefs, values and religious taboos and those that indirectly affect the health of the community. Some of the cultural factors play a positive role while others have negative influence on the health of the village community.

Other scholars like van der Veen [1981], Nichter [1981], Khare [1981, 1963], Parker et al [1979], Kapur [1979], Carstairs and Kapur [1976], Bhatia [1975], Bhardwaj [1975], Leslie [1967] and Opler [1963] have also reported on health behaviour of rural populations on the basis of their field studies (Charles Leslie [1988], Giriraj Gupta [1981] and Ahluwalia [1972] have also provided reviews of studies in this area).

Looking from the other end, Sikand and Raj Narain [1957] reported that only 42 per cent of sputum positive tuberculosis cases discovered in the course of a sample survey of the population of Delhi city were 'known' to tuberculosis institutions in Delhi. If this logic is carried to the situation prevailing in rural areas, where virtually no tuberculosis institutions existed at that time, then all the tuberculosis cases were 'unknown'. Such an approach to analysis once again takes a very narrow, technocentric view of behaviour of tuberculosis patients—they must go to a specialised clinic, if they were to be classified as 'known' cases. More unfortunately, this data were used to justify the recommendation of use of the very expensive and highly complicated method of 'catching' the 'unknown' cases through the use of mass miniature radiography.

From the hindsight of the past quarter of a century, it is apparent that the forecasts of scholars like Marriot, Carstairs, Hasan, Guld and Khare that rural populations will resist western medicine unless major modifications are made in the delivery system have not turned out to be true. They were so preoccupied in obtaining data which made them think of ways of manipulating people (e g, the Kiplingian gimmicks su

gested by Carstairs) and/or manipulating the practitioners of western medicine to overcome the alleged resistance, that they did not ask the very obvious research question: why, even in the fifties, were villagers taking all the trouble and expense of visiting hospitals in urban areas even when they were dealt with so shabbily there and even when these institutions so often failed to alleviate their suffering?

The failure to raise such vital research questions was perhaps due to their taking a value position in favour of western medicine and against the traditional practices of the so-called backward rural population. This has profoundly biased both the conceptualisation of their research problems and the methodological approaches adopted by them.

There was a blanket admiration for western medicine: it was considered to be 'good' and the traditional practices were 'not good'. Marriot, for instance, considered the smelly shark liver oil and the calcium tablets prescribed by a missionary doctor (who was persuaded by Marriot to visit Kishangarhi) as a 'superior' treatment of tuberculosis than the 'gold' and 'honey' treatment prescribed by the local medicine man. Carstairs' approach was even more derogatory and condescending to the local cultural practices.

One outcome of such an obvious bias in the study of way of life of the villagers was that it came in the way of studying the culture in its entirety. Some specific aspects of the culture, which tended to justify the preconceived notions of the researchers, received disproportionately greater attention than the rest. There was a 'selective' approach to the study of health behaviour.

These scholars studied health behaviour of people in isolation. It was not adequately realised that it is a mere component of the overall cultural response to problems faced by the population. Health behaviour is related to cultural perception of health problems. Culture also determines the meaning of health problems to the people. Again, culture mediates in the formation of various institutions and functionaries for coping with the problems. Thus, health behaviour ought to have been seen only as a component of a complex whole; if health behaviour is not seen in that holistic context, there is a real danger of its getting distorted in the process of study. This conceptual aberration which, in turn, distorted the methodology, seems to have vitiated many of the earlier health hebaviour studies.

This trend of social science thinking in health ('medical sociology') has also shaped the basic thinking in the conventional approach to the discipline of health education. As practitioners of this brand of medical sociology, health educators in India took a pronounced value position: that western medicine, as embodied in the government health and family programmes, are 'good' and that they must bring about changes in the so-called superstitious, illiterate, ignorant, tradition-bound rural people so that they are made to accept (motivational manipulation) what is handed down to them by government agencies [Mahler 1982; Banerji 1986]. Health educators enthusiastically welcomed the 'change' models of western scholars like Hochbaum [1965], Katz [1952] and Rogers [1948] in developing theory and practice of health education in India. Again, with the hindsight of the past quarter of a century, it can be understood why such victim-blaming, patronising and manipulative efforts have not yielded the desired results. India's family planning programme [Bose 1988] and UNICEF's effort to promote what it called 'social marketing' [Manhoff 1984] to 'sell' immunisation programmes are glaring instances of the failures of the traditional approach to health education.

Cultural Correlates of Health Behaviour

Social science studies conducted in the early sixties at the National Tuberculosis Institute, Bangalore (NTI) [Banerji and Andersen 1963; Banerji 1971] deserve special attention as they were qualitatively different from most other studies in more than one sense. The NTI was given a specific mandate to formulate a nationally applicable, socially acceptable and epidemiologically effective national tuberculosis programme for India. All its research activities revolved around this mandate. An inter-disciplinary team was formed to perform this task. Social scientists were recognised as members of this team and they worked with public health administrators, epidemiologists, specialists in tuberculosis diseases, microbiologists, public health nurses, radiological engineers and statisticians to carry out the task assigned to the institute.

Because of their different orientation, the social scientists asked different types of questions regarding the problem of tuberculosis in India. They did not follow the traditional line of finding ways of 'manipulating' tuberculosis patients so that they participate in 'case-finding' and 'case-holding' operations launched through mass radiography or tuberculosis clinics. Nor did they follow the footsteps of scholars like Marriot or Carstairs in writing detailed accounts of exotic health practices in 'traditional' societies. They decided that the formulation of a national tuberculosis programme should start from an understanding of the people concerned: they "went to the people to learn from them". The research questions were: how do tuberculosis patients in a rural community respond to the disease? How many are at least conscious of the symptoms of the disease? To how many are the symptoms cause of worry and how many take action about their symptoms? In other words, the research was meant to give a sociological dimension to the epidemiology of tuberculosis in the country. Closely following an epidemiological survey of tuberculosis in Tumkur district of Karnataka [Raj Narain et al 1963], a careful sociological study was designed at the sociological section of NTI in 1960 [Banerji and Andersen 1963] to measure the degree of awareness of the patients in terms of 'consciousness', 'worry' and 'action'.

The findings from the study were very revealing. At the time when there was a strong tendency to seek the help of social scientists to 'catch' people for mass radiography, it was found that, motivated by the suffering caused by the disease, as much as half of all infectious cases in the population had sought assistance from government rural health institutions and almost invariably they were sent back from there with a bottle of cough mixture. Another quarter of the cases were worried about the symptoms (chronic cough, fever, chest pain and blood in sputum) and almost all of them (95 per cent) were at least conscious of them.

'Defaulting' in drug intake by patients in the course of implementation of the national tuberculosis programme was another area studied by social scientists of NTI [Andersen and Banerji 1963; Singh and Banerji 1968; Banerji 1971]. These studies revealed that by far the greatest 'fault' lay not with the patients as was then generally supposed, but with those who were responsible for lapses in the organisation and management of the programme—in supply of drugs and X-ray films, in availability of the recommended trained staff, in integration of the service, for instance. Technical considerations regarding definition of a case of tuberculosis also contributed to the number of 'defaulters' because many of those who were branded as cases of tuberculosis were not cases at all and some of the tuberculosis cases were resistant to the treatment. The patients obviously cannot be branded as defaulters because of 'defaults' in the organisation and in technological assumptions. Finally, in the small group in which the lapse in drug intake was entirely due to faults of the patients, it was found that apart from the very human tendency to forget, often very acute social and economic factors were responsible for this default. These studies [see, for instance, Mankodi and van der Veen 1985; Aneja and Samuel 1982; Narayan and Srikantaramu 1987; Seetha and Kale 1986 and Baily et al 1974] revealed once again that many of the social science studies on this problem were out of focus because of value positions adopted by the research workers.

Thus, a much more systematic way of conceptualisation of the problem of health behaviour and paying much greater attention to methodological issues led to findings which seriously called into question the conclusions about health behaviour of rural populations drawn from the earlier 'village studies'. The sociological studies in NTI were of far-reaching significance, not only in the formulation of India's National Tuberculosis Programme [Banerji 1971], but also in identifying some major concepts in medical sociology. Two of these concepts, which have

already been referred to earlier, are mentioned below.

The findings showed that health behaviour of a community cannot be studied in isolation. It is influenced by the degree of access to effective services. These two (i e, health behaviour and access) also interact with cultural perception and meaning of a health problem. Because of improvement in the access to effective services, the earlier perception that tuberculosis is a stigmatising disease, almost invariably ending in death, has changed considerably. Therefore all these factors should be considered together. This interacting complex whole has been termed as health culture. The most significant finding was that there was an area of overlap of felt need and epidemiologically assessed need: it gave an entirely new direction to programme formulation—away from conventional approach of mass radiography, mass BCG inoculation and specialised tuberculosis clinics. It enjoined that the first priority be given to those epidemiologically assessed cases who also had felt need for services. As this principle can be generalised to cover a wide range of community health problems, it forms the cornerstone of the new social science approach to health.

There have been a number of other studies—'village studies'—which have analysed the issue of health behaviour of rural population within a wider framework. Some of them are mentioned below.

Djurfeldt and Lindberg [1975: 216] conducted study of introduction of western medicine in the village Thaiyur in Tamil Nadu in 1969-70 and concluded that as "the health situation in the village was consequence of the prevailing economic and political order, both the western and indigenous systems of medicine are equally impotent in dealing with the health situation; and only a profound transformation in the economic and political structure can give the people of Thaiyur the means to improve their health". In a study of yet another group of Tamil Nadu villages, Sheila Zurbrigg [1984] has looked at continuing ill-health in India through the life of a labouring village woman, exploring the forces which keep her from adequately feeding and caring for her children and herself. She advocates a shift of attention and efforts of health workers to the poverty-dependency-ill-health dynamics, and suggests how issues of ill-health can be used to strengthen the broader struggle by the labouring poor for health and social justice.

Research students at the Centre of Social Medicine and Community Health of Jawaharlal Nehru University have also conducted some significant studies. Studying six Oraon tribal communities living at varying distances from the sophisticated hospital at the steel plant at Rourkela, Santosh Kumar Sahu [1980] had observed that changes in the access to western medical services had profoundly changed the other components of their health culture. Furthermore, he found considerable degree of unmet felt needs for western style medical services even in the remotest Oraon village and that when medical catastrophes strike them, they are prepared to make great sacrifices to gain access to practitioners or institutions of western medicine.

Studying the interaction between the people and Integrated Child Development Scheme (ICDS) in a tribal block in Orissa, Santa Raye [1982] observed that many of the major shortcomings in the implementation of the ICDS could have been avoided had the organisers developed a people oriented programme, instead of imposing a pre-determined package of services on the people.

Conducting a community study as a component of analysis of the National Leprosy Control Programme (LCP) in Chingleput district of Tamil Nadu as a system, K V Rao [1982] found that perception of stigma in a community is confined mostly to those cases who had developed deformities. Cases develop deformities because they are not diagnosed and treated during the long pre-deformity phase of the disease, quite often due to lapses in the implementation of the LCP. Also, carrying out a study of treatment behaviour along the NTI lines, Rao demonstrated that in the case of LCP also, failure of many patients to continue the prescribed treatment could be due to inadequate epidemiological analysis in defining a case and to inadequacies in the implementation of the programme.

A Broadbased Study

The experience from the sociological studies at the National Tuberculosis Institute led in 1972 to conceptualisation of broader based studies of health behaviour of rural populations in India against a much wider social and cultural setting [Banerji 1982]. This included study of behaviour in relation to a much wider spectrum of health problems, in their curative, preventive and promotive dimensions. Community response to the family planning programme was also included. Another important feature of the research design was that study of health behaviour was developed around an integrated concept of the entire way of life in rural populations, which included such key areas as social and biological meaning of poverty, social, economic, demographic and political determinants of poverty, relationship between caste, religion, class and politics and interaction between different segments of a rural community, on the one hand and the different programmes for development, including the 'agents' who deliver the programmes, on the other.

The most significant feature of this study was that the entire methodological edifice was built around such an integrated concept. Depending on the linguistic competence of the investigators, nineteen villages, covering the states of Gujarat, Haryana, Karnataka, Kerala, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal, were selected for a field work type of investigation of health behaviour in the context of the social and cultural setting. To study the influence of access, eleven of the villages also had a fully staffed primary health centre (PHC) and two had a sub-centre of a PHC.

Apart from collecting data through village informants—panchayat members, school teachers and other formal and informal village leaders—the investigators identified informants and some 'ordinary' members from *each segment* of the village community and made observations and conducted depth interviews to understand the health culture of the village against the background of its total culture. They also prepared case reports to provide a deeper insight into the response of the different segments to a very wide variety of health problems, covering the fields of medical care, family planning, maternal and child health, communicable diseases, environmental sanitation, etc. Their stay in the villages also enabled them to make direct observations, followed by depth interviews, of the actual behaviour of the villagers when they encountered certain specific health problems. They could also study the interaction between the PHC personnel and the villagers, both when the former visited the village and when the villagers visited the PHC. Apart from these efforts to ensure that in-depth qualitative data were obtained from *all* the segments of the entire village community and they were, as far as possible, checked and cross-checked, a quantitative dimension was given to some of the main qualitative data by framing an unstructured interview schedule on the basis of these qualitative data and administering it to a 20 per cent stratified random sample of the village households.

Taking into account the social an[illegible] economic status of the people, the epi[illegible] demiology of health problems and th[illegible] nature of the health services available, it i[illegible] not surprising that problems of medical car[illegible] should be by far the most urgent concer[illegible] among the health problems in rural popula[illegible] tions. But the surprising finding is that th[illegible] response to the major medical care problem[illegible] is very much in favour of the wester[illegible] (allopathic) system of medicine, irrespectiv[illegible] of social, economic, occupational an[illegible] regional considerations. Availability of suc[illegible] services and capacity of patients to meet th[illegible] expenses are the two major constrainin[illegible] factors.

On the whole, the dispensary projects [illegible] very unflattering image. Discriminati[illegible] against the poor and the oppressed, po[illegible] quality of medicines (only red water), la[illegible] of medicines, over-crowding and long wa[illegible] nepotism, bribery and indifferent and oft[illegible] rude behaviour of the staff are some of t[illegible] charges that have been levelled against m[illegible] of the dispensaries. Complaints abo[illegible] medicines and over-crowding and long w[illegible] are made even against the best of the PH[illegible] studied.

Because of the very poor image of [illegible] PHC dispensary and its limited capacit[illegible]

is unable to satisfy a very substantial proportion of the demand of the villagers for medical care services. This enormous unmet felt need for medical care services is the main motive force in the creation of a very large number of the so-called Registered Medical Practitioners (RMPs) or 'quacks'. The RMPs are thus in effect created as a result of the inability of the PHC dispensary or other qualified medical practitioners to meet the demands for medical care services in villages.

Apart from these, depending on the economic status of the patient and the gravity of his illness, villagers seek help from government and non-government medical care agencies in the adjoining (or even distant) towns and cities. There are several instances of families having been totally ruined in the process of meeting medical care expenses for major illness of the breadwinner or of other family members.

There are numerous instances of adoption of 'traditional' healing practices. But among those who suffer from major illnesses, only a very tiny fraction preferentially adopt these practices, by positively rejecting facilities of the western system of medicine which are more efficacious and which are easily available and accessible to them. Usually these practices and home remedies are adopted: (i) side by side with western medicine; (ii) after western medicine fail to give benefit; (iii) when western medical services are not available or accessible to them due to various reasons; and, (iv) most frequently, when the illness is of minor nature.

A very significant finding of this study is that the family planning programme has ended up in projecting an image which is just the opposite of what was actually intended. Instead of projecting an image which reflects respect for dignity of the individual—the so-called democratic approach which offers free choice of methods to the users and which ensures better health services—the image of the family planning workers in rural areas is that of persons who use coercion and other kinds of pressure tactics and offer bribes to entice people to accept vasectomy or tubectomy. There are, on the other hand, a few workers, who invoke the pity of community leaders by making pathetic entreaties to them to 'give' them some cases to save them from losing their jobs. To a large section of the villagers, the inverted red triangle and the workers behind the banner invoke a feeling of strong antipathy.

There have been numerous complaints from the villagers that they got no help from the organisations when they encountered complications following acceptance of family planning services—IUCD, vasectomy and tubectomy. These dissatisfied acceptors have been allowed to freely spread scare stories regarding these methods. Failure to provide even a very rudimentary system of health services, particularly curative services, has tended to reinforce this negative image.

Because of failure of workers to develop rapport with the villagers, sometimes the villagers are unable to meet their needs for family planning services. Negative response invoked by the high handed attitude of the family planning workers and the single method mass approach usually adopted by them often obscured the fact that many villagers actively seek family planning methods of their choice and these demands remain mostly unmet due to lack of response from the field workers.

There are several instances of mothers, who, failing to get suitable family planning services from the PHC, took recourse to induced abortions to get rid of unwanted pregnancies. This not only points to the failure of the programme to meet their needs for the services but it also draws attention to the failure of the programme to offer suitable abortion services to mothers with unwanted pregnancies, despite the passage of the abortion bill.

Most of the Nirodh users have to get their supply from the commercial channels. The depot holders are virtually non-existent and the free supply from PHC, according to some villagers, often finds its way into the market and is sold through the commercial channel.

The supply of iron and folic acid tablets and tetanus toxoid injections to pregnant women, immunisation and nutrition programmes for pre-school children and vitamin supplements to the population, all of which are supposed to be offered by the family planning programme, are virtually unknown in the 19 villages studied in 1972-75.

Another very significant finding of this study is that there is considerable unmet felt need for the services of the Auxiliary Nurse Midwife (ANM) at the time of child-birth. Villagers are keen to have the ANM's services because they consider her to be more skilled than the traditional *dai*. Wherever the ANMs have provided services, the *dai's* role has become less significant. It is significant that even those ANMs who have tarnished their image by openly carrying on extra maritial affairs within the village continue to command respect from villagers.

The overall image of the ANM or the Lady Health Visitor (LHV) in villages in north India is that of a person who is quite distant from them—meant only for special people or for those who can pay for her services. She is not for the poor. She can be called only when there are complications and then also she should be paid. She is not expected to visit them during the pregnancy or after the delivery. In the villages in the south, the position is (only) relatively better, though there also the utilisation of the ANM is much below the optimal level, thus leaving substantial unmet felt needs. Antenatal and post-natal care of the mothers, as well as care of the children are virtually absent even in the villages where PHC have been functioning for a very long time.

Lady doctors, whenever available, are even more inaccessible than the LHVs an ANMs. The villagers actively seek their hel or even take the patients to the city hospita in the case of intractable obstetrical com plications. These data once again belie th prevailing notion that the illiterate, super stitious and ignorant villagers do not accep offer of scientific health care services and instead, they go for primitive healt practices.

Local *dais* conduct the majority of th deliveries even in the villages where the PH is located. In the villages with no PHC, thei sway is almost complete. It is noteworth that they seek help from the ANM, LHV o lady doctor for complications which they ar unable to manage. Use of unclean instru ments and adoption of cruder methods b the *dais* and relatives and friends are hel as cause of the much more frequent occur rence of neo-natal tetanus and other com plications. But, in contrast with the ANM and the LHV, the *dais* either do not cos anything or their charges are moderate, the are easily available and accessible at an hour of the day, they readily pay repeate visits to the mother during the pregnancy labour and after labour, they perform such chores as massaging of the mother, looking after the infant, washing the clothes and disposing of the placenta and other soiled material and, above all, being a useful integral part of the village social system, they inspire confidence among the villagers and unlike the ANMs and LHVs, they do not subdue them by their curt or even rude behaviour. As in the case of the RMPs confinement by relatives and friends and the indigenous *dais* is popular among the villagers not because of their intrinsic merits but, in the absence of suitable services from the ANM/LHV/lady doctors, they are compelled to settle for something which they consider to be inferior but which is all that is available and accessible to them.

Social Transformation and Changes in Health Behaviour

Originally, the study of the nineteen villages was visualised as a one time investigation and all the villages were covered during 1972-75. Launching of the intensified family planning drive during the emergency (1975-76) was the immediate stimulus to pay a revisit to all the villages to assess the community response to the intensified drive. With the very good rapport which had been developed during the first visit, it also became possible to give a time dimension to the findings observed earlier and to recheck some of the key findings. The data collected through the first revisit turned out to be very valuable. This inspired a number of revisits on similar lines, culminating in a much more extensive collection of both qualitative and quantitative, covering all the nineteen study villages, in 1987-88, to get an integrated account of the socio-cultural, economic, demographic and political changes and changes in health behaviour during the

significant period between 1972-1988. In between, each village had, on an average, four revisits.

Organisation, analysis and interpretation of the very large volume of qualitative and quantitative data collected over a time span of fifteen years needed very great efforts. A report entitled: *Poverty, Class and Health Culture in India* [Banerji 1982] was prepared, mainly to present, in the time perspective of 1972-1981, an account of socio-cultural, economic and political changes in the study villages and their broad linkages with health behaviour and with government-run health services and other health institutions. Much more work remains to be done before a comprehensive report of the entire study, covering the time span of fifteen years, is finalised. Some of the major findings from the first visit, along with the trend of changes in the social setting and in the health behaviour of the same population over a fifteen year period, are presented below as a preliminary communication on the research.

During the first visit, there was extensive prevalence of poverty and hunger. There was virtually no potable water supply in any of the villages. The environmental sanitation and housing conditions were very bad. Nevertheless, in spite of the very degrading conditions of living for the bulk of the population in these villages, there have been efforts to 'develop' them. Besides, many persons who were relatively well off had brought about changes in the social setting through their efforts.

These changes were manifested in the form of development of roads, transport system, electrification, post and telegraph and telephone communication facilities, use of radios and a few television sets, expansion of the education system, opening of branches of commercial banks, formation of co-operatives, modernisation of agriculture in the form of use of chemical fertilisers and pesticides, high-yielding varieties of seeds, irrigation pumps, tractors, etc, shopping facilities, markets for sale of agricultural produce, small repair shops, setting up of industries of various kinds, and so forth.

By that time there has also been considerable expansion of the government-run rural health services, doing curative, preventive, promotive and family planning work. Significantly, there has also been a major expansion of the 'private sector' in the curative fields in the form of medical practitioners of various kinds, chemist shops and maternity homes and nursing homes.

There have also been some growth of political institutions in the form of panchayat organisations, with political parties showing growing interests in elections to various bodies.

Even from a preliminary analysis and interpretation of the very limited data on the changes that have taken place over a period of fifteen years, it is possible to come to some very broad conclusions about rural social transformation and changes in health behaviour. While arriving at these conclusions, it was constantly kept in mind that this period of fifteen years has included some major upheavals in the country in social and political fields. These included the emergency period of 1975-77. It also included the political upheaval of 1977 and the corresponding changes in the political leadership in the union and in many of the state governments.

The study villages were also very different from one another, both from socio-economic and health behaviour points of view, as they belong to eight different states and as some of them also happen to be block administrative headquarters with PHC located in them. Besides, there have been several efforts at mobilisation of the voters for the many elections that have taken place for gram panchayats, panchayat samitis, zilla parishads, state legislatures and the lok sabha.

One overwhelming finding at the end of about fifteen years since the study was started is a more than 50 per cent increase in the total population of the villages. What is more significant, this population growth has not taken place evenly in all the villages. As given in the table, Amdanga has actually shown a decrease in population; in five other villages, the growth has been about half or less than the overall average. At the other extreme, Haringhata has registered a population growth of 325 per cent, in another three the range of the growth is from 93 to 140 per cent.

An equally remarkable finding of this study is that even this massive overall growth of the population in the villages has not confirmed the simplistic predictions made by Malthus and his present day disciples. The growth has undoubtedly been exponential at rates of more than two per cent per annum. But this has not led to the famines, wars and epidemics, as predicted by Malthus. An explanation for this phenomenon can be found in the pronounced social and political changes that have taken place in these villages during the same period.

Perhaps the most remarkable finding from this study is the significant growth in the momentum of the democratic movement within the study population. It may be pointed immediately that this momentum is being visualised in a relative sense. A very long way is yet to be covered before the people in the villages are able to actively participate in the decisions which concern them. However, starting from the democratic movement during the freedom struggle, there has been a sustained progress since independence. The situation existing between 1972-1981 has been described in considerable detail in *Poverty, Class and Health Culture*. The subsequent years have revealed an increase in the consciousness among the masses.

Another interesting feature of the changes that have taken place during the past decade and a half is the rapid development of the system of communication and transportation between the villages and the world outside. This is in the form of very rapid increase in the number of the radio sets. There has also been a remarkable increase in the number of television sets in the villages. The villagers also use telephones more frequently. There is also a sharp increase in travel by road to the nearby towns and to the state capital. This change in the village population is a part of the wider political changes that have taken place at the block, district, state and national levels.

There has also been a sharp rise in the interest of the villagers in the affairs of the panchayats. In many villages there is also active participation in the co-operative movement. The rural employment scheme has also generated some confidence among the oppressed sections of the population.

Concurrent with the very heartening

TABLE: GROWTH OF POPULATION IN THE STUDY VILLAGES (1971-1988)

Villages	1972	1988	Per Cent Change
1 Amdanga (WB)	1724	1431	−17.0
2 Kamdevpur (WB)	1687	1906	13.0
3 Pazhambalakode (Kerala)	3592	4272	18.9
4 Coyalmannam (Kerala)	3012	3700	22.8
5 Pullambadi (Tamil Nadu)	6026	7511	24.6
6 Jadigenhalli (karnataka)	1163	1488	27.9
7 Kalur (Karnataka)	572	754	31.8
8 Bilaspur (Haryana)	557	767	37.7
9 Rupal (Gujarat)	1710	2578	50.3
10 Rohata (UP)	7009	10546	50.5
11 Arnavali (UP)	1772	2678	51.1
12 Dakshin Dutta Para (WB)	661	1105	67.2
13 Rohat (Rajasthan)	2459	4280	74.1
14 Kachhona (UP)	2289	4048	76.9
15 Yelwal (Karnataka)	1608	2858	77.7
16 Sunni (UP)	928	1795	93.4
17 Rampura (Rajasthan)	534	1035	93.8
18 Gombhoi (Gujarat)	500	1200	140.0
19 Barajaguli (WB)	1128	4800	325.5
Total	38931	58744	50.9

developments among the masses of the people, the follow up studies have also shown that there has been a rapid increase in the polarisation between privileged classes, castes and other sectional interests, and the rest of the population. It is the interaction of the interests of the increasingly powerful class and castes and other groups and those of the masses of the people which has shaped the pattern of the remarkable social transformation and the remarkable changes in the health behaviour that have been observed in this study.

The initial round of the study had revealed extensive prevalence of poverty and human degradation in many of the villages. The past fifteen years have shown significant changes. In some of the villages the changes are for the better; in others it is for the worse. However, taken as a whole, it can be conjectured that the situation has improved, despite the rapid increase in the total population.

The general conditions in the villages as a whole have certainly registered very significant improvements. As pointed out above, there are remarkable improvements in the development and use of communication and transportation systems. There is also a very rapid expansion of the government sponsored credit and banking system. The public distribution system for providing foodgrains and other essential items at fair prices has also expanded rapidly. There has been rapid increase in the use of tractors, irrigation pumps and chemical fertilisers. Many more villages have been electrified and many more houses have availed of electric connections. Notable changes have taken place in terms of water supply, nutritional services and housing conditions. Marketing facilities have grown and enterprising villagers have availed of the communication and transportation facilities to reach markets far beyond the traditional marketing system they have been using earlier. There is also a significant increase in the local economic and employment generating activities of various kinds. There is very large increase in the types of goods available in the villages themselves. There are also a number of repair shops to service the many modern gadgets and tools that are being used within the villages. Establishment of bigger industrial ventures near some of the villages (e g, a textile mill or a dairy farm) has spurred economic activities in these villages. Increasing affluence of some of the villagers has also created a larger market for entertainment establishments, such as cinemas and theatres.

Another remarkable change is in the form of rapid expansion of the rural health service system. From the earlier pattern of having one primary health centre and ten subcentres for a population of 1,00,000, there is now one primary health centre for a population of 30,000 and a sub-centre with a male and female worker for a population of 5,000 with the old primary health centre being redesignated as the community/block health centre. The latter is expected to have a bed strength of 25-30, with specialists in four clinical areas. A still more remarkable feature of this process of expansion was the government commitment, in the wake of the political upheaval in 1977, to entrust "people's health in people's hands" by allowing them to choose a community health worker (CHV) from among the villagers themselves for every 1,000 population, so that the villagers can acquire the power to cope with their own health problem as far as possible. This scheme visualised that the villagers will use the CHVs to demand assistance from the rest of the health service system, when the health problems need competence of a higher order.

Many of the above decisions, taken more than a decade back, have not been implemented in many of the PHCs in the study area. Worse still, there has been a further sharp decline in the efficiency of the rural health services. Corruption among the health workers has become more rampant and blatant.

The formation and the functioning of the health services in rural areas very aptly reflect the two opposite forces that are at work in Indian society at large. At one end is the increasing democratic aspirations among the masses of the people of the country which have impelled the political leadership to concede more and more resources to the rural sector. At the other extreme is the class character of the political and administrative decision makers which is responsible for the sharp deterioration in the quality of the services provided. When seen against the nature of the power structure in the study villages [Banerji 1982], it was quite apparent that people's health could not be placed in people's hands as the community health workers 'chosen' by the village community do not reflect the aspirations of the rural people, least of all those of the poor and the oppressed.

Along with the widespread cultural, social, political and economic changes that have taken place in the study villages, there has been a very significant change in the health behaviour of the population. 'Felt needs' among the people for getting (allopathic) medical services to alleviate the suffering caused by the various health problems has now increased even more rapidly. This has generated greater demands for more and more medical care services. The lack of response from the government health agencies to meet the needs and demands of the people has created a 'market' for the private sector. One very remarkable feature of the transformation that has taken place in the study villages is the proliferation of the medical services of different kinds. There is a very large increase in the number of chemist shops. A large number of MBBS doctors have opened their office-cum-medicine shops in villages. Various diagnostic services are now available in some villages. There is also expansion of the rudimentary nursing home facilities observed earlier. Over and above, when the 'market' is not found adequate for the more 'skilled' health personnel and institutions, there has been expansion of the RMPs.

It was observed that even though those who could get the money spent heavily to seek medical services from the private sector, both within the village and outside, the results have not been very satisfactory. This was very clearly exemplified by the cases of tuberculosis in the study villages. A felt-need oriented national tuberculosis programme has been in operation in the country since the early sixties [Banerji 1971]. However, it was observed that the programme was not being implemented adequately in any of the eleven PHCs studied. In fact, the programme has suffered because of the decline in the quality of the services over the period. One consequence of this decline is the creation of market in the private sector. The private sector has gleefully 'caught' the tuberculosis cases and extracted money from the victims for various therapeutic and diagnostic services, which are often neither scientifically justifiable nor ethically sound. The unfortunate victims are left to their fate once they exhausted all sources of getting the money to meet the heavy expenses for their treatment. The result of this state of affairs is that during the last visit of the study villages it was observed that there were a large number of incompletely treated tuberculosis cases, who could no longer afford to continue to pay for their treatment [Banerji 1988]. Similar observations have been recorded by Mankodi and van der Veen [1985], Jadhav [1988] and Qadeer [1988].

Thus, while there has been a steep increase in the felt need and demand for medical care services within the study population, these have not been adequately catered to, either by the government health institutions or by the private sector. This situation is extremely unstable.

Summary and Conclusions

The studies on health behaviour conducted by cultural anthropologists in the fifties and sixties suffered from serious conceptual as well as methodological shortcomings. They considered health behaviour of rural populations in isolation. A similar approach was adopted in presenting and analysing the cultural meaning and cultural perception of health problems by villagers. Methodologically, the approach to data collection suffered from profound ethnocentric bias. The efforts to develop an integrated methodological approach to study health behaviour was also not adequate. These studies created conditions under which the victims were blamed for their predicament.

An alternative conceptual framework, which underlined close interaction of health behaviour with cultural perception and meaning and access to health services has been developed to make a more objective study of health behaviour among rural population in India. This cultural complex becomes an integral part of overall culture

of the population. It is also subjected to cultural diffusion and purposive intervention from outside. The concept of felt need among people for alleviation of suffering caused by various health problems is an outcome of adoption of this alternative approach.

A methodological perspective has been developed to use the alternative approach to carry out social science studies for formulating India's national tuberculosis programme. Following this series of studies, a much wider supply of health behaviour in nineteen villages in eight states was initiated in 1972. These villages were followed up repeatedly, with the last visit taking place in 1987-88. The study of the villages over a span of about fifteen years provided a range of information concerning rural social, cultural and economic transformation and change of health behaviour. It was observed that there is a close correlation between the two and change of health behaviour can be considered as one of the indices of the degree of rural transformation.

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Growth in Manufacturing Output since 1980

Some Preliminary Findings

R Nagaraj

This note describes trends in the growth of gross value added in the manufacturing sector using mainly National Accounts Statistics, 1989 *and reports findings of a comparison of the observed trends in the eighties with the experience of the previous three decades. The results of this statistical exercise appear to be significant in the context of the doubts expressed on the validity of the revised index of industrial production (with 1980-81 as the base year) and the continuing debate on the persistence of a 'relative stagnation' or 'deceleration' since the mid-sixties.*

TRENDS in the growth of the manufacturing sector in India have been a much debated issue for quite sometime now. Ahluwalia's statistical exercise conclusively demonstrated the relatively slower growth of the registered manufacturing net value added at constant prices between 1966-67 and 1979-80 as compared to the earlier seven-year period of 1959-60 to 1965-66 [Ahluwalia, 1985]. She added that "there was no difference in results whether the period analysed is up to 1979-80 or includes the first two years of the eighties to end in 1981-82, implying continuation of the "relative stagnation".

Before her decisive statistical account was published, Raj's graphical analysis of smoothened time series of *total* manufacturing gross value added for the period 1952-53 to 1982-83 questioned the persistence of the relative stagnation or deceleration [Raj, 1984]. He "advanced the view that even though one cannot yet firmly support it with adequate statistical evidence (in fact not perhaps for another decade till sufficiently long time series is available), there has been possibly some increase in the rate of growth of industrial output since the middle of the 1970s raising it closer to the levels achieved in the 1950s and 1960s [Raj, 1984, p 1802].

Drawing a different periodisation on the basis of a certain understanding of policy regimes, Alagh [1985] arrived at a similar conclusion: "Even ignoring the unregistered manufacturing sector, industrial output in India grew at a rate of 7.6 per cent per annum for the period 1976-77 onwards compared to 4.6 per cent per annum in the period 1971-76. . ."

Arguing that the improved industrial performance (secured as a result of the policy initiatives since 1980) is not getting fully reflected in the index of industrial production [IIP][1] *Economic Survey, 1985-86* provided data to support its view (Table 1). It showed that during 1974-75 to 1982-83, the output growth in real terms was 8.0 per cent per annum according to *Annual Survey of Industries* [ASI], whereas IIP recorded a growth rate of only 4.4 per cent.[2]

To overcome the shortcomings of the IIP (with 1970-71 as base year), a revised (or new) index with 1980-81 as the base year was introduced. The revised index, showing a distinctly higher growth rate in the eighties, is widely criticised for the alleged overestimation of output due to arbitrary replacement of supposedly slow growing industries with faster growing ones [Chandrasekhar, 1988, and Kurian, 1989]. However, despite the skepticism over the validity of the new IIP, there now appears to be a cautious admission of a moderate improvement, though it is not strong enough to change the long term trend of relative stagnation in industrial output observed since the mid-sixties: "the most recent trend rate is still well short of the expansion seen in the first decade and a half after the launch of planned development"[Chandrasekhar, 1988, p 2359].

In this context, especially as serious doubts have been expressed on the accuracy of the revised IIP, there appears to be a need to assess the trends in the eighties with possibly more reliable and recent data. A modest attempt at such an exercise is now possible with the availability of *National Accounts Statistics (NAS), 1989.* This note describes trends in the manufacturing sector in the eighties and compares them with the performance in the earlier periods. Though our exercise has a limited purpose of reporting the findings which seem to merit attention, the observed changes in the eighties could have implications for the long term trends in industrial output.

I

NAS 1989, the second issue with new series with 1980-81 as base year, provides data on gross value added at constant prices separately for both registered and unregistered manufacturing disaggregated at two digit National Industrial Classification (NIC). Estimates on registered manufacturing, like in the earlier series, is based on *ASI* data though with a changed base year. Estimates for the unregistered manufacturing have been revised on the basis of production of cloth in the decentralised sector and changes in the bench-mark estimates using NSSO data [CSO, 1988]. Considering that the estimation procedures have remained by and large the same the revised series can perhaps be taken to be reasonably satisfactory for analysing broad trends in the manufacturing sector.[3]

Taking these remarks into consideration we find a significant difference in the estimates of gross value added in the new series. The share of unregistered segment in the total manufacturing which came down from 48 per cent in 1953 to 37 per cent in 1979-80 (according to the 1970-71 series) increased to 43 per cent in 1980-81 in the revised series. However, it has declined since then (Figure 1).

A comparison of the share of unregistered manufacturing to the total at 1970-71 prices and 1980-81 prices for the year 1980-81 shows (Table 2) that the upward revision in the new series is mainly on account of industry groups beverages and tobacco (22)[4] and textiles (23-26). Decline in the share of unregistered manufacturing is discernible in industry groups food (20-21), paper and printing (28), leather and fur (29), rubber and petroleum (30), non-metallic minerals (32), transport equipment (37) and others (38).

Table 3 provides trend compound growth rate [5] and annual average growth rate for total, registered and unregistered manufacturing. The results show that during 1980-81 to 1986-87 total (registered plus unregistered) manufacturing gross value added at constant prices grew at 8.3 per cent per annum. While the registered segment of manufacturing recorded a growth rate of 10.4 per cent per annum the unregistered segment increased at 5.3 per cent per annum. A similar trend is noticeable according to the measure of annual average rate also.

Total manufacturing gross value added grew at a faster rate than average growth rate in industry groups rubber and petroleum (30), chemicals (31), non-metallic minerals

TABLE 1: INDICES OF INDUSTRIAL PRODUCTION (Base: 1973-74=100)

Year	Based on Index of Industrial Production	Based on Annual Survey of Industries
1974-75	101.8	105.0
1975-76	106.6	115.8
1976-77	117.4	127.6
1977-78	122.8	140.6
1978-79	132.1	156.5
1979-80	128.8	156.9
1980-81	133.6	159.0
1981-82	143.6	176.1
1982-83	147.1	199.1
Growth Rate	4.4	8.0

Source: *Economic Survey, 1985-86.*

(32), non-electrical machinery (35), electrical machinery (36), others (38) and repair services (39).[7] Beverages and tobacco (22) recorded the lowest positive growth while wood and furniture (27) experienced a negative growth. Unregistered manufacturing grew at a lower rate than the registered in all industry groups excepting in textiles (23-26). Comparison between the growth rates according to *NAS 1989* and the revised IIP for manufacturing shows that the output increase by the latter measure is not only lower (6.7 per cent per annum) than that of the registered manufacturing (at 10.4 per cent per annum) but also of the total manufacturing (at 8.3 per cent per annum). This appears to be significant in the context of the serious doubts expressed over the ac-

TABLE 2: RELATIVE SHARES OF UNREGISTERED MANUFACTURING AT 1970-71 AND 1980-81 PRICES FOR DISAGGREGATED INDUSTRY GROUPS

(*Per Cent*)

NIC Code	Industry Group	Share of Unregistered Manufacturing in 1980-81 at	
		1970-71 Prices	1980-81 Prices
20-21	Food products	48.8	45.8
22	Beverages, tobacco, etc	59.4	65.2
23-26	Textiles	42.0	67.7
27	Wood, furniture, etc	89.7	89.3
28	Paper and Printing, etc	36.3	34.7
29	Leather and fur products	82.2	80.6
30	Rubber, petroleum, etc	16.7	12.4
31	Chemicals, etc	14.6	12.3
32	Non-metallic mineral products	54.0	51.0
33	Basic metal industries	1.4	1.2
34	Metal products	55.4	54.7
35	Non-elec machinery	23.1	22.7
36	Electrical machinery	13.5	13.4
37	Transport equipment	19.0	17.4
38	Other manufacturing	53.6	50.6
39	Repairing services	68.7	68.7
	Total gross value added	37.6	42.9

Source: *NAS* (1987) and *NAS* (1989).

TABLE 4: GROWTH OF MANUFACTURING OUTPUT ACCORDING TO USE-BASED CLASSIFICATION (USING REVISED IIP) 1980-81 TO 1986-87

Industry Group	Weight	Compared Annual Average Growth Rate (in per cent)
1 Basic goods	39.42	8.1
2 Capital goods	16.43	10.0
3 Intermediate goods	20.51	5.8
4 Consumer goods	23.65	6.9
(a) Consumer durables	2.55	14.7
(b) Consumer non-durables	21.10	5.7

Source: *Economic Survey, 1988-89.*

TABLE 3: GROWTH RATE OF MANUFACTURING OUTPUT 1980-81 TO 1986-87

(*Per Cent*)

NIC Code	Industry Group	Trend Compound Growth			Annual Average Growth Rate $\frac{(x1-x0)}{x0} \times 100$
		Registered	Unregistered	Total Manufacturing	Total Manufacturing
20-21	Food products	13.1 (0.82)	3.2 (0.63)	9.2 (0.85)	9.6
22	Beverages, tobacco, etc	9.9 (0.52)	−0.8 (0.11)*	3.3 (0.37)*	3.2
23-26	Textiles	3.3 (0.66)	5.8 (0.97)	4.9 (0.94)	4.6
27	Wood, furniture, etc	6.1 (0.84)	−4.4 (0.90)	−3.0 (0.88)	−1.8
28	Paper and Printing, etc	9.5 (0.90)	8.7 (0.89)	9.2 (0.90)	6.0
29	Leather and fur products	16.6 (0.99)	3.2 (0.96)	6.5 (0.98)	6.4
30	Rubber, petroleum, etc	12.3 (0.82)	7.5 (0.51)	11.6 (0.85)	11.2
31	Chemicals, etc	11.1 (0.97)	8.2 (0.96)	10.8 (0.98)	11.4
32	Non-metallic mineral products	16.2 (0.97)	2.1 (0.50)	9.9 (0.98)	9.3
33	Basic metal industries	4.1 (0.77)	4.9 (0.41)*	3.9 (0.79)	4.9
34	Metal products	6.8 (0.94)	4.9 (0.63)	5.7 (0.93)	6.1
35	Non-elec machinery	10.3 (0.97)	5.5 (0.97)	9.3 (0.98)	8.9
36	Electrical machinery	20.6 (0.96)	16.9 (0.94)	20.1 (0.96)	20.2
37	Transport equipment	9.1 (0.97)	6.4 (0.99)	8.6 (0.97)	8.8
38	Other manufacturing	20.6 (0.99)	9.0 (0.40)*	15.0 (0.88)	19.6
39	Repair services	13.3 (0.98)	9.9 (0.97)	11.0 (0.98)	11.0
	Total gross value added	10.4 (0.99)	5.3 (0.96)	8.3 (0.99)	8.4

Notes: Figures in bracket refer to R^2

* Statistically not different from zero even at 90 per cent significance.

Source: *NAS* (1989).

TABLE 5: GROWTH RATES IN GROSS/NET VALUE ADDED IN REGISTERED MANUFACTURING IN DIFFERENT SUB-PERIOD AT DISAGGREGATED LEVEL

(*Per Ce*

Industry Group	Period I (1959-60 to 1965-66)	Period II (1966-67 to 1979-80)	Period II (1980-81 t 1986-87)
1 Food products	0.7*	3.8	13.1
2 Beverages,	9.3	7.3	9.9
3 Tobacco, etc	1.5*	1.3	
4 Textiles	39	4.4	3.3
5 Footwear, etc	15.3	14.5	16.6
6 Leather and fur products	0.5*	3.1	
7 Wood and cork	1.1	5.4	6.1
8 Furniture and fixtures	11.7	6.3	
9 Paper and paper product	11.4	7.3	9.5
10 Printing and publishing	6.8	1.7	
11 Rubber products	4.6	4.2	12.3
12 Petroleum products	−5.9	6.2	
13 Chemicals and chemical product	10.7	9.1	11.1
14 Non-metallic mineral products	7.0	3.0	16.2
15 Basic metal	15.0	5.1	4.1
16 Metal products	12.0	2.5	6.8
17 Non-elec machinery	17.9	7.5	10.3
18 Electrical machinery	14.7	9.8	20.6
19 Transport equipment	10.3	4.6	9.1
20 Miscellaneous	14.2	4.5	20.6
21 Repair services			13.3
Total gross/net value added	7.6	5.5	10.4

Notes: Figures in brackets refer to R^2

* Statistically not different from zero even at 90 per cent significance.

Sources: (1) Ahluwalia (1985), pp 30-31; (2) *National Accounts Statistics (1989)*

FIGURE 1: SHARE OF UNREGISTERED MANUFACTURING
(Year: 1950-51 to 1986-87)

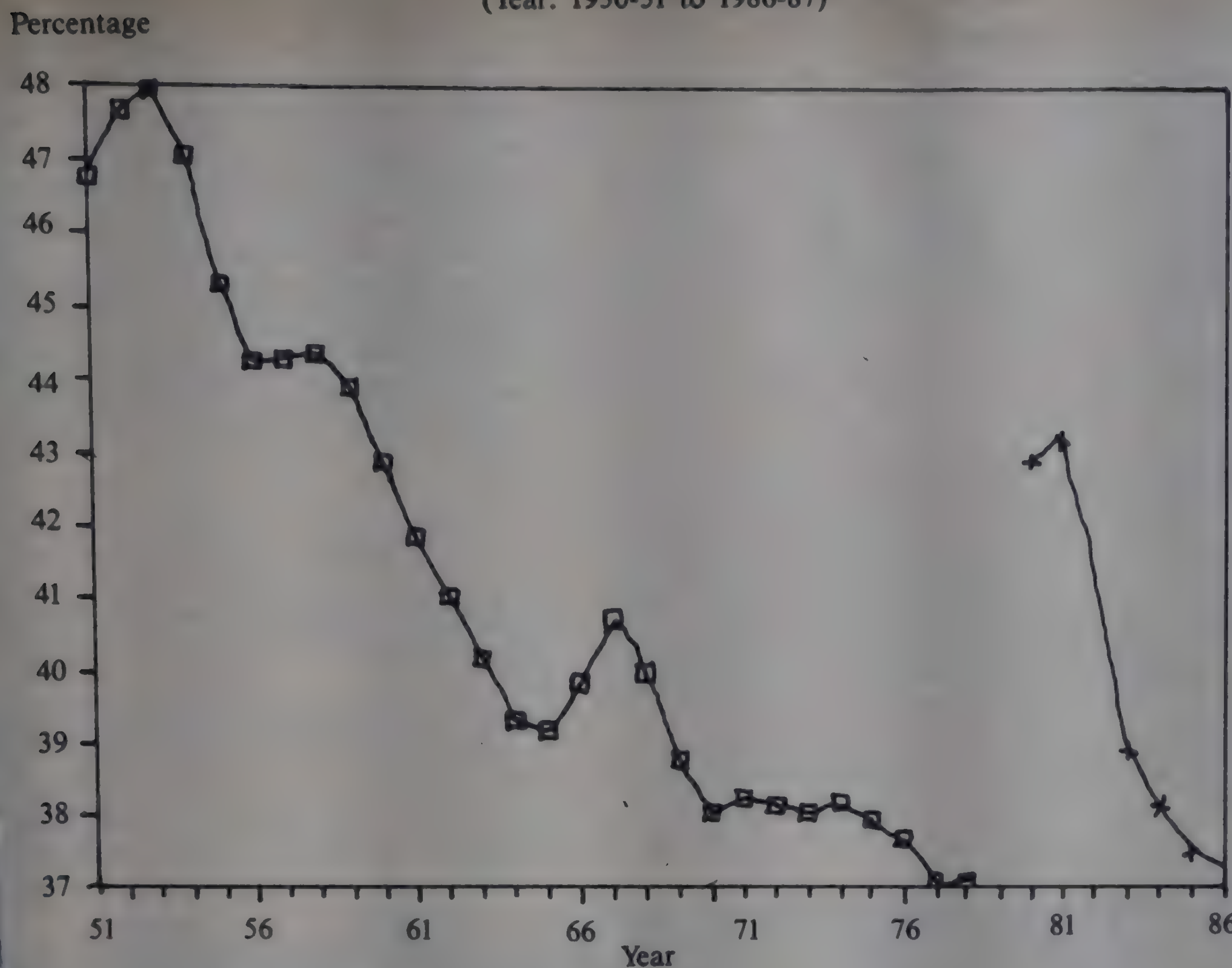
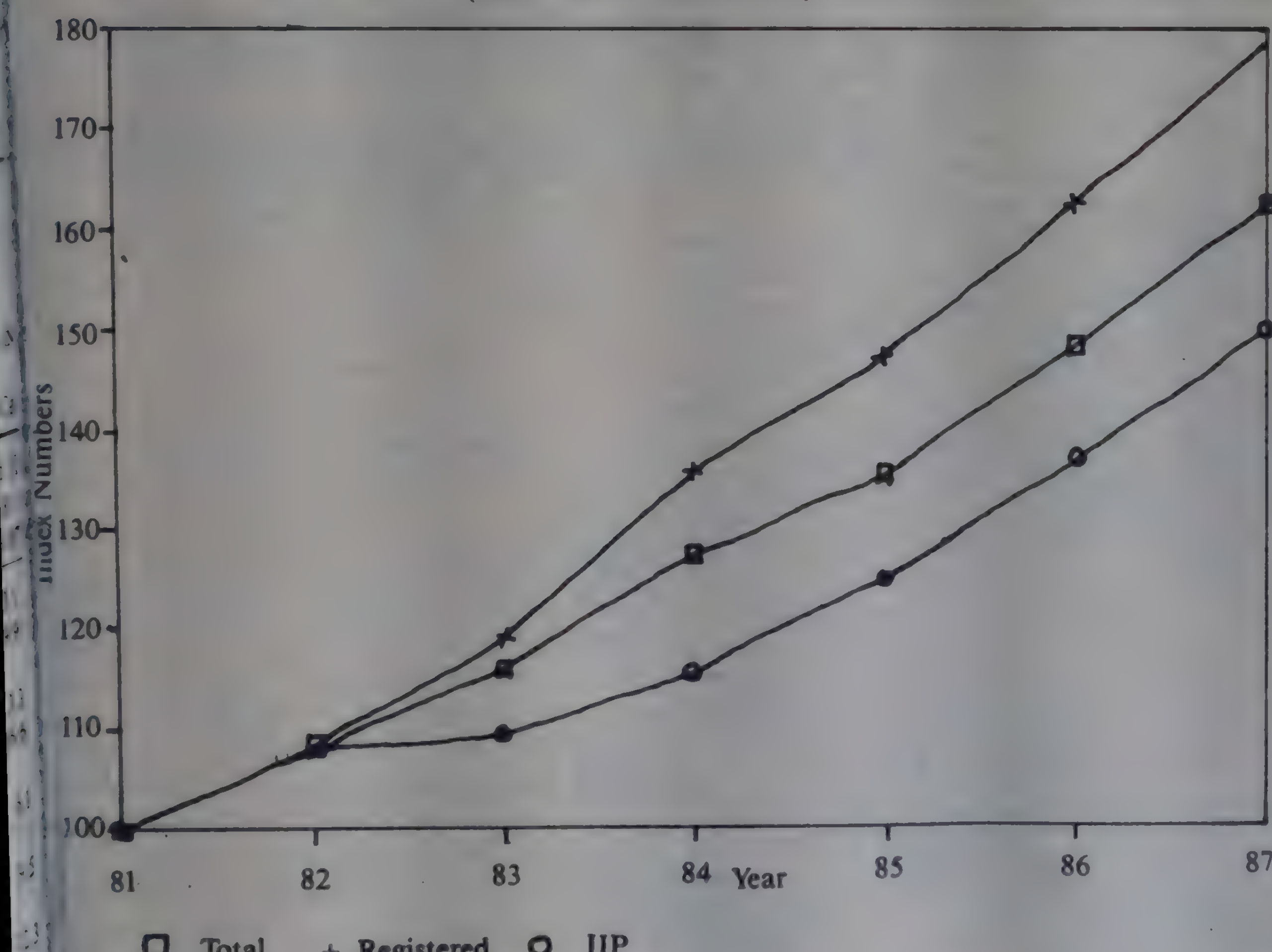


FIGURE 2: TRENDS IN MANUFACTURING OUTPUT
(Year: 1980-81 to 1986-87)



curacy of the revised IIP. As the observed higher growth rate according to *NAS* compared to IIP is similar to the pattern observed for the earlier periods by Ahluwalia, the arguments of overestimation of output by IIP do not appear to be tenable. If we accept that the trends depicted by the IIP is broadly correct, though on a conservative side (Figure 2), then it may not be inappropriate to utilise the IIP to discern some patterns in the observed growth in the eighties.

Use based classification of the revised IIP for the period 1980-81 to 1986-87 shows that consumer durables accounting for 2.55 per cent of manufacturing grew the fastest at 14.7 per cent annum[8] followed by capital goods (weightage 16.4) at 10 per cent per annum (Table 4).

II

Having described the growth of manufacturing sector in the eighties in a few limited dimensions, we compare them with the record of the earlier periods though such an attempt has a number of limitations. First, comparison of results based on a short time period of seven years with long term trends could yield misleading results. Secondly, as the data for different time periods are based on different base years a strict comparison is not possible. Thirdly, as there have been changes in the industrial classification a rigorous comparison would require more disaggregated data. Considering these limitations our exercise could at best be taken as an indication of the broad changes. To accommodate for the statistical problems mentioned above, variation in growth rate in different periods up to two percentage points are not taken into account.[9]

Our preliminary attempt could perhaps be justified, despite being fully aware of the shortcomings since it appears to us to be important to have such a comparative empirical basis to assess the changes in the policy regime in the eighties.

Table 5 provides growth rates in value added[10] in registered manufacturing for three time periods, namely, 1959-60 to 1965-66 (period I), 1966-67 to 1979-80 (period II), and 1980-81 to 1986-87 (period III).[11] Growth rate in registered manufacturing in period III at 10.4 per cent per annum is not only higher than that attained in period II (at 5.5 per cent) but also that in period I (at 7.6 per cent). Growth rate at the disaggregated level in period II is lower than that in period III (after applying a discount of two percentage points) in all industry groups except textiles (23-26), wood and furniture (27) and basic metals (33). A similar comparison between period I and period III shows that the following industry groups constituting about two-fifths of the value added (in 1986-87) experienced a higher growth rate in the latter period as compared to the former: food products (20-21), leather products (29), rubber and petroleum (30), non metallic mineral products (32), electrical machinery (36) and miscellaneous (38).

The above findings indicate that the observed expansion of registered manufacturing output in the first seven years in the eighties appear to be comparable, if not bet-

TABLE A

	51-55	55-60	60-65	65-70	70-75	75-79	81-87
Basic goods	3.8	12.0	10.5	6.3	5.2	6.6	8.1
Capital goods	15.1	13.7	19.7	−1.7	5.1	5.9	10.0
I goods	6.4	6.2	7.0	2.5	2.6	5.3	5.8
DC goods	12.3	25.5	10.8	8.5	2.4	8.5	14.7
NDC goods	3.7	3.8	3.8	2.6	1.5	5.4	5.7

Notes: I goods: Intermediate goods.
DC goods: Durable consumer goods.
NDC goods: Non-durable consumer goods.
Source: Desai (1981), *Economic Survey, 1988-89*.

ter, than the achievement in the seven year period preceding the mid-sixties, a period is widely accepted as a phase of high growth.

To sum up: In the context of the continued debate on the relative stagnation of the manufacturing sector since the mid-sixties we considered it meaningful to examine the trends in this sector in the eighties. As the official view of an upturn in the growth rate based on the revised index of industrial production has been questioned we considered it appropriate to examine the issue using the data provided in the *National Accounts Statistics, 1989.* Our findings show that while the total manufacturing gross value added grew at over eight per cent per annum in real terms during 1981-87, the registered manufacturing segment recorded a growth of over ten per cent per annum. According to the new series of *NAS*, the share of unregistered manufacturing has gone up, mainly on account of an upward revision of output in beverages and tobacco (22) and textile (23-26) industries. However, the rate of growth of unregistered sector has been considerably lower than that of the registered sector. In terms of used-based classification [of the revised IIP] consumer durable industries having a weightage less than three per cent witnessed fastest growth rate of over 14 per cent per annum followed by capital goods industries at 10 per cent per annum.

A careful comparison—since such an attempt has several limitations—of the experience of the eighties with those of the earlier periods for the registered manufacturing (even after discounting of growth rate of two percentage points to account for the statistical adjustments) suggests that the growth rate between 1980-81 and 1986-87 is higher than that during 1966-67 to 1978-79. It also seems to be comparable to, if not better than, the growth rate achieved during 1959-60 to 1965-66. The above pattern seems to be true for a wide range of industry groups accounting for about two-fifths of the registered manufacturing output. If our findings, based on limited data and rudimentary statistical method, are valid then the observed changes in the eighties would warrant a closer examination so as to understand their underlying causes.

Notes

[I am grateful to Sebastian Morris, G Pakki Reddy, K Das, Sunita Murthy and K Narasimha Rao for their help in writing this paper.]

1 This is said to be so on account of changes in the composition of output and the inadequate coverage of the supposedly fast growing industries in the small scale sector.

2 Discussing the limitations of IIP, Ahluwalia (1985) has clearly demonstrated the underestimation of output by the index. Since the method of collecting information has not changed the shortcomings outlined by her would seem to continue in the new series as well.

3 We are quite aware that this inference may appear somewhat hasty. As the "sources and methods" for the revised series is yet to be published, we are unable to check for the quality of the revised estimates. However, accepting the view of Dutta Roy Chaudhuri (1988) we are inclined to accept that the revised estimation of output is not significantly different from that of the earlier series.

4 Figures in brackets refer to industry group according to two-digit NIC.

5 We have fitted log linear trend function where anti log of 'b' minus one, multiplied by 100, gives annual average growth rate, Our method is identical to Ahluwalia's.

6 Annual average growth rate is simply average of annual percentage change over the period. This is same as the method used by Raj (1984). However, we have not smoothened the series due to lack of adequate number of observations.

7 Differences in growth rate up to one percentage point are not taken into account.

8 Relatively rapid growth of consumer durables has been widely commented upon as a reflection of a certain pattern of luxury goods oriented growth strategy implicit in the liberalised policy regime in the eighties [Kurian 1989, Chandrasekhar 1988]. Table A providing growth rates of industrial output according to use-based classification shows that since 1951 growth of consumer durables has been consistently higher than that of the non-durables. Without questioning the commodity composition of the consumer durables category, if the ratio of growth rate of durables to non-durables is taken as a measure of the 'luxury goods orientedness' of industrial output then this was highest 6.7 during 1955-60 as compared to 1980-87 when it was 2.6. Moreover, the weight of consumer durables in successive IIPs has steadily come down from 5.68 per cent in 1960-61 to 2.55 per cent in 1980-81 (see Table A).

9 This, admittedly, is arbitrary. We have no *a priori* reason for using any specific discount factor.

10 Growth rate estimates for periods I and II from Ahluwalia [1985 p 30-31] are for *net* value added while our estimates for the eighties and for *gross* value added. Since we are concerned about growth rates and not about absolute value the discrepancy is unlikely to make any difference.

11 Ahluwalia's study completely ignored the unregistered manufacturing which, though declining, was not insignificant at a little over two-fifths of the total manufacturing output in 1980- 81, according to the new series.

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Hindustan Petroleum Corporation

HINDUSTAN PETROLEUM COR PORATON (HPCL) recorded a sales turn over of Rs 5,750 crore in 1988-89 agains Rs 3,882 crore in 1987-88. Profit before in terest and tax was Rs 258 crore in 1988-8 against Rs 186 crore in 1987-88. Thus pro fit before interest and tax as a percentage o sales declined marginally from 4.8 in 1987-8 to 4.5 in 1988-89. Profit after tax was Rs 17 crore in 1988-89 compared to Rs 102 cro in 1987-88. With depreciation at Rs 86 cro and a dividend of Rs 9 crore, internal gener tion in 1988-89 was Rs 251 crore agair Rs 191 crore in 1987-88.

HPCL's proposed major projects duri the Eighth Plan are a grassroots refinery the west coast with a capacity of 6 mt Rs 1,500 crore; marketing facilities storage, transportation and distribution products, Rs 1,030 crore; Visakh-Vijayaw 14 inch diameter 350 km product pipepli Rs 200 crore; manufacture of LAB feedst facilities at Visakh refinery, Rs 110 crore; an aromatic complex (benzene) at Visa Rs 100 crore.

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- EXEMPTION LIMIT AND PERSONAL INCOME TAX: AN INTERNATIONAL COMPARISON

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'Science' in the Service of Monopolies

The ubiquitous common salt which once was the symbol of our struggle for national liberation will soon be no more. It will be replaced by a higher priced, fine, iodised salt in sleek bags and carrying brand names made familiar by the electronic and other media. The change-over will be enforced by legislation enacted by the government, buttressed by arguments put forth by a 'neutral, disinterested' scientific establishment. The monopoly sector of Indian industry will chip in its might guided of course by the 'noble' pursuit of profit. And all this is being done in the name of the poor, suffering millions. 1543

In Search of Identity

More than four decades after its creation, Pakistan is still a country in search of an identity. Not that the people of Pakistan have not been preoccupied with the issue of nationhood; on the contrary, it is the one issue they have been obsessed with. Political debate and conflict have revolved around the question: What is the legitimate place of sub-national aspirations and demands within the larger concept of Pakistani nationhood? 1527

Over-Taxed?

Is the exemption limit for personal income tax high or low in India as compared to that in other countries? A study of the relationship between personal income tax exemption limit and per capita income in 26 countries. 1535

Tribal Politics

A new insurgent group, the Tribal National Liberation Front, has surfaced in Tripura barely 10 months after the surrender of the TNV extremists. Is this new insurgent group a creation of the Congress(I)-led coalition government in the state to create conditions for using the armed forces to weed out the CPI(M) from the tribal-dominated areas of Tripura? 1501

Land has been closely associated historically with the political struggle in Jharkhand and this connection has continued up to the present day. The building of an agrarian movement is therefore essential for strengthening the current phase of the Jharkhand movement. 1505

No Mystery

In March-April this year over 200 tribals died in the tribal districts of Bihar of what the government described as a 'mystery disease'. However, to those familiar with the tribal areas of Bihar and with the conditions in which the tribals live, the outbreak of the epidemic was hardly a surprise nor its cause a mystery. 1503

Revolutions: Made and Unmade

Bastille gave acceptability to the concept of the revolution. Revolutions, the point was established, are not outside the human system. Once this is accepted Bastille falls into place: without it there would be no storming of the winter palace, no Long March nor the magic of Dien Bien Phu or Sierra Maestra. 1499

The ultimate tragedy in the events of June 4 and thereafter in China may be to preserve the notion—comfortable to those currently in power—that economic progress without political reform is possible. 1511

The democracy movement or counter-revolutionary rebellion in China—whatever name one may choose to describe it—lends a new perspective to India's political development as a nation-state in the last 40-odd years. All the more so because India and China launched their respective careers as sovereign states at about the same time 1497

Long Journey

The processes by which the women workers in the so-called production-cum-training centres run by the Delhi administration are being made into refugees for the second time in their lives are but a reflection of the larger trends at work in the country's economy and polity. A report. 1507

Jute Woes

APROPOS the note 'Saviour from Dundee' (June 3) the fall of the jute industry in West Bengal has been largely due to the pro-labour, anti-farmer policy of the state as well as of the central government. The idea behind declaring jute as an essential commodity was simply to deprive farmers as and when prices were hiked by fixing maximum prices and by forcing them to sell to the government agencies or the people having storage licences at the so-called minimum prices. It was gross injustice to jute growers to declare jute an essential commodity. Again the jute industry was forced to fall sick by labour unions under protection of political bosses so that they could be taken over by the government and labour could lead a luxurious life without commitment to production. This brought a sense of fear among entrepreneurs. Naturally if one is not sure of the industry one would only syphon the gains and keep it sick so that it can be handed over as a sick child to the government. One does not repair one's house, if one knows that it shall be requisitioned by the government and that is what happened in the jute industry.

It is only recently that jute has been dropped from the list of essential commodities and the central government is showing less enthusiasm in taking over units. So new entrepreneurs are coming forward and closed jute mills have started opening. While the protection provided to the industry under Jute Packaging Materials (Compulsory Usage) Act, 1987 cannot be taken as permanent it should be used to strengthen the industry's position.

Advisers to the industry feel that the 72 jute mills cannot carry the burden of 2.4 lakh workers and so they should be retrenched. But then retrenchment of the labour cannot be acceptable to the country, when millions of people are awaiting employment. Again retrenchment is ony possible by automation, which again will need huge funds which the ailing industry would not be able to bear if it fails to divert its production to jute-based products like carpets, carpet-backing, furnishing fabrics, jute felt, paper making, laminated boards for packing fruits, tea, etc. Efforts should also be made to install new import substitute plants so that while these new products absorb the extra labour they also make more profit to help the survival of the mother unit.

Effort is also needed to make the raw jute cheaper so that jute products can compete with modern packaging material in the market. The major cost input in raw jute is of fertiliser. Chemical fertilisers are being propagated as boon to the farmers but in reality, this is not so. For example, while fertiliser consumption has increased by more than seven times food production has only doubled. Again compost fertiliser is very cheap but since the population of animals has fallen it is now scarce, and more so in the states where cattle slaughtering is permitted.

The central government should come forward and offer higher cash incentives to agro-based jute industry to help the farmers so that surplus jute production can be exported. Again the fact remains that the western world has realised that jute packing for foodgrains from human health point of view is better than the polythene. A little publicity on the advantages of jute bags should help increase our exports. Jute goods should be exempted from sales tax so that farmers find it cheaper and prefer to use new bags instead of old bags. Again jute mills should also arrange to buy old bags for reprocessing which shall help the consumer in reducing his purchase cost.

We do not need either foreign funds to promote industry or foreign expertise or entrepreneurs. We simply need to feel proud of our Bharat and its culture, and the development of our villages. Once this is done, we can always create an industrial empire.

PANNALALL MUNDHRA

Calcutta

Tricky Issues

YOUR editorial 'The Imports Trap' (May 13) raises very tricky issues, though not for the first time. The dichotomy of approaches to the compilation of exim data by the DGCI and S and RBI, has created several problems regarding the analysis of such data and the adoption of suitable and sensitive policy measures. The point at issue is not who is correct but how promptly does one get which brand of data.

There is no doubt, as it has been officially explained, that the data furnished by RBI are partial and include foreign exchange transactions both related to early and later periods, and even such data are made available only one year after the transactions have taken place. A spate of explanations and arguments ensued on your pointer, while both *Economic Weekly* and *Economic and Political Weekly* raised similar questions almost three decades back.

Such problems are not only related to the exim data but also those on company finance. While the credibility of the analysis of the RBI has gained over time, the problem of misclassification has also gathered momentum, apart from the fact that data made available by the RBI have invariably a lag of one, two, or even mor years. Since large-scale computerisatio has been attempted in both governmen and government-related agencies, it is hig time that vital information on the perfor mance of the economy was made availabl immediately after the year ended.

In the meantime, whenever there is shortfall on targets, the governmer drums up many explanations. At time in the absence of accurate informatio even the government does not kno whether a shortfall has actually tak place or not and if so, by how much. Th is a pity. On the other hand, as it h happened with exports, the twenty-ni per cent increase in exports has receiv a lot more publicity than a similar, if n a higher, rate of rise in imports.

P CHATTERJ

Calcutta

ECONOMIC AND POLITICAL WEEKLY

Women's Health

THE fog surrounding the picture of women's health is beginning to disperse, but ever so slowly. For centuries medicine and the health establishment have viewed women only as mothers or mothers-to-be; women's illnesses have been recognised only when they have affected their reproductive capabilities. So much so that it has been assumed that women are just as ill or just as well as men except, that is, for their reproductive functions. Such an impression firstly ignores the fact that women's social status determines women's health status. Secondly, the nature of health care provided to women is determined by these assumptions, that is, it is geared towards offering special services only for conditions surrounding maternity or its prevention. This in turn has the effect of making visible only those conditions which the health establishment is geared to recognise and treat—conditions which, incidentally, are the ones sanctioned and accepted in society as ill health events.

The findings of two recent studies incorporating critical and feminist perspectives have considerably shaken this complacence about women's health. They have also posed uncomfortable questions about the unbiased nature of medical science and its practice and about the very political nature of women's health status. And ironically they show that the medical establishment has grossly underestimated the extent of even that aspect of women's health which it professes to be concerned about, viz, reproductive health.

A population-based study of gynaecological and sexual diseases in rural women in Gadchiroli district of Maharashtra is an eye-opener in more ways than one. To begin with it is the first such study in developing countries, which means that until now health planners and medical practitioners have been in a sense working blind. The study by Rani Bang and others (reported in *The Lancet* of January 14, 1989) shows that 92 per cent of all women surveyed were found to have one or more gynaecological or sexual diseases and on an average each woman was suffering from 3.6 separate complaints. About half the burden of illness comprised infections such as pelvic inflammatory disease, vaginitis, cervicitis, etc. Another major group was menstrual disorders which may well have been due to genital tract infection. And yet only eight per cent of the women had ever had a gynaecological examination.

What this means in lay terms is that more than fifty per cent of the women are suffering from illnesses which they have learned to ignore not because these do not cause discomfort but because of various social factors. It must be pointed out here that these are not self-limiting conditions which will right themselves with time. They merely get worse and ultimately severely affect women's health. A society with dominant patriarchal values does not sanction these conditions as illnesses unless they become severe enough to affect the reproductive capabilities. And even if women did wish to get these conditions cured, they have little or no access to a modern health care system. Health workers and nurses are not trained to deal with gynaecological diseases, and women doctors are conspicuous by their absence in rural areas. This means that but for surveys like this the health system is not even aware of the extent of such illnesses. This can have serious implications for women's health care. For instance, this baseline burden of gynaecological illness may give rise to or aggravate problems caused by birth control methods such as IUDs. If this is indeed so, then at least a proportion of the women may be missing out on an efficient and comparatively safe birth control method because of the neglect of women's health condition.

Another interesting aspect of the study reveals how many illnesses are not reported because women have internalised these—as being a consequence of 'being a woman'. One such condition is pain during menstruation which may be a symptom of serious problems and yet is rarely perceived as being an abnormal condition which should be reported.

It is this aspect that the study by Veena Shatrugna and others for the National Commission on Self Employed Women's Task Force on Health draws attention to in examining backpain in women. This condition, so common among women, only figures in medical complaints in association with other major symptoms or when it is severe enough to interfere with women's work. Significantly here again is one condition which is so greatly influenced by the work which is assigned to women and the kind of postures they are forced to adopt because society demands it. The study looks at women admitted to hospitals for fractures and finds that a condition like osteoporosis which has been labelled a physiological condition (caused by chronic calcium deficiency) associated with the onset of old age is in fact influenced by the social location of women.

In short not only is health status determined by social location, but its visible contours are dictated by social norms and assumptions. In patriarchal class society any attempt to improve the health status of women has not only to contend with the depressed status of women in society, but must question the very definitions of women's illness prevalent in society and reflected and reinforced by medical science. A primary and urgent task is to assess women's health status from a feminist perspective which in the first place questions existing medical definitions, assumptions and health statistics.

DEFENCE

The US Connection

THE government of India's official press release on the eve of defence minister K C Pant's visit to the US towards the end of last month stated, with deliberate intent to mislead, that the minister would have "wide-ranging discussions with the US administration on global and regional security issues". Actually the purpose of Pant's visit was very, very precise and specific: to discuss purchases of arms and defence technology from the US.

The US, it is well known, has been determinedly pursuing the objective of securing for itself a bigger share of India's large and rapidly growing arms purchases abroad. Thus the Indian defence minister's trip was by way of returning not one but two visits to this country by US secretaries of defence—those of Caspar Weinberger in 1986 and Frank Carlucci in 1988. This is not the sort of asymmetry that one ordinarily encounters in relations between the world's leading superpower and a third world country.

No wonder the red carpet was rolled out for the Indian defence minister in Washington. He rated an audience with the US vice-president, but what seems to have impressed him the most is that he was taken round some top secret US military establishments which, as he put it, even the very senior military officers accompanying him were visiting for the first time. Pant's hosts in the Pentagon evidently decided also not to give cause for any diversion of attention from the main purpose of the Indian defence minister's presence in the US by unnecessarily bringing up issues on which the perceptions of the Indian and US governments are at variance. Thus references to the Indian nuclear programme, the testing of the Agni missile and the future of the IPKF in Sri Lanka were perfunctory, if they were made at all. On the contrary, the Indian defence minister was assured that the US was convinced that India's role was leading to the stabilisation of the south Asian region and that the US was appreciative of India's role in helping its neighbours in overcoming their problems.

The Indian government still plays coy about its defence contacts with the US, the two visits to this country by US secretaries of defence and the quite frequent exchange of defence delegations in recent years notwithstanding. The defence minister was therefore at pains to point out that he had not gone to the US with a shopping list. The Indian government's public position has been that what it is interested in really is sophisticated US defence and defence-related technology which is essential for the Indian defence forces' modernisation programme. Some of the specific items which, according to newspaper reports, figured in the defence minister's discussions in Washington do, it is true, fall in this category—for example, some systems and materials for our light combat aircraft programme or certain areas of underwater warfare technology. All the same some important issues do arise.

There is, first of all, the likely impact of taking recourse to US technology on the development of Indian technology, including on efforts already under way in that direction. In the specific instance of the light combat aircraft, serious apprehensions have been voiced about the consequences of the continuous expansion of the scope afforded for imported technology in this project, which process has evidently been now given a strong fillip by Pant's US visit.

Secondly, the US government's determined initiatives to develop and strengthen relations with India in the area of defence cannot obviously have been motivated, solely or primarily, by the objective of making available sophisticated defence technology to India to speed India's military modernisation along. What the Americans are interested in, clearly, is a larger share of India's defence imports and so whatever advanced military technology India is able to get from the US will be conditional upon our significantly stepping up military purchases from the US. Whether or not the Indian defence minister went to Washington with a shopping list, very soon India is certain to be shopping for arms in the US in a big way. The implications of this for the size of our overall military spending and for the annual foreign exchange drain on account of military imports, already nearing alarming proportions, deserve close attention.

Finally, the US has also made it clear that the sophisticated technologies which India is seeking from the US can be made available to it only if there is close contact and exchanges on a continuing basis between the defence establishments of the two countries. The Indian defence minister himself has confirmed that in this regard the US went so far as to suggest joint exercises by the US and Indian navies. While Pant said he had ruled out such exercises "for the time being", it is clear that the door has been unbolted for US involvement in Indian defence matters and the bait of advanced defence technology is undoubtedly going to be used to push it open wider.

ANDHRA PRADESH

Another Charade

ALL signs point to the enactment of yet another charade in Andhra Pradesh, with the fanfare and publicity accompanying official announcements of the surrender of Naxalites being quite in keeping with the cinematic tastes of N T Rama Rao. Whether the surrenders represent an end to the twentyone-year old war between the police and the Naxalites in the state is a question that merits close scrutiny.

Upto now the number of surrenders in response to the chief minister's ultimatum and inducements has been in the region of 70 to 80 at the most. This may not significantly affect the current operational strength of the Naxalite groups since many of those who have 'surrendered' were anyway in police custody. Likewise, the much touted blow to the People's War Group, due to the surrender of M Subbareddy, a top party functionary, may turn out to be more imaginary than real, if reports of his differences with the party leadership are to be believed. If true, his decision to surrender, rather than form a splinter group, is perhaps indicative of his isolation within the party. Consequently, the developments of the past month need not be expected to drastically reduce the scale of Naxalite activities.

On the contrary, there has been a resurgence of activism among the Naxalites, for fear that the surrenders may be used as a means to demoralise the ranks. Consequently, scepticism regarding the efficacy of the state government's latest tactic will not be unjustified, for it is difficult to envisage the dismantling of a movement with reasonable grassroots support through the mere offer of monetary and other incentives to underground activists. The politics of ideology is substantially different from the politics of legislative horse-trading and populist electioneering.

The inability of successive governments to deal effectively with the situation is a reflection of the persistent tendency to treat critical socio-economic anomalies as mere crises of law and order. The centre's response is informed by the political opportunism that is characteristic of the Congress(I). While the prime minister is vociferous in denouncing the law and order problems in Andhra Pradesh, the home minister professes inability to respond to the state's demand for arms and security personnel. On the other hand, the state government's handling of the situation is an exercise in inept politics. Keeping one eye trained on the electorate, it seeks to assuage public outrage against the blood-letting, while the other eye is solicitous of the landlords' interests. Sta

government proposals to deal with the Naxalites have been varied and palpably contradictory, for these include the liberalisation of fire arms licensing to enable the arming of villagers, the establishing of an elite Greyhound force to annihilate them and the offer of incentives, the last-named being instrumental in enabling it to preside benignly over 'surrender melas'.

The inability to tackle the essential socio-economic core of the problem in the seven districts of northern Telengana and north-east coastal Andhra Pradesh is not surprising. A case in point is the attempt to amend Regulation One of 1970, by engineering a majority in the Tribal Advisory Council. The amendment will remove the existing restriction on free sale of land by non-tribal landowners to non-tribals in the Integrated Tribal Development Agency areas and will have obvious adverse implications for the tribals. The move will legitimise illegal holdings of non-tribal landlords, among whom are senior Telugu Desam party functionaries. Being a government move it can only deepen support for the Andhra Pradesh Naxalites in their traditional strongholds.

The state government's efforts to provide the tribals with jowar at Rs 1.25 per kg is not likely to have much of an impact since the Naxalites distribute it free. On the other hand, the solution of violent repression seems to be running into serious difficulties since state-instituted violence has begun to invite Naxalite wrath on district-level Telugu Desam Party functionaries, who have begun to articulate their discontent openly after the recent killing of Malhar Rao, the Tadicherla mandal president.

INDO-PAK RELATIONS

India Must Respond

THE Pakistani prime minister Benazir Bhutto's recent plea in her interview with a Saudi English daily for India-Pakistani talks on the question of mutual arms control deserves a warm and positive response from this country. She has rightly pleaded that the two countries should discuss the arms issue themselves, instead of expressing concern every now and then. "Whatever India buys," said she, "gives a cause for concern in Pakistan and whatever we buy causes concern to India." She has further said that Pakistan did not want to upset the arms balance in this region and that whatever had been discussed or negotiated with the US administration during her recent visit to Washington had been in accord with the military balance of three-is-to-one.

Benazir's pronouncements have earned a measure of credibility through her actions as well as inactions. By dismissing the late Pakistani president Zia-ul-Haq's nominee, Lt-Gen Gul, from the top of the all powerful SIS, reportedly because of his refusal to stop meddling in India's internal affairs, she has shown her concern for a new relationship with this country. Similarly, by refraining from an active promotion of the aggressive activities of the Mujahid forces based in Pakistan against the Najibullah regime in Kabul, she has also notified her disassociation from the adventurist policies of the Pakistani military bosses in that area.

It is indeed high time that India responded to the new Pakistani overtures. Even more urgent, however, is India's deceleration of its own militarisation before the more bellicose elements in Pakistan make use of this country's arms purchases to get Benazir's softer approaches reversed. It should not be overlooked that India is not only acquiring the image of a regional bully on the international scene, what with its present postures in Sri Lanka and Nepal, it is also seen both inside the country and outside to be the possessor of the requisite muscle powers for this role. Some Indians have been taking pride in the country's role as 'an emerging superpower', while foreign observers, even if they are guilty in some cases of a measure of deliberate exaggeration, also draw the same conclusion as was recently done by the US journal, *Defence and Foreign Affairs*.

The 'proud' Indians should not forget that a bully in the international arena can grow into that role only by assuming the same role—indeed in a more vicious form—within the country. Hence, it is more in the interest of Indian democracy and equity that New Delhi be persuaded to respond to Islamabad's new signals—immediately, warmly and positively.

CHRISTIAN DALITS

Worsening Discrimination

THE recently held National Convention of Catholics in Bombay assumes importance in the context of the stirrings among the Christian Dalits who form about 80 per cent of the Christian population of the country. For nearly 40 years now they have been fighting for recognition as scheduled castes and for the statutory benefits that go with it, which are denied under the Presidential Order of 1950. Christian converts from the scheduled castes and tribes are not considered to be under the scheduled category any longer under the order. The assumption behind this is that once converted to Christianity, within the fold of the church the scheduled castes and tribes no longer face any economic or social discrimination to deserve special protection from the state.

This is however far from the truth. Despite talk of universalism of the Christian religion, the Chirstian clergy from the upper-caste background who dominate the churches practise the most atrocious forms of discrimination against the Christian Dalits. Separate places in pews, separate hearse and burial grounds, less than five per cent inter-caste marriages, segregated churches, caste titles in name boards and in church and secular documents are some of the most blatant forms of discrimination.

The casteism of the priests is sanctified by the courts also. Some years ago when the Christian Dalits demolished a wall that was set up by the Vellala Christians in Tiruchi to separate the burial grounds of the caste Christians from those of the Christian Dalits, the dominant Vellala Christians went to the court and got a verdict in their favour forcing the Dalits to pay a fine. Of late, the Christian clergy are even resorting to violence to keep the Dalits in their place. Among the Catholic fishing folks in Marianad and neighbouring villages in Kerala (where the Trivandrum Social Service Society started the famous community development project for the fishing community), tensions have developed between the better-off fishermen and the poor Dalits. The former backed by St Andrews parish priests launched an attack on the Christian Dalit fishermen of Fathimapuram last December, forcing the latter to go on a hunger strike in front of the house of the Trivandrum Bishop, who is the appointing authority of the priests of St Andrews parish.

As the Christian Dalits are becoming more assertive about their rights—both as Christians within the community, and as a part of the exploited poor outside, which make them join the struggles of the agricultural workers or fishermen under the banner of secular organisations—the Catholic priests feeling threatened by the challenge to their traditionl power are retreating to a fundamentalist position. A Pastoral Letter by 26 Catholic bishops of Kerala expresses fear that the church is losing youth to Marxism, and attributes the phenomenon to lack of adequate teaching against atheism within the community! These bishops are now trying to purge their dioceses of priests who (inspired by the 'liberation theology' in which Marxian analysis is an important component) have been involved in, and often have been leading, people's struggles. In Kerala, these priests in different dioceses are being served notices by the bishops asking them not to exercise their priestly ministry.

These developments within the Catholic church in the country bear an eerie resemblance to a common current in other minority religious institutions—the tendency, often taking a violent form, to suppress any attempts at reform, or expressions of dissidence that challenge the dominant priestly class. The orthodox and powerful Catholic bishopric is perhaps waiting to throw up a counterpart of the Syedna, or Imam Bukhari or Bhindranwale. Let us not minimise the potentialities of mischief-making. It was an alliance of the fundamentalist Catholics and the orthodox Nairs which frustrated the reform attempts, and brought down the first communist ministry in Kerala in 1959. The centre—on the plea of non-interference in the internal affairs of religious institutions—acquiesces in a process which helps the reinforcement of religious obscurantism, found to be a ready ally by the unscrupulous landed gentry in the countryside, to torpedo social reforms within the communities, to suppress struggles for economic reforms by dividing the rural poor on religious and casteist lines, and to sustain the *status quo* that allows the co-existence of a Green Revolution with religious fundamentalism.

ANGOLA

First Step to Peace?

THE 14-year old civil war between the MPLA and UNITA forces in Angola seems to be drawing to a close. The announcement of a ceasefire between the forces of Angola's MPLA government and the UNITA rebels on June 22 perhaps marks the beginning of the end of the protracted conflict. On that day, the Angolan president Jose Eduardo dos Santos and the UNITA leader Jonas Savimbi shook hands at the summit of 18 African leaders in the northern Zairian city of Gbadolite and agreed to work for a political solution to the conflict.

Hopes for a negotiated settlement of Angola's civil war came on the horizon in July last year when Angola, Cuba and South Africa agreed on a phased withdrawal of Cuban troops from Angola and South African troops from Namibia. This was followed by the declaration of a ceasefire between the three in August. In December they agreed on the date (April this year) for the start of the Namibian peace plan and mid-1991 as the final date for the Cuban withdrawal. In May this year Angola proposed a peace plan to eight African leaders at the Luanda summit that fuelled the present local African initiative.

The 14-year old civil war has been buttressed by the superpowers, the Soviets and Cubans backing the MPLA government and the US and South Africa supporting the UNITA rebels. To an extent, it is Moscow's review of its strategy in southern Africa that has paved the way for a solution. But this has meant crucial compromises for the anti-imperialist and anti-racist forces. For instance, as part of the regional package, Luanda has requested the ANC to close its guerilla training bases in Angola and Sam Nujoma of SWAPO has to disallow ANC military training bases in Namibia. But another important factor making for the breakthrough in southern Africa was the shifting of the military balance against Pretoria as also the fact of the latter no longer being able to militarily intervene on behalf of UNITA.

The way is now open for an eventual national reconciliation in Angola, though it may be a long, difficult and fragile process. The Angolan president reacted cautiously to questions about the ceasefire saying that "It is a first step. But at least we are all acting in good faith." While Washington welcomed the açcord, it reiterated its military support and commitment to supply arms to UNITA.

BUSINESS

UTI

Innovative Marketing

THE Unit Trust of India could not have registered a better performance in the eventful silver jubilee year ended June 1989. It has registered further spectacular improvement over its previous year's record in every sphere of its operations. Aggregate sales of units under all the schemes increased over the year by 84 per cent from Rs 2,059 crore to Rs 3,790 crore. The Trust added 9.21 lakh new accounts taking the total to around 50 lakh. Investible resources increased by 68 per cent from Rs 6,739 crore to Rs 11,296 crore, gross income by 93 per cent from Rs 841 crore to Rs 1,625 crore and reserves and provisions by 107 per cent from Rs 941 crore to Rs 1,950 crore. Under direct financial assistance, sanctions increased by 53.7 per cent from Rs 1,264 crore to Rs 1,943 crore and disbursements by 34.3 per cent from Rs 807 crore to Rs 1,084 crore.

Consequent on the increase in distributable income and in keeping with the corporate objective of providing a reasonable and competitive rate of return to unit-holders, dividends have been further stepped up for the tenth year in succession. The dividend for the main unit scheme (US) 1964 has been raised from 16.5 per cent to 18 per cent, including a one-time silver jubilee dividend of one per cent. The dividend for Mastershares has also been stepped up to 18 per cent from 13 per cent paid in the previous year. The dividend for the unit scheme 1971 is up from 13.5 per cent to 13.75 per cent and that for the capital gains unit scheme 1983 from 9.6 per cent to 9.7 per cent. For charitable and registered societies scheme 1981 the dividend has been raised from 14.75 per cent to 15 per cent. UTI continues its impressive achievement of releasing its results on the last day of the year and despatching dividend warrants during July. This is no doubt a measure of the efficiency of its procedures and systems.

The adoption of novel and innovative methods of marketing its increasing number of schemes tailored to suit diverse needs, the strengthening and streamlining of marketing strategies and improved customer services are said to have made significant contribution to the uninterrupted growth of UTI. The increase in the number of unit-holding accounts is interpreted as indicative of the growing popularity of the schemes as well as the effectiveness of innovative marketing efforts.

In the absence of break-up figures of sales of units under different schemes as also of sales during July—the special offer period—it is difficult to make a proper appraisal of the nature of investor response

needs to be noted that despite the record 4 per cent increase in aggregate sales, new ccounts added during the year numbered .21 lakh against 11.16 lakh in the preeding year. Far more significant are the TI chief M J Pherwani's remarks in eply to queries by newsmen that only 5 per cent of the total sales are accounted or by the rural and semi-urban areas and hat out of total sales of Rs 3,790 crore under as many as 29 schemes), nearly s 2,000 crore (52.8 per cent) were ccounted for by the main unit scheme 964 and that these sales were divided lmost equally among the corporate ector, banks and individuals. In this context it would be of interest to refer to TI's last report (1987-88) to make some ertinent observations. Out of the total ales of Rs 2,059 crore under 25 different chemes the UTI operated in 1987-88, 53.8 er cent were accounted for by just two chemes—US 1964 (Rs 859 crore) and GS 1983 (Rs 248 crore). And what is nore significant, 82.9 per cent of the total ales under US 1964 were effected in July lone. This clearly shows that the inducement of the concessional price during the pecial offer period (July) has a much reater pull on sales of units than the ustained promotional campaign carried ut during the rest of the year.

It is common knowledge that both chemes—US 1964 and CGS 1983—have ery little to offer to ordinary investors elonging to the non-tax paying category y way of annual return and/or capital ppreciation. Even on the basis of purhase effected at the concessional price uring July, the annual return on US 1964 n a possible dividend of 18 per cent for 989-90 works out to less than 13.5 per ent and prospects of capital appreciation re virtually nil. Unit-holders have derived ardly any benefit from the appreciation f the Trust's assets. Investment in units most advantageous to individuals aying wealth tax and higher rates of ncome tax. Investors in Mastershares ave, of course, been very well rewarded y way of return as well as capital apeciation. But Mastershares being mutual und are conceptually different from TI's units.

Unquestionably, the concessional price ffer during July and the numerous tax xemptions that the Trust enjoys continue be the major factors contributing to the ninterrupted growth in sales of units. To nake this point is not to belittle the imortant role UTI has been playing and will ontinue to play in mobilising the savings f the people and channelising them into roductive industrial ventures. The houseold sector has of late been showing ncreasing preference for financial assets or deployment of savings. The UTI is ideally suited to exploit the potential for mobilising household savings for financing industrial growth. There will always be a class of people who would like to invest their savings in securities but are not familiar with the intricacies of operating on the stock exchange. Nor is the stockbroking community properly equipped to woo and service these prospective investors.

The UTI owes much of its rapid growth to the unique tax exemptions it enjoys. But then fiscal and tax concessions have been increasingly deployed to promote growth in several sectors of the economy—saving, investment in new ventures particularly in backward areas, exports, etc. Undoubtedly, UTI has done a commendable job in mobilising resources from the domestic market and with the setting up of the India Fund (UK), the India Growth Fund (US), the activities of the Trust have crossed the national frontiers and investors abroad are being invited to participate in the Indian capital market.

There is immense scope for tapping the vast reservoir of household savings in the rural and semi-urban areas. The Trust is aware of the need to provide appropriate instruments for garnering these savings for industrial development. It is always looking for products which have a good investor appeal and offer investment portfolio mixes ranging from conservative income-oriented funds to aggressive equity funds structured for maximum capital appreciation. Currently, the Trust is gearing itself to venture into housing and construction fund, equity-linked savings scheme and second series of venture capital fund.

The UTI has come to be recognised as a good and reliable manager of its investments with a business-like and service-oriented approach. Apart from mobilisation of savings, the most outstanding aspect of UTI's operations is the vital role it has of late been playing in developing the country's capital market—secondary as well as primary. During 1988-89 alone, UTI invested Rs 1,120 crore in equities, representing 25 per cent of the total funds invested during the year. Three years ago, at the end of 1985-86, UTI's total investment in equities was only Rs 371 crore. At the end of June 1989, its equity investment stood at Rs 2,263 crore. The Trust has emerged as one of the largest institutional investors in the capital market. Its operations in the new issue market and in the secondary market have brought about a phenomenal change in the structure of the capital market and its orderly development. The UTI chief is highly optimistic about the outlook for the equity market. And what he thinks certainly matters.

TWENTY YEARS AGO

EPW, July 5, 1969

The sudden ordinance from Delhi, banning forward trading in shares at all the stock exchanges, has pricked the stock exchange boom which had assumed abnormal proportions over the last six months... Over the last three years, initially as a result of the recession and, more recently, owing to the prospective abolition of the managing agency system, a large number of units have changed, or are likely to change, hands... Established industrialists have used the funds of companies under their control to finance their take-overs; in this, they have been abetted by banks and financial institutions which have provided, or are willing to provide them, funds ostensibly to finance their expansion without questioning the use of the companies' own funds. The strength of the newcomers has been drawn from their initial liquidity, the impact of which has been increased manifold by forward trading on margins. Once they acquired one or two companies in this manner, the process gets a further boost... Government has two possible ways open: first, it can try to protect well-managed but weakly-held companies whose shares are traded in the forward list; second, under section 409 of the Companies Act, it can prevent a change in the board of directors of a company, arising out of transfers of shares, which would be prejudicial to the company's interests. Initially, government has thought it fit to take the first course... The main problem, however, is excess liquidity which can be put to all sorts of uses. This is a matter of monetary and fiscal policies both of which have been mishandled. Other measures are only palliatives, not permanent solutions.

* * *

At its meeting on Thursday the Congress Parliamentary Board once again evaded the issues raised by the Telengana agitation... It has now become commonplace to say that the Telengana problem calls for a "political solution". Obviously, the Parliamentary Board's rejection of the separate state demand would have been more effective had it at the same time indicated what the essential elements of the "political solution" that it has in mind are... More and more Congressmen from Telengana are being forced, by the necessity of political survival, to take up fence-sitting postures *vis-a-vis* the Telengana agitation. If the Praja Samiti and the as yet unrecognised Telengana Congress Committee can keep the agitation going long enough, the division of the State Congress into Andhra and Telengana blocs might become complete. By its failure to take any kind of political initiative, the Parliamentary Board has in effect decreed that the issue be decided on the streets of Hyderabad.

NOTICE

It is nereby notified for the information of the public that **M/s Boehringer-Knoll Limited** proposes to make the application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of Sec. 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the establishment of a new undertaking/unit/division. Brief particulars of the proposal are as under:-

1. Name and address of the applicant : **Boehringer-Knoll Limited**
   United India Building
   Sir. P.M. Road, Fort
   Bombay - 400 001

2. Capital Structure of the applicant organisation : Share Capital (Authorised)
   Rs. 200.00 lacs
   Issued & Subscribed & Paid up
   Rs. 100.00 lacs

3. Management structure of the applicant organisation indicating the names of the Directors, including the Managing/Wholetime Directors, and Managers, if any : Names, addresses and occupation of the Directors:

Name & Address	Occupation
Mr. A.D. Mango Chairman 46 Chemin des Gotettes 1222 Vesenaz, Geneva	Company Director
Mr. H. Bauder Mg. Director 63FF B. Desai Road Noorville, Bombay-26	Company Executive
Mr. K. Sedlmeier 4515 Bad Essen Kirchbreite 26 Federal Republic of Germany	Company Executive
Mr. D.P. Mehta 120 Wodehouse Road Bombay - 400 005	Solicitor
Dr. S. Agarwala 62, Ashoka Apartments 68, Nepean Sea Road Bombay - 400 006	Company Executive
Dr. E.G. Millermann Ringwegz 2, D-6940 Weinheim Federal Republic of Germany	Company Executive

4. Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division. : New Product

5. Location of the new undertaking/unit/division : The existing factory at Kolshet Road, Thane-400 607

6. Capital Structure of the proposed undertaking : N.A. — New Product (using existing facilities)

7. In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate:
   (i) Name of goods/articles : Under the Trade name 'Bezalip'
   (ii) Proposed licensed capacity : 750 kgs per annum
   (iii) Estimated annual turnover : Rs. 115 lacs

8. In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover, etc. : N.A.

9. Cost of the Project : N.A. (using existing facility)

10. Scheme of finance, indicating the amounts to be raised from each source : N.A.

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

K.J. Shah
Vice President—Finance
& Company Secretary

Dated this 10th day of July, 1989.

Macro Economic Aggregates and Population (1980-81 Series)
(AT CURRENT PRICES)

(Rs crore)

Year (1)	gdp at factor cost (2)	indirect taxes less subsidies (3)	gdp at market prices (4)	consumption of fixed capital (5)	ndp at market prices (6)	gnp at factor cost (7)	nnp at factor cost (8)	gnp at market prices (9)	nnp at market prices (10)	pdi** (11)	pfce in domestic market (12)	gdcf (13)
1970-71	39708	3455	43163	3062	40101	39424	36362	42879	39817	35293	32545	7177
1971-72	42248	4009	46257	3374	42883	41957	38583	45966	42592	37378	35101	7986
1972-73	46473	4532	51005	3789	47216	46171	42382	50703	46914	41429	38688	8130
1973-74	56954	5053	62007	4388	57619	56629	52241	61682	57294	51097	46638	11824
1974-75	67039	6196	73235	5554	67681	66748	61194	72944	67390	59414	56505	13379
1975-76	71201	7560	78761	6415	72346	70946	64531	78506	72091	63345	57822	14811
1976-77	76535	8358	84893	6895	77998	76302	69407	84660	77765	67811	60079	16721
1977-78	87351	8716	96067	7447	88620	87118	79671	95834	88387	78174	69183	18765
1978-79	93880	10310	104190	8469	95721	93724	85255	104034	95565	83862	75242	24266
1979-80	102442	11914	114356	10281	104075	102595	92314	114509	104228	91338	81704	25278
1980-81	122226	13586	135812	12087	123725	122571	110484	136157	124070	112904	99083	30867
1981-82	142876	16544	159420	14459	144961	142916	128457	159460	145001	129973	113456	36279
1982-83	158851	18737	177588	16886	160702	158217	141331	176954	160068	142768	124691	37236
1983-84	185815	20866	206681	19229	187452	184871	165642	205737	186508	168920	145796	43558
1984-85	207781	22810	230591	22084	208507	206357	184273	229167	207083	187736	161611	48493
1985-86	234063	28444	262507	26215	236292	232634	206419	261078	234863	209227	176350	61384
1986-87	260680	32728	293408	29865	263543	258875	229010	291603	261738	233486	198492	68521
1987-88 QE	293306	37158	330464	33688	296776	291501	257813	328659	294971	263505	221057	73090

Year	ndcf (14)	gds** (15)	nds** (16)	per capita gnp at factor cost (Rs) (17)	per capita nnp at factor cost (Rs) (18)	rate of gds in per cent (19)	rate of nds in per cent (20)	rate of gdcf in per cent (21)	rate of ndcf in per cent (22)	percentage growth in gnp at factor cost over the year (23)	percentage growth in nnp at factor cost over the year (24)	percentage growth in per capita nnp (25)	population in millions (26)
1970-71	4115	6783	3721	728.7	672.1	15.7	9.3	16.6	10.3	—	—	—	541
1971-72	4612	7508	4134	757.3	696.4	16.2	9.6	17.3	10.8	6.4	6.1	3.6	554
1972-73	4341	7833	4044	814.3	747.5	15.4	8.6	15.9	9.2	10.0	9.8	7.3	567
1973-74	7436	11432	7044	976.4	900.7	18.4	12.2	19.1	12.9	22.7	23.3	20.5	580
1974-75	7825	12726	7172	1125.6	1031.9	17.4	10.6	18.3	11.6	17.9	17.1	14.6	593
1975-76	8396	14928	8513	1168.8	1063.1	19.0	11.8	18.8	11.6	6.3	5.5	3.0	607
1976-77	9826	18030	11135	1230.7	1119.5	21.2	14.3	19.7	12.6	7.5	7.6	5.3	620
1977-78	11318	20230	12783	1374.1	1256.6	21.1	14.4	19.5	12.8	14.2	14.8	12.2	634
1978-79	15797	24138	15669	1444.1	1313.6	23.2	16.4	23.3	16.5	7.6	7.0	4.5	649
1979-80	14997	24698	14417	1545.1	1390.3	21.6	13.9	22.1	14.4	9.5	8.3	5.8	664
1980-81	18780	28773	16686	1805.2	1627.2	21.2	13.5	22.7	15.2	19.5	19.7	17.0	679
1981-82	21820	33668	19209	2059.3	1851.0	21.1	13.3	22.8	15.1	16.6	16.3	13.8	694
1982-83	20350	34670	17784	2231.6	1993.4	19.5	11.1	21.0	12.7	10.7	10.0	7.7	709
1983-84	24329	41041	21812	2553.5	2287.9	19.9	11.6	21.1	13.0	16.8	17.2	14.8	724
1984-85	26409	45201	23117	2792.4	2493.5	19.6	11.1	21.0	12.7	11.6	11.2	9.0	739
1985-86	35169	55150	28935	3081.2	2734.0	21.0	12.2	23.4	14.9	12.7	12.0	9.6	755
1986-87	38656	63426	33561	3362.0	2974.2	21.6	12.7	23.4	14.7	11.3	10.9	8.8	770
1987-88 QE	39402	66650	32962	3713.4	3284.2	20.2	11.1	22.1	13.3	12.6	12.6	10.4	785

Notes: gdp-Gross domestic product, ndp-net domestic product, gnp-gross national product, nnp-net national product, gds-gross domestic savings, nds-net domestic savings, pdi-personal disposable income, pfce-private final consumption expenditure, gdcf-gross domestic capital formation, ndcf-net domestic capital formation. QE-Quick estimates.

** Not estimated at 1980-81 prices.

Source: National Accounts Statistics-1989, Central Statistical Organisation, Department of Statistics, Ministry of Planning, Government of India.

Macro Economic Aggregates and Population (1980-81 Series)

(AT 1980-81 PRICES)

(Rs crore)

Year	gdp at factor cost	indirect taxes less subsidies	gdp at market prices	consumption of fixed capital	ndp at market prices	gnp at factor cost	nnp at factor cost	gnp at market prices	nnp at market prices	pfce in domestic market	gdcf	ndcf	per capita gnp at factor cost (Rs)	per capita nnp at factor cost (Rs)	rate of gdcf per cent	rate of ndcf per cent	percentage growth in gnp at factor cost	percentage growth in nnp at factor cost	percentage growth in per capita nnp	population in millions
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
1970-71	90426	10936	101362	7254	94108	89465	82211	100401	93147	71522	18928	11674	1653.7	1519.6	18.7	12.4	—	—	—	541
1971-72	91339	11864	103203	7606	95597	90281	82675	102145	94539	73206	19899	12293	1629.6	1492.3	19.3	12.9	0.9	0.6	−1.8	554
1972-73	91048	11518	102566	8006	94560	89997	81991	101515	93509	73647	18623	10617	1587.2	1446.0	18.2	11.2	−0.3	−0.8	−3.1	567
1973-74	95192	10404	105596	8385	97211	94395	86010	104799	96414	75654	23664	15279	1627.5	1482.9	22.4	15.7	4.9	4.9	2.6	580
1974-75	96297	10558	106855	8769	98086	95885	87116	106443	97674	75747	21333	12564	1616.9	1469.1	20.0	12.8	1.6	1.3	−0.9	593
1975-76	104968	11707	116675	9227	107448	104660	95433	116367	107140	80063	22014	12787	1724.2	1572.2	18.9	11.9	9.2	9.5	7.0	607
1976-77	106280	12468	118748	9743	109005	105996	96253	118464	108721	82165	24175	14432	1709.6	1552.5	20.4	13.2	1.3	0.9	−1.3	620
1977-78	114219	13074	127293	10233	117060	113903	103670	126977	116744	88706	26311	16078	1796.6	1635.2	20.7	13.7	7.5	7.7	5.3	634
1978-79	120207	14134	134341	10836	123505	120005	109169	134139	123303	94041	31768	20932	1849.1	1682.1	23.6	16.9	5.4	5.3	2.9	649
1979-80	114236	13336	127572	11442	116130	114379	102937	127715	116273	91379	28401	16959	1722.6	1550.3	22.3	14.6	−4.7	−5.7	−7.8	664
1980-81	122226	13586	135812	12087	123725	122571	110484	136157	124070	99083	30867	18780	1805.2	1627.2	22.7	15.2	7.2	7.3	5.0	679
1981-82	129776	15038	144814	12788	132026	129815	117027	144853	132065	103574	32421	19633	1870.5	1686.3	22.4	14.9	5.9	5.9	3.6	694
1982-83	133830	16770	150600	13595	137005	133214	119619	149984	136389	106604	30694	17099	1878.9	1687.2	20.4	12.5	2.6	2.2	0.1	709
1983-84	144817	18734	163551	14469	149082	143813	129344	162547	148078	114533	32651	18182	1986.4	1786.5	20.0	12.2	8.0	8.1	5.9	724
1984-85	150542	18616	169158	15393	153765	149365	133972	167981	152588	118306	33400	18007	2021.2	1812.9	19.7	11.7	3.9	3.6	1.5	739
1985-86	158176	22152	180328	16328	164000	156975	140647	179127	162799	122488	38735	22407	2079.1	1862.9	21.5	13.7	5.1	5.0	2.8	755
1986-87	164441	24250	188691	17322	171369	162997	145675	187247	169925	129121	40241	22919	2116.8	1891.9	21.3	13.4	3.8	3.6	1.6	770
1987-88QE	170363	26659	197022	18346	178676	168919	150573	195578	177232	134133	40171	21825	2151.8	1918.1	20.4	12.2	3.6	3.4	1.4	785

HDC

Good Working Results

HINDUSTHAN DEVELOPMENT CORPORATION (HDC) has shown good working results for the 15-month period ended March 31, 1989, with significant increases in turnover and profits over the previous 12 months. The company has earned a gross profit of Rs 28.47 crore compared to Rs 16.31 crore following a turnover of Rs 221.24 crore against Rs 129.45 crore. These figures also show slightly higher profit margins. Net profit has more than doubled to Rs 11.80 crore (Rs 5.14 crore). Equity dividend has been stepped up by 5 points to 25 per cent and is covered 5.55 times by earnings as against 3.02 times previously.

The performance of the company's engineering unit at Calcutta has improved considerably. Its Bamunari plant achieved higher production. The plant has developed steel castings for export to the USSR and has secured prestigious orders from the country. The company's wagon plant at Sankragachi has achieved higher production. The production would have been more but for lack of orders from the Railway Board. The Tiljala plant has received fresh export orders. To improve the track technology and to enable the Indian Railways to achieve much higher speed, a technology upgradation scheme is being studied. The air pollution control equipment division has received a prestigious order for electro static precipitators (ESP) from Rourkela Steel Plant against stiff competition. The company's engineering division in northern India has achieved higher turnover due to improvement in product mix, although production has not shown any improvement mainly due to recessionary trend in the wire industry. Demand for products of the chemical division at Haldia could not pick up due to inadequate availability of power to the ultimate buyers resulting in restricted utilisation of their plant capacities. The working of the unit was affected because of a substantial increase in the landed cost of raw petroleum coke. Cyanides and Chemicals Company, the company's chemical division at Olpad in Gujarat could not achieve higher production of sodium cyanide due to intermittent interruption in the supply of power. To overcome this problem, the unit has installed an uninterrupted power supply unit with battery back up. The unit has exported sodium cyanide of a FOB value of Rs 324 lakh. The new project for manufacture of diphenyl guanidine has commenced production during the latter half of 1988-89. The HT insulator division at Mandideep in MP has achieved 90 per cent capacity of disc insulators upto 400 KV applications. Production of solid core and bushing insulators of 220 KV and above is in advanced stage. The unit has commenced the supply against an order of the Andhra Pradesh State Electricity Board for upgradation of 66 KV transmission line to 132 KV line, which is expected to be completed during the current year. The jute division, which took a jute mill on a working arrangement basis with effect from February 1988, has performed satisfactorily.

The company has taken effective steps to set up a composite steel plant as a new division named 'Madhya Pradesh Iron and Steel Company'. To meet part of the finance required for the project, the company issued 12.5 per cent secured convertible debentures of Rs 145 each to the existing shareholders and employees. The equity capital has increased by Rs 1.94 crore on April 1, 1989 and an amount of Rs 6.80 crore has been credited to the share premium account on conversion of the convertible part of the debentures. To meet further requirements, the board has decided to issue new convertible debentures on similar basis.

The Week's Companies *(Rs Lakh)*

		HDC		Sandvik		Food Specialities	
		Latest Year 31-3-89*	Last Year 31-12-87	Latest Year 31-12-88	Last Year 31-12-87	Latest Year 31-12-88	Last Year 31-12-87
Paid-up Capital		892	892	577	577	1920	1920
Reserves		9256	8299	879	754	2763	1962
Borrowings		8208	6143	1101	935	5695	2767
of which Term Borrowings		6394	3477	310	366	4057	884
Gross, fixed assets		16401	14571	2770	2522	9598	5373
Net fixed assets		12398	11244	1026	1006	8464	5829
Investments		1017	178	91	92	42	—
Current liabilities		4941	3912	1193	782	3309	2740
Current assets		9373	7210	2634	1951	5181	3561
Stocks		4443	2611	998	669	2924	2425
Book debts		2457	2896	1363	1024	559	291
Net sales		22124	12945	3733	3242	19428	17155
Other income		245	191	81	69	354	130
Raw material costs		11342	7274	1220	836	12134	10345
Wages		2392	868	806	677	942	800
Interest		1257	933	179	144	743	384
Gross profit (+)/loss (−)		2847	1631	671	591	2201	2064
Depreciation provision		1343	996	222	336	547	472
Tax Provision		324	121	178	125	250	525
Net profit (+)/loss(−)		1180	514	271	136	1404	1067
Investment allowance reserve		270	25	—	—	—	—
Transfer to reserves		690	314	127	20	924	573
Dividend							
Amount	P	9	7	—	—	—	—
	E	211	168	144	116	480	480
Rate (per cent)	P	15	15	—	—	—	—
	E	23	20	23	20	25	25
Cover (times)		5.55	3.02	1.88	1.17	2.93	2.22
Ratios (per cent)							
Gross profit/sales		12.87	12.60	17.97	18.22	11.33	12.03
Net profit/capital employed		20.49	11.08	18.61	10.22	29.98	27.49
Inventories/sales		20.08	20.17	26.73	20.63	15.05	14.13
Wages/sales		10.81	6.70	21.59	20.88	4.85	4.66

* 15 months.

SANDVIK ASIA

Improved Sales Performance

SANDVIK ASIA has performed well during 1988 with sales rising from the previous year's Rs 32.42 crore to Rs 37.33 crore and gross profit from Rs 5.91 crore to Rs 6.71 crore. Although taxation claimed a higher amount, net profit doubled to Rs 2.71 crore (Rs 1.36 crore). The directors have stepped up dividend from 20 per cent to 25 per cent which has a better earnings cover of 1.88 times against 1.17 times previously.

The company's improved sales performance came from the excellent showing of Coromant cutting tools and wear parts. The sales of the Rock tools products received a slight setback mainly due to the lack of intensive marketing efforts by selling agents for this product group. The company has taken over the total marketing responsibility of Rock tools products, in addition to its existing product lines. The FOB value of exports was Rs 65 lakh as compared to Rs 47 lakh in 1987, but the order-intake at Rs one crore at the end of 1988 more truly indicates the company's successful efforts to increase exports. The company's products found new markets in the USSR and some countries in Asia and Africa. The two technology packages of drawings and designs that the company imported from Sweden have already been taken into the manufacturing programme. The directors feel that block tool system and newer grades for cutting tools, which form this package, will support the powerful thrust for automated production in India and will be a source of inspiration for new product development ideas. Investments in automatic press robots and a new

effluent treatment plant of high control standards have been made.

FOOD SPECIALITIES

Small Decline in Margins

FOOD SPECIALITIES has turned in good working results for the year ended December 31, 1988. Sales have gone up from Rs 171.55 crore in 1987 to Rs 194.28 crore in 1988 and gross profit is up from Rs 20.64 crore to Rs 22.10 crore. These figures show a small decline in gross margins on account of rises in costs, particularly the cost of borrowing. With depreciation claiming Rs 5.47 crore against Rs 4.72 crore previously and taxation Rs 2.50 crore against Rs 5.25 crore, net profit is substantially higher at Rs 14.04 crore (Rs 10.67 crore). Two interim dividends of 15 per cent and 10 per cent were paid during the year making an aggregate of 25 per cent, which is same as last year. No final dividend has been recommended. The distribution is covered 2.93 times by earnings as against 2.22 times previously. The directors have also recommended a free scrip issue on a three-for-five basis by capitalising Rs 13.73 crore out of share premium account.

During the year, the company finalised the issue of secured convertible redeemable debentures of a total value of Rs 35.39 crore. As per terms of the issue, an amount of Rs 60 out of the face value of each debenture of Rs 160, was automatically converted into one equity share of the face value of Rs 10 each at a premium of Rs 50 per share on March 31, 1989. The balance amount of Rs 100 of the face value of debentures will remain as 12 per cent redeemable non-convertible debentures (series II), redeemable on or after the expiry of 7 years.

The new factory for the manufacture of instant coffee and instant coffee-chicory blends at Nanjangud in Karnataka was commissioned towards the end of 1988. The modernisation/expansion work at Moga factory in Punjab is expected to start contributing towards production during the later half of 1989. The foreign exchange earnings from exports amounted to Rs 7.7 crore against Rs 1.9 crore last year. The figure for 1988 includes export of instant coffee made through the Coffee Board.

NMDC

Iron Ore Exports

NMDC exported 92.95 lakh tonnes of iron ore during 1988-89, the highest so far, earning foreign exchange to the tune of Rs 200 crore. The original long-term contract for export from Bailadila provided only for export of lump ore which accounted for nearly 60 per cent of production, the rest being fines to the extent of 30-40 per cent which was dumped as waste. NMDC has now been able to develop a market for iron ore fines as well and exported 30.30 lakh tonnes of iron ore fines during 1988-89. The shipment of iron ore from Visakhapatnam Port have also been the highest so far—69.47 lakh tonnes during 1988-89. Similarly, the movement of iron ore on the K K line has also been a record—66.47 lakh tonnes during 1988-89.

IN THE CAPITAL MARKET

Arihant Cotsyn

ARIHANT COTSYN, promoted by Arihant Fabrics and Punjab State Industrial Development Corporation, is entering the capital market on July 18, with a public issue of 24 lakh equity shares of Rs 10 each at par. Of these 17.1 lakh shares are offered to the public. The company will be manufacturing polyester viscose blended yarns of various counts at its Sangrur plant in Punjab using air jet spinning technology. Mamata Machinery will provide the technology. The total cost of the project is Rs 18 crore. Debt finance is Rs 10 crore. Commercial production is expected around November this year. About 50 per cent of the production has a ready demand from Arihant Fabrics. Further, the company has an obligation to export at least 25 per cent of its production. So it does not envisage any marketing problems. However, one should not forget the recent hike in the price of viscose fibres which is a raw material for the company's products. Also, Arihant Fabrics, one of the promoters, is known to raise capital by way of public issues too frequently. Another cause of caution is the high equity capital of Rs 8 crore servicing of which will need high earnings. The issue is eligible for 80cc, 80L, 80M and 80 WT benefits.

Elcot New Era Technologies

ELCOT NEW ERA TECHNOLOGIES (ELNET) is engaged in the manufacture of aluminium electrolytic capacitors in its unit at Hosur in Tamil Nadu, which it has acquired from Electronic Corporation of Tamil Nadu. The unit has an installed capacity of 50 million capacitors per annum and is equipped with the latest plant and machinery, imported from Japan Capacitor Industries. ELNET is jointly promoted by Electronic Corporation of Tamil Nadu (ELCOT) and New Era Technologies.

Aluminium electrolytic capacitors are critical components in televisions, radios, computers and telecommunication equipment. With the rapid expansion of electronic industry in India, demand for capacitors is growing at a rate of 25 per cent per annum and is estimated to reach 460 million pieces in 1990 from 320 million pieces in 1988. The company's products are well received in the market and the company is confident of sharing the growing market for capacitors.

The project cost of Rs 337 lakh is being partly met by Rs 245 lakh of equity capital. Of the equity capital, ELCOT will hold Rs 64 lakh (26 per cent), net Rs 61 lakh (25 per cent) and public Rs 120 lakh (49 per cent). Of the public issue of Rs 120 lakh, equity shares amounting to Rs 20 lakh are reserved for firm allotment to Unit Trust of India.

The issue opens on July 3.

Sterling Computers

STERLING COMPUTERS, manufacturers of the Siva PC, will enter the capital market on July 10, with an issue of 10,000,000 equity shares of Rs 10 each, at a premium of Rs 25 per share. The company plans to diversify into new product areas, namely, lap top computers, local area network and PC FAX machines, products that are geared to answer the growing demand for office automation systems.

Swaraj Engines

SWARAJ ENGINES has been promoted by Punjab Tractors and Kirloskar Oil Engines. Both the promoters are well known blue-chip companies listed in the BSE. While Punjab Tractors manufactures tractors, self-propelled harvest combines, etc, Kirloskar Oil Engines manufactures a wide range of diesel engines. Swaraj Engines will primarily manufacture diesel engines meant for Punjab Tractors. The plant at SAS Nagar in Mishali district of Punjab, a site very close to Punjab Tractors, will produce 16,000 diesel engines per annum. Commercial production has commenced since December 1988. At present Punjab tractors is manufacturing 13,000 tractors per annum and recently it has embarked on a major expansion programme. Upon completion it is expected to manufacture 17,000 tractors per annum. Hence SEL engines have an assured market. The total cost of the project is Rs 4.5 crore, of which Rs 1.8 crore is the equity capital and the rest is debt capital. Of the Rs 1 crore equity capital, the promoters are contributing Rs 91 lakh and the rest offered for the public. The issue which open on July 10 is eligible for 80cc, 80 and 80M benefits of the ITA 1961.

Flexible Power-People Equation

Bhabani Sen Gupta

India comes at the head of third world developing countries where the cleavage between power and people has not so far turned into direct, frontal confrontation. There is no shortage of conflict in India, and the incidence of conflict will increase rather than decrease in the years to come. However, conflict in India is socialised *and* defused *at the same time.*

THE democracy movement or counter-revolutionary rebellion in China—whatever name one may choose to describe it—lends a new perspective to India's political development as a nation-state in the last forty-plus years. All the more so because India and China launched their respective careers as sovereign states almost at the same time. The two, with their telling similarities and differences, have arrived at a stage of development that, despite fundamental divergencies in their socio-political personalities, compel comparisons. The Chinese themselves say that in many ways India has done better, while there is no dearth of Indians who believe that China has gone ahead of their country in several vital sectors.

Almost in all developing nations and most of the socialist countries, there is a basic cleavage between power and people. Dictatorships—proletarian or military or authoritarian—seize power in the name of the people. They refuse to delegate power to the people. For a certain time—it may be a decade or many decades—people remain tuned to those who have seized power in their name and on their behalf. Then one of three specific situations is created.

The holders of power realise that they need active and free participation of the people to move the engine of economic, technological and political development forward, and they take the initiative to rebuild their relationships with the people. The result is a new realignment of power and people. We see this happening in the Soviet Union on a grand scale, almost entirely, uptil now, at the fertilising initiatives of Mikhail S Gorbachev. We see this happening limpingly and tortuously in Hungary and Poland where the native leaders did not have the power, until now, to seize initiatives for internal change, nor were they willing to risk experimenting with change. Popular pressures for change are far more effective in these two East European countries than in the USSR. The regimes, the ramparts of power, are far weaker than in the USSR.

In the second specific situation, the regime-holders resist pressures for change welling up from the people to the point of suppressing popular activism by force and in doing so further retrenching the power-people credibility of the political system. Rulers' failure to initiate relevant change in time from above polarises them from the people demanding change. Polarisation turns into confrontation if regime leaders are determined to resist change, and confrontation into conflict when they lurch forward to crush mobilised demands for change. This situation prevails in many third world countries. Among them, tragically, is now China.

In the third specific situation, in spite of the cleavage, there are channels of communication, interaction, adoption and compromise between the holders of power and the people asking for change. This situation exists only in democratic regimes which are not too many in the developing world. Democratic regimes' political institutions offer functional mechanisms for adoption by the rulers of some of the demands of the people. This tends to defuse confrontation and arrest conflict. The cleavage is not entirely erased. But its volume remains within control and management of the political system. Neither the regime nor the people feel totally alienated from one another.

Within the rubric outlined above, it will be correct to put India at the head of third world developing countries, where the cleavage between power and people has not so far turned into direct, frontal confrontation. There is no shortage of conflict in India, and the incidence of conflict will increase rather than decrease in the years to come. However, conflict in India is *socialised* and *defused* at the same time.

Socialised when large segments of people take part in mobilisation of demands and in clashes with a regime unwilling to concede the demands. *Defused* when conflicts remain limited to localities and do not lock the regime and the people to a frontal combat at the centre of the political system.

In the last decade and a half, India has had a surfeit of political and social conflicts. Conflicts have crowded on the political system in the 1980s. In Punjab massive military power was used to dislodge armed khalistanis from the Golden Temple, and for a fairly long time the entire state was placed under virtual military rule. Since then there have been the Gorkhaland conflict and Bodo conflict both turning violent and inviting use of force of the armed police or the military. Tripura also offers a case of limited violence used against a limited tribal youth insurgency.

Most of the regime-people confrontations in India, however, are still waged within the parameters of parliamentary democracy. Confrontations between the centre and the states (the most dramatic amongst which was the unsuccessful effort of the Indira Gandhi regime to overthrow the Telugu Desam government of N T Rama Rao in 1984 with the help of the governor) between state governments and sections of state populations, between classes and interests (the agrarian violence in Bihar, the numerous violent clashes between religious communities) are political-economic-social conflicts built into the Indian condition.

Large interest groups bring their battles to the heart of Delhi, capital city, centre of power, and sometime hundreds of thousands of people sit in for days pressing their demands. The governments at the centre and in the states often use firepower of security forces to defeat large protests. However, there has not been so far a power-people combat in independent India similar to what happened in Beijing's Tiananmen Square on June 4. Tanks have not rolled on to crush a mass protest movement involving thousands of people anywhere in India except in Amritsar in 1984 in which case the use of military power could be justified on the armed defiance of authority by the followers of Sant Jarnail Singh Bhrindranwale.

The relative flexibility of the power-people equation in India is to be attributed entirely to the parliamentary democratic system. Elections provide the oxygen of Indian politics, together with the freedoms guaranteed in the Constitution. Every election gives the confronting popular forces in India an opportunity to test their mutual strengths and weaknesses in a peaceful battle of ballots. The people have the right to change their rulers, and rulers do step down if they are rejected by

the people. The freedom to express their views, to mobilise in the open to demand change and agitate for change, the freedom to oppose and reject those who are in power give the Indian political system its inner strength. An adequate proportion of galvanised accumulated demands get adopted by the political process. This adoption blunts the radical edges of mass protests most of which, over time, get tamed and incorporated into the political system. We have seen this happening in Nagaland, Mizoram and elsewhere, and in the next year or two we will probably see this happening in Punjab.

The adoptive abilities of the Indian political system are getting stronger from the plurality of party government and the decline of the long-time hegemony of the Congress Party. One has to compare India with Mexico to realise the damage to a democratic political process single-party hegemony can inflict if it continues for a long time. The ruling party of Mexico, PRI, has been in power for nearly 55 years, and it still cannot be unseated. The result is stagnation of the Mexican economy, dwarfing of its political power, and its inability to play in the affairs of the western hemisphere the role its geography and human and other resources entitle it to play.

In India, the Congress Party hegemony was broken in 1967-69 in the northern Indian states. The Congress virtually lost its control of parliament, in 1969-71. It regained its hegemony only because of the Indian victory over Bangladesh in 1972. But within three years, the Congress regime faced its gravest crisis, adopted the gravest remedy—declaration of the Emergency—and when it was ready, or forced, to face the people in an election in February 1977, it was wiped out from power in the same Hindi belt where it had lost state elections a decade or so before.

The next decade extended the process of the decline of the hegemony of Congress rule. This time, the party lost the south. And also most of the east. Not in the same manner in which it had lost the north in the late 60s. This loss in the late seventies and eighties was to stable single party or coalition rule provided by the opposition. These governments were stable, rooted to popular support and not the offsprings of political ambitions of elected legislators. If Indira Gandhi were alive, she might have lost the centre in 1985. Her assassination gave her son, Rajiv Gandhi, a massive majority in the Lok Sabha in December 1984. But not the restoration of Congress hegemony. Indeed, there was a time in 1986 when the Congress(I) did not rule one-half of the country population-wise.

Pluralism of party government in India, then, is a historical process which has taken two decades to consolidate at the state level. The process is now irreversible. In other words, it is not possible for the Congress, that is, its ruling party incarnation, to restore its hegemony of political power in the Indian political system.

The question looming before the Indians is whether at the national level too pluralism will now prevail. Whether the Congress(I) will rule for a fairly long time more or will be replaced by the opposition this year or in the next election. The absence of a single political party to challenge the Congress(I) at the national level delays the arrival of pluralism at the centre. The Congress(I) may still win the next election and form the government in Delhi. However, the next government will not be hegemonic. It will have to contend with a strong opposition. That factor alone will leash some of its political ambitions, tame its imperial behaviour, and compel it to work more co-operatively with the opposition than it has done so far except in a lean period in the late 60s.

In the state elections in 1990, the Congress(I) will most probably lose one or more of the north Indian states where it has been ruling for a long time. That also will dwarf its hegemonic size and style. In short, India is arriving at a political stage when the political parties will have to work with one another on a long-term continuum basis. This will mean a very large element of popular participation in government, making India one of the largest participatory regimes in the world.

The advent of pluralistic rule at the state level has had many positive impacts on Indian polity. One of the most remarkable is the emergence of several 'experiment' stations within the political system. In a polity dominated by the Congress(I), the centre was the only station of experiment. Not only were developmental concepts handed down from the centre to the states, the latter had little option to experiment with administration or governance. The panchayati raj crafted in the 50s and 60s illustrates this point. A uniform partyless panchayat system was introduced in all states.

In contrast, several experiments in local government have been attempted in India in the 80s by state governments created by non-Congress(I) parties. The panchayat system in West Bengal, Tripura and Kerala bears the stamp of the CPI(M) conceptualisation. Its two variants have been installed in Karnataka and Andhra Pradesh. The cumulative impact of these three political experiments on the centre has been truly remarkable. The prime minister has made the creation of a third tier of democracy the flagship of the ruling party's election campaign. Thus for the first time in India, the centre has adopted political experiments, both in concepts and in architectures, first tried at the state level by non-Congress political parties in power.

In India, the state governments should function as 'policy laboratories' designing and developing concepts and forms of development and administration suited to the peculiar requirements of the different states. This has happened to some extent even under Congress hegemonic rule. The sugarcane economy of Maharashtra is handled very differently politically from the sugarcane economy of, say, Uttar Pradesh. However, because the Congress(I) is a command-control party, and its leadership has blocked major initiatives by state chief ministers since Indira Gandhi slapped her personalised hegemonic rule on the entire party and all governments run by it, experimentation, innovation and improvisation has been lagging on a national scale.

The important states run by opposition parties—Tamil Nadu, Andhra Pradesh, West Bengal and Haryana—have a greater responsibility than they seem to realise to make their legislatures function as 'laboratories' of alternative concepts and models of administration and development. There is no reason why these legislatures should not even intervene in national affairs. They have their right to suggest new experiments to the centre or criticise existing institutions and concepts and suggest relevant change.

In any macro overview of political development and change in the third world, India's performance must merit cheers. In spite of setbacks and distortions, despite numerous slippages and in the midst of countless contradictions, three specific performances of the Indian political system definitely stand out.

First, the democratic electoral system has woven together a huge mass of politically conscious people who have now a stake in the durability of the democratic process simply because, with all its grave shortcomings, it has given the country political stability together with space for political change and development.

Secondly, steady, if slow, pace of development has created a profile of India that makes it perhaps the first among third world countries that can be said to be 'arriving' at the threshold of development.

Thirdly, it is definitely the most adaptive political system in the developing world even when its body politic bears the scars and bruises of numerous bloody conflicts.

After all, tanks have not rolled down Delhi's Vijay Chowk to mow down unarmed, non-violent protesters.

Calcutta Diary

AM

It always begins with a symbol, whether it be a war or a revolution. The storming of the Bastille marked, more than anything else, the freeing of man's imagination. Without it there would be no storming of the winter palace, no Long March, nor the magic of Dien Bien Phu or Sierra Maestra. And since there is no quitting time for revolutions, this year's celebrations are perhaps somewhat premature.

EVEN according to the scale of the times, from Hotel de Ville to Bastille, it was not much of a march, a stretch of barely three-quarters of a mile. Once a fortress, demoted to the status of a state prison, Bastille was obviously not being put to much use in the latter capacity either. It held just about half a dozen prisoners, not one of whom could be described as a 'political' victim of the regime. The governor, De Launy, had at his command just about eighty-odd *invalides* and thirty-odd Swiss guards. Storming the Bastille was therefore not any great feat as such. But once, on the night of July 12, Camille Desmoulins could not be prevented from inciting the Paris mob to arms, what was to happen happened. De Launy surrendered, along with his men, meekly enough. Meekness did not help; the law of motion of history had taken charge, they were butchered. Louis XVI, always a little dim-witted, was slow to comprehend the meaning of meaning. It was, he thought, a revolt. Civilities were breaking down. The Duke of La Rochefoucauld-Liancourt was rude enough to correct his king: no, your majesty, not a revolt, a revolution. He stumbled on the phrase, and the French revolution was on. It is exactly two hundred years since.

Bastille became the symbol. It always begins with a symbol, whether it be a war or a revolution. And yet, in the relatively short run, it, to all appearances, achieved little for the French. The hatred, stocked up over several centuries, had to be out, there was a lot of blood-letting. It was, to begin with, a rising against arbitrary power; in its turn the revolution itself became arbitrary. Soon, it concentrated on devouring its children, Robespierre despatching Danton to the guillotine, and calmly waiting for his own place in the queue. The Jacobins, for some brief while, flaunted both on awesome vision and on awesome demagogy. They too went to meet their destiny. Marat, one-half scoundrel and one-half ideologue, perhaps took the women in the revolution too much for granted; he paid for it. Whether, as Charles Dickens would like us to believe, Madame Defarge and the rest of *les trecoteuses* did in fact pre-empt those front row seats so as to be able to watch the sliced heads tumble out of the guillotine, remains, till this day, doubtful. But frenzy was in any event universalised, with little to choose between the mindlessness of sophisticated Charlotte Corday and the foaming at the mouth by plebian women who insisted on their daily quota of syndicated killings.

For the populace as such, the immediate gains were nonetheless illusory. Amid the chaos, evidence of tangible improvements in the level of living of the Paris slum-dweller was hard to come by. The aristocrats fled, but the countryside was invaded by shopkeepers and money-lenders from the heart of Paris. They had an eye on the main chance; they set a pattern, which was to be emulated eighty years later by the carpet-baggers in the American south. True, the Declaration of the Rights of Man was on hand. In fact, there were several versions of it; that busybody, Lafayatte, was once more in an expansive mood. Between Bastille and the climacteric of the Terror, it took just about four years. The frightened French bourgeoisie could not quite retreat into the bowery of old aristocracy. They, instead, took to Napoleon. Napoleon established one major point: no divinity attaches to either monarchy or aristocracy; any chevalier, in case he had the audacity and the charm, could build an empire. The French put Bastille in cold storage, and hailed the pudgy little fellow who bestowed upon them the pleasure of his empire. It was another kind of a dizzy season for them: the thrill of foreign adventures, and the loot the adventures yielded, provided them, so to say, with an empirical correlate of the empire. Napoleon, besides, was a man of many parts. He straightened French roads, and gave the nation a legal system. He went to St Helena, but the roads survived, so did the Code Napoleon.

In due course, Bastille was rendered into innocuous social gossip, and little of *egalite* stuck to French society. It had other spin-offs though. The storming of Bastille scared the daylights out of the landowning plutocrats in country after country. It thus induced enlightenment on an international scale, at least on a European scale. The feudal set in Europe, learnt about the non-acceptable face of class exploitation: it was right and proper and necessary to indulge in plunder, but within certain boundary conditions. Inside France, between Bastille and Napoleon, the message spread: hereditary rights might or might not clash with human rights, it all depended on circumstances, hereditary rights were however purchasable, as purchasable as the ardour of a Josephine or a Marie Louise. This realisation itself was a major milestone. It heralded the beginning of social mobility. Even so, at least nine-tenths of the population, as of that moment, got hardly anything out of it. The royal families of Europe ran for cover; they intermarried, thus forming a tight cartel. The upper layer of the bourgeoisie infiltrated, with alacrity, into the arrangement. They took most of the gravy, and in exchange provided royalty with ministers, generals, civil servants, bankers. The impoverished peasantry and the still-trying-to-gather-strength urban proletariat made another major effort to emerge on top in 1848. They almost succeeded, and the next couple of years were full of confusion. There is no such category as half a revolution, as those who slaughtered De Launy and his men had unerringly perceived. France needed the full span of another twenty years, the discomfiture of defeat in a foreign war, and the trauma of the Paris Commune before she finally succeeded to get out of the habit of monarchy. By then, the strongest emerging influence was of industrial capitalism; its compulsions rendered the French republic into what it became.

Are not the celebrations this month therefore a bit of a sham? It is in any case impossible to measure in isolation Bastille's historical significance. What the past two hundred years have bequeathed is a pot-pourri of Bastille, the Terror, Napoleon and, with a time-lag, the grammar of bourgeois capitalism. True, Bastille started it all, the causality of both the Terror and the Bonapartes is rooted in it. Had the memory of the distant scare of Bastille not been there, who knows, capitalism might have manifested itself in a much more malevolent manner.

Perhaps the most important gain was encapsulated in the Duke of La Roche-foucauld-Liancourt's extra-ordinary instant summing-up. Bastille gave acceptability to the concept of the revolution. Revolutions, the point was established, are not outside the human system; they are to take place from time to time, quantities of a certain description will reach a nodal point, cross the point, and be metamorphosed into a qualitatively separate description. Once the integrity of this statement is granted, Bastille falls in place: without it, there would be no storming of the winter palace, no Long March, nor the magic of Dien Bien Phu or Sierra Maestra. Since there is no quitting time for revolutions, and the stretch of two hundred years is a mere piffle, this year's celebrations are perhaps somewhat premature. It is too early to judge, commented Zhou Enlai, what mark the French revolution would leave on human civilisation. That comment was entirely in character. The Chinese are accustomed to measure history by the yardstick of millenniums. They keep furnishing the most up-to-date evidence that, while the rest of the world might worry, they are prepared to wait it out.

Is that not then the hallmark of a revolutionary, to wait and wait until the hour is right? By celebrating Bastille we celebrate a memory, the memory of a point of time when the inchoateness of the mind turned into something more precise. There has been no stopping of either ideas or praxis since then. The storming of Bastille marked, more than anything else, the freeing of man's imagination. Or perhaps the imagination was already a-boil, it is praxis which took charge. Engels went back and discovered a peasant uprising in some remote previous century in his native Germany; while others poured cold water on the idea, he even went into raptures recounting the revolutionary potential of the English working class. Marx, a man of many parts, composed the communist manifesto and gave flesh to the theory of alienation; he also cast a sardonic look at the goings on in France in the aftermath of the Eighteenth Brumaire, even as he directed a fusillade of polemics against friends who would turn into foes by late afternoon. Bastille receded into the ground, but two separate formulations of faith embedded themselves in the consciousness of radical *emigres* billeted in different European cities: (a) revolutions are inevitable; (b) you have to wait, for revolutions take place only according to an historical schedule.

The flamboyant Lafayatte re-crossed the Atlantic and presented his friend George Washington with the key of Bastille; it now reposes, peacefully, at Monticello, Mount Vernon. That episode is however no more than a mythology gone stale. The ideology of insurrections and revolutions burns for ever, there is no physical counterpart to memory; Bastille, the old fort, had long ago ceased to exist. Two centuries later, at least a dozen boulevards converge on the Place de la Bastille—rue de Lyon, Boulevard de la Bastille, Boulevard Bourdon, Boulevard Henry IV, rúe Antoine, Boulevard Beaumarchais, Boulevard Richard Lenoir, rue de la Roquette, et al. For the romantically-bent, they at present converge into apparent contextlessness. That too is perhaps an illusion: the kiosks and the shops and the cafe bars and the restaurants and the metro, the cacophony and the bustle and the traffic, they whirl and whirl and throw a hint, the current vacuum does not necessarily indicate a permanent state of reality, Paris and France and Europe and the world are what they are because of what had happened two centuries ago, and what had happened two centuries ago is a recurring phenomenon, it might replicate itself, if not here, then somewhere else.

The spot where Bastille once stood thus waits. It waits for the new opera house to be completed, but perhaps for other, yet-to-be revolutions too. Meanwhile, though, there is divertissement: Simenon's unlikely hero from the Police Judiciare, Superintendent Maigret, lives only a couple of lugubrious furlongs away, in one of those not-too-high apartment blocks, and several of the marginal characters Simenon is obsessed with live sloppily around, on rue du Chemin-Vert or rue Boulle or Place Sajarnier. Every year on May Day, Bastille fills up, the PCF and the CGT march their cadres, the Internationale rents the air, creating an instant's illusion that perhaps the revolution—another one, following a gap of two hundred years—is a-coming. Bastille is no longer there, but Bastille remains.

TRIPURA

New Chapter in History of Insurgency

In the light of the facts that have come to light about the inspiration behind the TNV violence on the eve of the last assembly elections in Tripura, it is entirely credible that the TNLF, the new insurgent group which has surfaced in the state, is a creation of the government to create conditions for using the armed forces, in the name of containing the TNLF menace, to weed out the CPI(M) from the tribal-dominated areas of the state.

A NEW insurgent group, the Tribal National Liberation Front (TNLF), has surfaced in Tripura barely ten months after the surrender of the TNV extremists. The TNLF, which is led by Manindra Debbarma and Kala Debbarma, was formed by some erstwhile collaborators of the TNV who failed to secure rehabilitation facilities on par with those extended to the TNV extremists who surrendered. It is reported that at present the TNLF has about fifty active members. According to police sources, the TNLF has mounted a fresh recruitment drive in the tribal-dominated areas of the state. The TNLF is reported to have an arsenal of fifty country-made guns, the bulk of which were looted from tribals living in remote hilly areas of the state. The organisation is reportedly making efforts to secure sophisticated weapons from Bangladesh and, according to the chief minister of Tripura, the TNLF is getting arms from abroad. Its members are also reported to be undergoing military training in a camp situated across the border in Bangladesh in an area adjoining Raisyabari in the Amarpur subdivision of South Tripura district.

At present, the *modus operandi* of the TNLF seems to be to strike terror in the tribal-dominated areas, collect funds and commit dacoities and murders. On June 2, a tribal youth was killed by a TNLF hit squad in the tribal-dominated Esrai village in Sadar subdivision. The next day, another TNLF detachment struck in the south district in broad daylight, looting the Killa market in Udaipur subdivision and escaping to the hills. They forced nineteen people, five of them non-tribals, to carry booty from the Chhangang area and after assaulting them brutally, released them later near Bampur in Amarpur subdivision. On June 13, they raided the LAMPS office at Promodenager in Khowai subdivision. They assaulted the manager of LAMPS, tied him to a stake, and fired a few empty rounds before leaving the scene of the crime. On the night of June 28, the police ambushed a TNLF gang between Jagabandhupara and Dangabari and killed a TNLF activist. Several other activists were arrested and their country-made guns were seized.

Even as the TUJS, the partner of the Congress (I) in the coalition ministry, has decided to take the law in its own hands unless the government initiates drastic action against the TNLF in the next fifteen days, the home minister of Tripura has demanded additional paramilitary forces to deal with the TNLF menace in the state. According to reports appearing in the local newspapers, three companies of Assam Rifles will be posted in the tribal-dominated areas of Tripura to flush out the TNLF following a decision arrived at in a meeting between the chief minister and the army and the paramilitary forces stationed in the state.

In the latest act of the drama, the chief minister of Tripura has accused the CPI(M) and its front organisation of the tribals, the Ganamukti Parishad (GMP), of creating the TNLF to destabilise the coalition government. The TUJS has also accused the TNLF of unleashing a reign of terror against the TUJS workers and leaders in the tribal areas with the backing of the CPI(M).

This charge seems to be preposterous in view of the fact that the GMP has for the last 40 years championed the cause of the tribals. The CPI(M) in Tripura has a solid base among the tribals and has fought for their rights through all these years and had taken concrete steps to improve their lot during the ten years when the Left Front government was in power in the state. It is difficult to believe that the GMP and the CPI(M) will indulge in looting, killing and arson in tribal-dominated areas, eroding their own base. Besides, the victims of the violence perpetrated by the TNLF are, in many cases, members and supporters of the CPI(M) and the GMP. For example, on June 16, an armed gang of about 20 TNLF men attacked the house of Shyamal Deb at Kalabagan and took away Rs 1,500 from his father, a CPI(M) party member, Kumud Deb. On June 18 and 19, they attacked the houses of Hemanta Debbarma and Becharam Debbarma, both members of the GMP, and on June 21 the house of the CPI(M) party member, Malancha Ghosh. In these three separate incidents they looted goods worth about Rs 10,000. It is interesting to note that the five people arrested after these incidents owe their allegiance to the TUJS.

The charge of complicity of the CPI(M) and the GMP with the TNLF has been levelled by the ruling partners in the state government with a clear end in view. It has become necessary for the Congress(I) and the TUJS to mount a new anti-CPI(M) campaign in the state because in the last sixteen months, the coalition ministry has established its anti-tribal credentials and has lost its credibility among the tribals by systematically working against tribal interests. Even within the TUJS, the rank and file and especially the student wing of the TUJS are disillusioned with the anti-tribal stance of the government of which the TUJS is a partner. Tribals have died of starvation in the last sixteen months, the NREP and RLEGP have ground to a halt so that poor tribals living in rural areas do not have any work and the public distribution system has virtually collapsed in the tribal-dominated interior areas of the state. The government is not taking any measures to ameliorate the condition of the tribals. Jobs are being offered to people who were supposedly 'victimised' by the previous government without paying any heed to the reservation of jobs for tribals. Moves are on by the coalition government to destroy the Tribal Areas Autonomous District Council or to cripple it; tribal women are being raped and molested and the government is turning a blind eye to their plight. The performance of the coalition government in the last sixteen months has left no doubt in the minds of the tribals that, despite the fact that the TUJS is a tribal party, the Congress(I)-TUJS coalition government of Tripura will not uphold tribal interests. The disillusionment of the rank and file of the TUJS with its leadership because of its track record during the last sixteen months as a partner in the coalition government has naturally increased the popularity of the CPI(M) and the GMP among the tribals. This has necessitated the levelling of wild charges against them in a desperate bid to turn the tide.

Besides, the charge levelled against the CPI(M) and the demand for additional paramilitary forces to deal with the insurgent menace ring a bell in the minds of the people of Tripura. The timing is also significant. On the eve of the last assembly elections in the state in the wake of the spate of killings perpetrated by the TNV, similar links between the TNV extremists and the CPI(M) were sought to be established by the Congress(I) and the TUJS in a bid to discredit the then Left Front government of the state and to influence the election results. Even then the hollowness of the charge was clear. The TNV had been formed by a

breakaway faction of the TUJS; it was apparent even to a casual observer that most of the victims of the TNV were CPI(M) party cadres and supporters or members and sympathisers of the GMP. Members of the TUJS or Congress(I) were not attacked by the TNV. After the elections, new facts came to light which proved beyond doubt that the supposed link between the TNV and the CPI(M) was the fabrication of a fertile mind to achieve a nefarious end. Letters exchanged between Lalthanhawla and the TNV supremo, Bijoy Hrangkhawl, which were published in newspapers clearly established that the TNV was acting as an agent of the Congress(I) and the TUJS and had no truck with the CPI(M). Stationing the army and declaring the state a disturbed area without consulting the state government on the eve of the elections ostensibly to deal with the TNV menace even though the army did not fire a single shot against the TNV have left a bitter after-taste in the mouths of the people of Tripura. It may not be totally illogical to conjecture that on the eye of the Lok Sabha elections, the coalition government is trying to repeat the strategy adopted in the assembly elections to achieve its ends. It may even be conjectured that the TUJS, with the connivance of the Congress(I), is nurturing the TNLF with a view to creating an atmosphere of terror in tribal-dominated areas so that they can induct the army and paramilitary forces in these areas ostenisibly to contain the TNLF menace but in actual fact to harass the CPI(M) and GMP members and supporters. This trend is already noticeable. In Sadar, Khowai, Amarpur and Sabroom, the armed forces have been active in harassing innocent tribals and members of the CPI(M) and GMP in the name of flushing out the TNLF. To give a concrete example, on June 21, Jyotindra Debbarma, a supporter of the CPI(M), was handed over to the police by the TUJS in Jirania as a member of the TNLF.

The Lok Sabha elections are just round the corner and a certain section of the armed forces had been used in the last assembly elections to usher in the coalition government in the state. Is it then far-fetched to think that the TNLF is a creation of the powers that be to turn the ensuing elections into a farce by using the armed forces to weed out the CPI(M) and the GMP from the tribal-dominated areas which are their strongholds in the name of containing the TNLF menace?

Paharia Tribals' Plight and Government's Indifference

Indu Bharti

In March-April this year over 200 tribals died in the tribal districts of Bihar of what the government described as a 'mystery disease'. However, to those familiar with the tribal areas of Bihar and with the conditions in which the tribals live, the outbreak of the epidemic was hardly a surprise nor its cause a mystery.

IN March and April this year at least 225 tribals died of a disease described till as late as the first week of April as 'mysterious' in the four tribal districts of Singhbhum, Gumala, Ranchi and Sahebgunj in Bihar. The mysterious disease, later identified as pyogenic meningitis, first struck the Kolhan region in Singhbhum district and later spread to the neighbouring districts.

Reports of deaths due to 'a mysterious disease' in Bandijore village of Tonto block in Singhbhum district began to reach the state capital in the last week of March. They spoke of tribals dying after developing symptoms such as severe headache, vomiting, shivering, stiffening of neck, high fever, etc. Thirty-five people reportedly died in just one fortnight in this village alone.

Though the disease first broke out in Tonto block, it was Manoharpur block which accounted for the largest number of deaths. Twelve villages in this block were ravaged by the disease and at least 130 persons died. The largest number of deaths occurred in Dangla village where about 60 tribals died. The other affected areas were Goelkera, Khentapani, Nuamundi, Jeraikela and Jagaunathpur blocks in Singhbhum district. In all around 185 deaths took place in Singhbhum , while Gumala and Ranchi districts accounted for 16 deaths each and 30 died in Litipara and Warijore blocks of Sahebgunj district. The mysterious disease also reportedly spread to the neighbouring tribal areas of West Bengal, Orissa and Madhya Pradesh.

How did the epidemic break out and why only in the tribal areas? According to the local administration it could be food poisoning or the bad effects of 'hadia' (the tribals' domestic liquor) or the bite of meningococcal or neonrococcal or staplococcal or ades or culex insects. The government doctors are not sure about the cause but they have identified the disease as pyogenic meningitis.

Familiar Situation

To those familiar with the tribal areas, the outbreak of the epidemic was hardly a surprise nor its cause a mistery. Most of the tribal villages do not have clean drinking water. Either the tribals have to go to far off places to fetch water or they have to drink the water of the same polluted ponds and channles which they use for bathing and washing their cattles as well. Medical facilities are almost non-existent and so the tribals have to go to the 'ojhas' who exploit them by telling that their sickness is due to this or that 'bhut' (ghost) and demand money, meat and liquor from them to please the 'bhut'. The tribals also lack the wherewithal for a bare meal everyday and their calorie intake is starkly inadequate. Their resistance to disease is thus extremely poor.

The last few years have made matters worse, as south Bihar has been reeling under an acute water crisis. The government has declared the districts affected by the epidemic as a drought-prone area. The unabated denudation of forests has affected the ecology of the region and with each passing year rainfall becomes more deficient. The underground water level has gone deep down and most wells in the rural areas go dry in summers. The state departments of public health and engineering and irrigation have acknowledged that the water level of the Suvarnarekha, the biggest river in the region, has gone down significantly.

In the 1988 summer the tribal region of Bihar experienced an acute drought. The tribal villages and the poor tribals were naturally the worst sufferers. At several places the tribals resorted to agitation, including actions such as road blockade, for water. There were also reports of death due to meningitis, malaria and so on, attributed to use of polluted water, though it did not take the form of an epidemic. While early rains provided some succour, the tribals had to face a water crisis again after August-September as the rains had been scanty. So the tribals had to return to the same polluted ponds and trenches and there were deaths due to diseases once again.

Though the outbreak of the 'mysterious disease' was reported only in March this year, deaths with similar symptoms had begun as early as December 1988. For instance, in Bandijore village six deaths preceded by ailments like high fever, headache, vomiting and stiffening of the neck took place in December-January. Lungadi Munda, the village headman, was quoted by several newspapers as having said that the first of such deaths had taken place in August last year.

Poor Health Facilities

Government officials and doctors have sought to deny that drinking of polluted water has been the cause of the epidemic. On April 1, the Singhbhum district civil surgeon had told local journalists that contaminated water was the cause of the epidemic and that until the tribals were provided with clean drinking water they would continue to die. However, on April 4, following state health minister Dilkeshwar Ram's

denial in Patna that drinking of dirty water was to blame, the civil surgeon also went back on his statement. But report after report published in newspapers in Patna spoke of tribals being forced to use water from dirty ponds and trenches and visiting doctors from Patna, jamshedpur and Ranchi warned the tribals against using such water.

The officials have also sought to blame the tribals for not going to doctors for treatment allegedly because of their faith in 'ojhas' and 'jhar-phemk'. But in most cases the tribals have to go to the 'ojhas' because no medical facility is available to them. The tribal villagers of Bandijore had their first glimpse of doctors and health workers only in the last week of March this year.

Lungadi Munda has said that he had informed the Tonto block medical officer of the deaths from the mysterious disease as early as February but the latter did not thought it fit to visit the village, let alone provide any treatment. It was only on March 19 that the assistant civil surgeon reached the village and a team of doctors from Jamshedpur followed. By then another 12 tribals had died and the death toll had reached 24. The doctors, after elaborate tests carried out on 25-odd persons, identified the disease as pyogenic meningitis. Still the disease continued to be described as 'mysterious'. Even the district civil surgeon continued to term the disease as malaria. Even after the disease was identified, proper medicines were reportedly not administered. For around a week or so, the patients continued to be given antibiotics while the required medicine, gamaglobolin injection, was not supplied to the village.

The worst sufferers were the Paharia tribals, whose population is in any case fast dwindling. The epidemic claimed at least 25 lives of Paharias in the Sahebganj district of Bihar. In Guttibeda village under Baric block, inhabited by Mal Paharias, the epidemic claimed 12 lives. Seven others died in Sunder village, two in Barijore and one each in Kolakha and and Telo, as per the official version.

But as most of the villages inhabited by Paharias are 'inaccessible', the death toll may well have been more. Even the district officials have expressed the fear that the actual death toll may be more. A report in a Hindi daily *Hindustan* on April 1 said that around 75 Paharias had died due to the epidemic. The Paharia villages are so 'inaccessible' that the team of doctors sent from Patna failed to visit most of the villages. For instance, Kherigoda, Karikan, Ambeda, Deedma, Holjar, Kamodani, Ambada, Goda and Devdand, though affected, failed to get any medical help during the epidemic. The team of doctors could visit only three villages, Guttibeda, Sahara and Rexi.

The first information about the deaths due to the 'mysterious disease' had been received by the administration as early as February 24 from the mukhia of Gobindpur panchayat, Mohan Mishra. But it was only when it learnt of the 25 deaths in Guttibed and Sunder villages that the administrations activated itself. The deputy development commissioner visited Guttibeda village in the second week of April and sent an SOS to the health directorate in Patna and a team of doctors could reach the village only on April 11.

Moneylenders' Hold

The Paharia tribals eke out a living by undertaking kurva cultivation on the hills and collecting forest wood and selling it. They grow only coarse grains like bajra, maize, etc. The land they have is so insufficient that their agricultural produce is not enough to sustain them. Moreover as a committee of the state assembly said in a report submitted in 1987, most of the land belonging to the Paharias is in the grip of moneylenders. Exercising their first claim on the produce of the Paharias' land, the moneylenders purchase the grain grown by the Paharias at a meagre price and then resell it to them at exorbitant prices, when the Paharias have exhausted their small stocks of grains and feed. A recent study by the Santhal Paraganas Antyoda Ashram on Paharias living on eight hills of Godda district could not find a single Paharia who was not caught in the moneylenders' trap.

The coarse grains that they grow constitute a fraction of the Paharias' diet. Mostly they depend on wild herbs and even grass. Meat of dead animals constitutes another staple food of the Paharias and they are in constant search of dead animals as that provides them something to eat without having to pay for it.

Medical facilities are almost non-existent. The assembly committee found that health centres opened by the government in the Paharia villages were only on paper as the doctors preferred to stay in the district or sub-divisional headquarters and paid only occasional visit to the health centres.

Some years ago another assembly committee had suggested instructing the educated Paharias about primary health measures and providing them medicines for treatment of common diseases. But it was found that, leave alone provision of medicines, not a single Paharia had been trained in primary health care.

All this has made the Paharias prone to diseases like tuberculosis, polio, white leprosy, blindness, goitre, epilepsy, typhoid, kala azar, etc. The recent study by the Antyoda Ashram found that there was not a single Paharia family in Godda district free from one or the other of these diseases. Consequently their population has been fast dwindling. According to the report of the assembly committee, the population of Paharias fell by 9,000 during 1960-70 and by another 6,000 during the decade 1970-80. The committee observed that the main reasons for the decrease was malnutrition and use of polluted drinking water and the resultant diseases.

Naturally, minor children have been the worst hit. The Antyoda team which undertook the field study found the number of children below five years of age in Paharia families to be negligible. Similarly, the number of Paharias above fifty years was also found to be negligible.

Sixteen Paharia families now live on Belmakh hill under Sundarpahari block of Godda district. Two decades ago there were 40 families. The 16 families have 90 members, eight of whom have diseases like tuberculosis, leprosy, goitre and epilepsy. Even a four-year old child was found to be afflicted with tuberculosis. On Keshri hill only six families exist today wheras just a decade ago there had been eight. The two families had fallen prey to starvation and disease. The existing six families have 22 members, four of whom are suffering from diseases like tuberculosis, paralysis and epilepsy.

All the Paharia families living on these two hills are in the clutches of moneylenders. And these two hills are not the exceptions but the rule. In every Paharia hamlet that the team visited, it found the same situation, dwindling population, disease and starvation.

Nor is the plight of the Paharias confined to Godda district. The same team had undertaken a study in the Banjhi block of Sahebgunj district. There also it came to the same conclusion—that the population of the Paharias is rapidly dwindling due to polluted water and malnutrition and the resultant diseases.

Facing Extinction

Though the Paharias are known to be nearing extinction, the government has not taken any concrete steps to improve the lot of the Paharias. The assembly committee had recommended way back in 1982 the establishment of health sub-centres in Paharia hamlets and referral hospitals in the Chandan block of Godda district where there was a concentration of Paharias. But nothing has been done in this direction in the seven years since then.

In its 1987 report the assembly committee found that government programmes like reclaiming hilly and baren land, timely supply of fertilisers, seeds and agricultural implements were not being implemented seriously in the Paharia dominated regions. The committee also found that little was being done to release the Paharias' land from the clutches of the moneylenders. In its 1982 report the committee had recommended construction of colonies in the plains surrounding the hills to settle the Paharias. But five years later the committee found that due to the constant negligence of the revenue department, neither residential nor agricultural land was made available for distribution amongst the Paharias.

The Bihar government has been carrying on a Paharia welfare scheme. Under the scheme villages are selected for various welfare programmes and the Paharias are

provided seeds, agricultural implements, cattle and also loans. But more often than not the seeds are of poor quality and the cattle of poor breed. The Antyoda team found that not a single head of cattle provided by the government was alive today.

In the pre-independence days cultivation of Sabai grass used to be a major source of cash income for the Paharias in the Rajmahal hill areas. But due to lack of adequate government support for the development of Sabai grass cultivation, they had to gradually abandon it. Total production of Sabai grass in 1945 was 10 million quintals which dropped to a mere 400 quintals in 1980-81 and the present annual production of Sabai grass is hardly 100 quintals (in 1907 it was over 18 million quintals). Nothing shows better the government's apathy to the sorry plight of Paharias.

Some Agrarian Questions in the Jharkhand Movement

DN
GK

Questions regarding building an agrarian movement and the participation and rights of women have to be taken up in order to strengthen the Jharkhand movement.

CLOSE to two years after the formation of the Jharkhand Co-ordination Committee (JCC) some features of the current phase of the movement can be identified. In the first place the current phase has been distinguished from earlier phases by the predominant position of students and youth, organised under the banner of the All Jharkhand Students' Union (AJSU), in the agitation. These students and youth are largely urban residents and it is the towns that have been the main centres of the agitation. Numerous bandhs testify to the importance of the urban areas in the present movement.

Another feature distinguishing the current phase is the large presence of the non-adivasis, referred to as *sadans*, in the movement. Sadans are present in the leadership of the JCC. And a close identification of the sadan groups as a whole with the Jharkhand movement is noticeable. This shows that Jharkhand as a nationality issue and not merely as one of tribal problems is firmly established. The participation of sadans in the tribal-led peasant revolts is, of course, nothing new. Such participation is evident in the uprisings in the area, whether those led by the Santals or those led by the Mundas. With the transition to a nationality demand, the connection between the tribals and the sadans has, however, become stronger.

AGRARIAN MOVEMENT

Along with the above, some other features of the present movement should also be noted. The first and most important relates to the role of an agrarian movement as a component part of the Jharkhand struggle.

Historically, land has been closely associated with the political struggle in Jharkhand. The connection was very direct in the numerous eighteenth and nineteenth century peasant uprisings in the area, the most prominent of which were the Santhal *hul* and Munda *ulgulan* in the middle and end of the nineteenth century, respectively, and the Bhumij movement in Orissa in second quarter of the twentieth century.

The connection between land and the political struggle in Jharkhand has continued into the present day. The peasant uprising of 1969-70 in Debra-Gopiballavpur, spilling over into Baharagora and other adjoining areas of Jharkhand, is part of the history of Jharkhand. In the mid-seventies, outside Dhanbad, the spread of the Jharkhand Mukti Morcha was closely linked to militant mass movements for the recovery of land and other assets seized by the moneylenders.

Forest issues have not been as prominent as those of land. But it should be remembered that the Chota Nagpur Tenancy Act, enacted after the uprising led by Birsa Munda, recognised not only the right to land but also, in some places, the community's right to the forests. These *khuntkatti* forests still remain as remnants of community rather than government ownership. In the mid-fifties Palamu witnessed a movement for 'jungle raj' led by the Kherwars under Fetal Singh. In the seventies and eighties opposition to deforestation, monoculture of eucalyptus and the like have appeared on the agenda. The problem of deforestation has merged into another problem—the typically modern one of displacement due to dams, mines, factories, cantonments and the like.

There is a close identification of the Jharkhand communities, tribal and non-tribal alike, with both land and forests. Which is why revolts have always followed attempts of imperialists and their Indian agents (landlords, moneylenders, bureaucrats, etc) to deprive them of their rights to the land and forests.

That the national question is essentially a peasant question is borne out in the case of Jharkhand. Further, taking up peasant issues is vital to drawing the broadest rural masses into the political movement for Jharkhand. There is the additional facto[r] that forest questions, though they are no[t] peasant ones, are important in Jharkhand particularly so for those with less or poore[r] quality land and for the women, who as [a] rule have control over their own earning[s] from the sale of forest produce.

In the period just before the formation o[f] the JCC there were some ongoing peasan[t] movements in parts of Singhbhum, Palam[u] and Gumla, led by the Jharkhand Krant[i] Dal and PCC, CPI(ML) combine. But thes[e] have been more or less liquidated. A solitar[y] action a few months ago against forest-cutting in Gumla is all there is to show. Instead there is just participation in a serie[s] of conventions or, at best, the enforcing o[f] bandhs. Participation in these bandhs has been of a limited nature. Sometimes peasants have been involved in large numbers, as in cooking on the roads on some occasions. But such mass participation too has been fitful and not deliberately planned for. On the contrary, there is at least one instance of a demonstration being cancelled in favour of sensationalist actions.

There are a number of ongoing struggles of the peasantry, as, for instance, in the opposition to dams, or for higher compensation in these matters. But such struggles are being conducted on their own, and there is no connection between them and the Jharkhand movement. Neither the JCC itself nor its constituent organisations have made any attempts to link up these various struggles with each other and with the movement for a separate state. Sibu Soren's Jharkhand Mukti Morcha (JMM) has long since abandoned such land and forest struggles. On the contrary, many cadres are busy taking money from the contractors and, in return, helping them to denude the forests.

The large-scale participation of students and youth is a positive factor. But it has to be turned into good account so that the vital issues of Jharkhand become central to the movement. Burning of degrees, as has been done by a number of the leading students and youth, needs to be followed by a campaign for them to take up the task of building a peasant movement. Militancy requires a proper mass base and that can only be the peasantry. The role of the peasants is not just to provide shelter and so on, but to actively, as an armed people, resist the state. Minus the active participation of the peasantry, militancy will degenerate into terrorism or worse.

POSITION OF WOMEN

Another feature of the current movement relates to the discussion on 'cultural regeneration'. The values that characterise tribal identity have been held, for instance by Ram Dayal Munda or Nirmal Minz, to be harmony with nature, equality in society and collectivism in economic activities. There has been much discussion on the necessity of linking the movement for Jharkhand with that for 'cultural regeneration'. on the basis of the above-

mentioned values. In this move for cultural regeneration, how is the position of women to be seen?

It is one of the proud boasts of the Jharkhand movement that women in tribal society are not of as low status as are women in mainstream Hindu society. Both in the family and in society adivasi women certainly have a more prominent position than do women in the developed class society of the plains. But this relatively superior position should not blind one either to its rapid erosion or to the 'traditional' inequalities.

There are two crucial areas of inequality —property rights and political participation. In all the Jharkhandi tribes property, particularly land, passes through the male line. Along with this, it is the practice that women after marriage go to stay in their husbands' homes. So, the society is both patrilineal and patrilocal. Further, women perform a major portion of the total social labour. The result of their labour is accumulation in male hands.

As mentioned, women do not have a right to inherit land. It is mainly as widows that they do have some definite rights in land. But these rights have been eroded over time. Against the earlier right of widows to manage their late husbands' lands, until their minor sons grew up, and even after that to continue to keep a part of the land for their own maintenance, it has now become merely a right to be maintained, i e, to be fed and clothed. In legal terms this has been degraded to a *khorposh* (maintenance) right from the earlier usufructuary right.

Being fed and clothed does not leave the women with any independence of action. Further, such a grant is always liable to be reduced to the barest possible minimum. The right to manage land, including the right to mortgage it, is a far superior right, one which leaves the woman with considerable scope for deciding her own affairs. But such a usufructuary right, comes in conflict with the desires of the late husband's male relatives to grab the land. It is the struggle to degrade this residual usufructuary right that is the political economy of witch-hunting. In opposition to this, it is necessary to fight for the implementation of *khorposh* as a usufructuary right and not as maintenance grant.

The question of granting land rights to women has often been seen as a matter that would affect the integrity of tribal society. The Jharkhandi tribes have, as long as is known, been patrilineal. But is patrilineality an essential characteristic of that which may be called the tribal system? It should be noted that the Khasis, a north-eastern tribe speaking a language of the same group as the Mundari languages of Jharkhand, have a matrilineal system. There is, of course, no invariant relation between patrilineality and tribal society.

The values that characterise tribal identity have been held, as mentioned earlier, to be harmony with nature, equality in society and collectivism in economic activities. The collective or the 'community' is, however, defined to comprise the male kin group who, for instance, supposedly collectively own the *khuntkatti* lands. Why should the community not be redefined to include women, not only as producers (which they are today) but also as owners, along with men? Such a redefinition of the community will only make it more inclusive and increase the collective character of the production system. If anything, including women as full members of the community, will enhance the collective character of tribal society.

Will land pass out of tribal, or even of particular clan or lineage, hands in the event of it being given to women too? This is an often-repeated fear. The experience of the Chinese land reform, however, suggests that it need not be so. In each village, the community allotted land individually to all its members, men and women. Women who married out lost their right to land in their natal village and acquired it in their marital village. The land that had been allotted to women who married out, was in turn re-allotted to women who married into the village. Provided land is not alienable, or only alienable within the community, as is the case with tribal land under the Chota Nagpur Tenancy Act, land rights to women would not lead to land passing out of tribal hands. The integrity of the tribal community, connected as it is with the community's ownership of land, would not be weakened; on the contrary, it would be strengthened.

Upholding the customary law of the tribes does not mean that there should be no change in it. In fact, customary law remains customary law only if it changes with the times, changes as custom requires. To change customary law is a matter to be taken up within the community, not a matter to be taken to some Supreme Court. But upholding customary law and standing for the necessity of changes in it being taken up within the community, should not become excuses for insisting that there can be no changes in present-day custom. Custom is custom only because it changes.

The other important question concerning women is that of political participation. The traditional panchayat is virtually an all-male institution. Membership is of the head of a household or someone else in his stead. It is only in the rare circumstance that there is no suitable male in the household that a woman may be a member of the panchayat. Besides women, youths too are not members of the panchayats. In *khuntkatti* areas households of non-owning tillers (*praja* as they are designated) are also not represented in the panchayat. Further, the chief offices in these panchayats, those of the *munda* (village headman), *manki* (area or *parha* chief) and *pahan* (village priest) are restricted to particular lineages (*khunts*).

There are thus various undemocratic features in this traditional system of participatory democracy. Women, youth and those of subsidiary lineages (normally relatives from the female side) are the ones discriminated against. When taking a position in favour of strengthening the traditional panchayat system, as against the system of the Indian state, it is necessary to also move for modifications in this system so as to be make it more fully an instrument of the community. Such a transformation is necessary if the panchayats are to serve as instruments of change.

Strengthening the traditional institutions would in fact be possible only if they are more attractive to all members of the community than the institutions of the Indian state. If women are to be excluded from the community's political institutions, but are offered 30 per cent of the places in the Indian state's gram panchayats, will it be possible to convince women that the traditional institutions, which give them no scope for political participation, are in fact better? The youth, who are the main force in the struggle, can they be excluded from the political system that the movement intends to strengthen?

Questions about the property (land) rights of women and women's political participation have figured in both the conferences (1987 and 1988) of the Jharkhand Mahila Mukti Samiti. Leading women cadres in the Jharkhand movement have also written about them. Thus, these questions are not just something being raised by those outside the movement. Rather, women in the Jharkhand movement are themselves raising these matters. With changing expectations of various sections of the tribal community, custom needs to change. As pointed out earlier, taking account of the changing expectations will only strengthen the tribal community, while it is precisely failure to take account of these changing expectations that will weaken the community.

The above questions regarding building an agrarian movement and the participation and rights of women need to be taken into consideration in order to strengthen the Jharkhand movement. They are not matters to be left for 'afterwards'. Rather, ignoring them will only weaken the movement and jeopardise its long-term prospects.

'We Demand Our Rights'

Refugee Women's Long Journey

The processes by which the women workers in the so-called production-cum-training centres run by the Delhi administration are being made into refugees for the second time in their lives are but a reflection of the larger trends at work in the country's economy and polity.

SADDA HAK, ETHEY RAKH, "We demand our rights", was the slogan of the 300 women, who went on relay hunger strike and dharna from April 6-20, outside the house of the home minister, Buta Singh. The women are all piece rate workers who work in the *silai* centres (officially described as production-cum-training centres) run by the Delhi Administration. They were agitating, among other things, against the threatened closure of their Centres. The dharna in the scorching heat of Delhi's summer was an extra-ordinary sight. Many of the women were above sixty. Some of the women had walked from their homes in far off places in the city to Buta Singh's house, and they did this every day of the dharna. But perhaps what was more striking is their background. Many of the older women were forced to abandon their homes in West Pakistan and came here during partition, or *batwara* as they refer to it. They were among the 4.9 million refugees who came to live in India in 1947-48. Rendered homeless, wave after wave of migrants flowed into their new homeland, their new nation. Many, like these women, lost their husbands, children, families and, more often than not, all their possessions.

The experiences of these women, both individually and collectively, with India's development is a chronicle of the insensitive and undemocratic functioning of our democratic institutions. But their travails and struggles are also a reflection of the strength and spirit of our people that keeps our democracy alive. This report seeks to document the process by which the refugee women from Pakistan, four decades later, reached the house of the home minister of independent India.

I

In the nineteen production-cum-training centres spread across the city of Delhi, there are at present about 300 piece rate women workers. Many of the senior workers among these were refugees. At their native places they belonged to diverse backgrounds, some from Sind and Baluchistan but mostly from West Punjab, and from different castes of Hindus and Sikhs. Their families were engaged in diverse occupations ranging from a fairly well-off owner of a steel furniture shop in Gujaranwala, to petty traders in Lahore city and to a small cultivator in a village near Lahore. The common thing that binds them together was that they were all victims of the *batwara* and they are all women. Eighty-year old Veeranvali, still working in the centre at Kalkaji, came from Adi Naroli village (district Jhelum), in a foot convoy. During the partition over one million such people reached in 24 foot convoys that took eight to twenty days to reach their destination. Devi Bagya, whose husband owned a *kirana dukan* (grocery shop) in Karachi, came later. From Karachi, the mass migration began only after the first major riots in January 1948. Divya escaped, with the help of her brother-in-law who worked in the police, and reached Jodhpur. After three months in Jodhpur and a few more at Jhansi, she reached Delhi. But she joined the Kalkaji Centre only in the early sixties. Premavati, whose cultivator husband was killed in the riots in a village Kana Kacha, near Lahore, came with her three-year old son and joined the Centre at its inception. Her son now lives separately and she is self-dependent. Sheelawati, from Toba Tek Singh, with her husband and infant children, reached Attari, the frontier station, by train. She stayed for a month in the camp at Kurukshetra. The camp city at Kurukshetra, then a vast expanse of land between Karnal and Ambala, was the largest camp of the time. At its peak it housed 3.63 lakh refugees. From Kurukshetra, Sheelavati reached Delhi. Her husband was already a chronic patient of tuberculosis. He was admitted in the TB hospital at Kingsway camp where he died after years of illness. In the meantime Sheelavati admitted her children in the government-run home at Jullundar and joined the Centre in 1952. Rukman came from Lahore in 1947 and lived as a destitute on the pavements of Delhi for some years before she joined the Centre at Chandni Chowk, where she still works. Ranjit Kaur was in her teens when she came, with her father, from Lyallpur. The canal colonies of Lyallpur were the source of the largest caravan of refugees, consisting of four lakh people, that trekked its way along the 150 mile road to East Punjab. Ranjit Kaur, having studied only up to fifth standard and that too in Punjabi medium, was not eligible to join the training courses offered at the Centre in Connaught Place to which her father took her. But soon, through private study, she became qualified and joined as a trainee in 1955. Today, she is the principal of the Chandni Chowk Centre! At the other end of the spectrum is an old woman. She must have been in her forties at the time of the partition. During the riots her daughter, sons and their wives jumped into the well in their house and committed suicide. She came here, all by herself and eventually joined the Centre at Hudson Lines, Kingsway Camp. But two years ago, in 1986, the Centre was closed down, as the barracks at Hudson Lines were demolished as part of DDA's city improvement programmes. Some of the older women at the Centre got themselves transferred to the Centres at Lehna Singh Market, Malka Ganj and Indra Nagar, Azadpur. But by then this woman had begun to lose her eyesight, having been engaged in stitching uniforms over long years, eight hours every day. She also became too old to travel to any of the centres even within north Delhi after her own Centre was closed. Today she is bed-ridden without any financial help from the government for which she worked for 37 years.

Altogether by 1951, about 1.75 lakh refugees came to settle in Delhi city, excluding the trickle that continued for a few more years. About 40 per cent of them were women. The measures initiated for the rehabilitation of refugees by the ministry of relief and rehabilitation that was set up in September 1947 were understandably *ad hoc* in their nature, given the magnitude of the problem. Transit camps, relief centres, rehabilitation homes, vocational and technical training centres were all part of these measures which eventually led to the more systematic production-cum-training centres.

II

These Centres came into existence in February-August 1948. To begin with, there were about 8 Centres, all in Delhi, with about 441 women workers. Meanwhile the concerned ministry itself was reorganised on a more sound footing. Its name too changed to ministry of rehabilitation (1949). The Centres, which were then under the director general of resettlement and employment, were transferred to the department of rehabilitation, Delhi administration. Soon they became very popular. By 1951, for instance, there were 13 Centres with about 1,880 workers. In some of the newly set up Centres, the women were expected to bring their own

sewing machines. Their monthly earnings in the early fifties ranged from Rs 12 to Rs 50.

Over time, however, the composition of the women workers in the Centres seems to have changed. A number of women from UP, Rajasthan, and Delhi itself, who were not refugees, also began joining the Centres. The middle aged among the present workforce are generally not displaced people from Pakistan. Among the Centres we visited workers from refugee families numbered 15 out of 22 women in Shankar Market Centre, 8 out of 15 in Lehna Singh Market Centre, 9 out of 15 in Kalkaji Centre, and only 5 out of 15 in the Centre at Chandni Chowk. Some of the older women have died while a few may have found better opportunities in private tailoring agencies. But since private agencies usually prefer, as one of the women told us, *kunwari ladkiyan* (unmarried girls), the option was clearly not available for all of them. Nor did they have financial resources to set up their own firms. In any case, presently only about 220-225 women out of a total of about 300 women are from refugee background. The passage of time, it appears, has erased the finer distinctions between refugee women from Pakistan and destitutes generated by independent India.

The chequered administrative history of these Centres reflects both their changing character as well as the government's own ambivalence towards them. In 1957, the 13 Centres with about 900 workers were transferred back to the central government, ministry of rehabilitation. But the western wing of the ministry was closed down in 1960 and the Centres were then transferred to the ministry of works and housing; they then moved to the ministry of labour and finally to education and social welfare. They were with ministry of social welfare till 1974. At that time there were about 19 Centres with 1,075 workers. Their average monthly wage was in the range of Rs 45-400 in this period.

But in 1974 they were transferred back to Delhi administration, under whose authority they presently rest. Thus in the last forty years, the administrative control over these Centres changed twice from central to state government, and within the central government they changed four ministries while within the state they changed two departments.

But at the field level, there were not many changes, except perhaps stagnation and decay. Each Centre is headed by a principal, usually a woman, a master tailor, usually a male, and one or two teachers. Including those in the central cutting centre, at Lajpat Nagar, these technical personnel number about a hundred. They are all permanent employees of the government. The principals are in the pay scale of Rs 340-800 while for the teachers the scale is Rs 220-550, equivalent to the UDC and LDC scales of the Third Pay Commission. The chequered administrative history of these Centres seems to have made them step children of the Delhi administration. But the same is not the case with the peons and attendants who are transferable to any other wing of the administration, and who are receiving the revised scales.

Initially, although almost all the Centres offered training, the emphasis was on production. Now the focus is shifting somewhat from production to training. Presently the Centres offer a short duration non-certificate course, a one year certificate course and teacher training course. In all about 2,100 girls in non-diploma course and 260 women in other courses received the training in 1988-89. In three Centres new courses in typing, shorthand, secretarial practice, and beautician's course have been introduced. Some of these courses are also affiliated to the Technical and Training Directorate. Gradually the Centres seem to be on their way to become some sort of women's polytechnics which is a source of anxiety for the workers in the production wing.

The main work of the production wings of these Centres, where most of the refugee women are employed, right from the beginning consisted of stitching liveries for the employees of government and other public enterprises. But in between there was also some amount of production for sale. The production of fine embroidered linen, readymade garments and handicrafts for sale was related with the establishment of the famous Refugee Handicraft Shop in Connaught Circus in 1956. For a number of years, the shop was run on a commercial basis, and it generated considerable profits. Located in a rented place in E block, it faced a crisis when the owners pressurised the government to vacate the premises, presumably because of the increase in the real estate value of the shop in the prime shopping complex of the city. After a fruitless existence at Khan Market for two years, the shop was shifted to the premises of the production-cum-training centre at Shankar Market. For the women, this meant a reduction in their working space against which they agitated. But in any case the shop could not make any headway. From a turnover of Rs 7.72 lakh, five years ago, the sales came down to Rs 3.68 lakh last year. Presently all fresh production and supply is at a standstill and the government is disposing of the existing stock at heavy discounts, with a view to closing down the shop altogether. The decline of the shop also reduced the volume of work for these women in the Centres.

The major source of earnings for these women has always been stitching uniforms for the third and fourth class employees of the central government, and other undertakings like post and telegraphs, DTC, DESU, etc. Bulk orders from these organisations, in times past, provided them with enough earnings to make a decent living. But from about the mid-seventies the work got privatised. Private tailoring agencies, some of which were set up by the retired master tailors themselves, bagged the contracts. In seasons when the work is very low, the women are allowed to work on private orders, or small time jobs from their neighbourhood, in the premises of the Centre itself. For this the Centre charges them (and continues to do so in case of any private work) a commission of 20 per cent for such work.

But in any case this private work was not their major source of earnings. Their wages came from the work orders of the central government, that remained with these Centres. But for some years now, the employees federations have been agitating for cloth and stitching allowance instead of readymade uniforms. Presumably, it ensures better fitting uniforms and perhaps adds some extra amount to their meagre cash incomes. This year the government conceded their demand. In effect it has meant stoppage of an already declining volume of work. And on March 4 this year the department of personnel, ministry of home informed its decision in a circular to all the Centres. Hence the dharna at the house of the home minister.

III

The organised struggle among these women, in a rudimentary form originated in the Shankar Market Centre. It was at their own initiative and was led by one of the senior workers. In 1977 they held, for the first time, a demonstration at the office of the directorate of the rehabilitation services, Delhi administration (Jamnagar House, Shahjahan Road). Their demands in the initial stages were related with wages.

The convoluted system of wages for these women as it evolved over time, reflects the authoritarian structures that govern their working conditions. First, the department of personnel sets the standard rates for stitching the suits, varying according to the cloth and type of the suits. Then it awards the contract to these Centres. The volume of work thus awarded, however, has no definite pattern. For instance, the total bill fluctuated anywhere between Rs 3 lakh and Rs 9 lakh per annum throughout the period from 1965 to 1974 when the rates remained practically the same. Obviously someone somewhere in the bureaucratic labyrinth decides what proportion of the total volume of the work should be awarded to these Centres. There are no prescribed quotas or set

guidelines. After the award is made, the cloth is collected from different offices and enterprises at the central cutting centre in Lajpat Nagar from where, after cutting, it goes to all the nineteen Centres. The guideline here is that the work should be distributed equally among all Centres and all workers. After the stitching, the bills are prepared on a monthly basis. Till a few years ago, the government deducted 25 per cent from the total amount due to the workers for the use of its Centres. But that is not the end of the story.

The women have to bear the expenses for accessories such as buckram, zippers, cloth lining, etc. According to the administration these costs are included in the rates fixed. But in the perception of the women, this expenditure forms too high a percentage of the amount paid to them and therefore cuts down on their actual earnings. In fact, we feel the situation is much more complex. Given the variety of garments and the other things that the women stitch, no pre-fixed wage can include the actual expenses incurred by the women. For example, unlike the rates that remain fixed for years, the costs of accessories are subject to frequent increases. In any case, according to several women, not all the rates for the different items allow for the inclusion of costs. Often, whether or not costs are included depends on the nature of the relationship with the master tailor or the principal. Given the arbitrary nature of this entire system, after the different deductions and expenses have been made, actual wages work out to much less than the women's due. Needless to say, the rates fixed by the home ministry are noticeably lower, in any case, than market rates.

In the first agitation in 1977, they demanded abolition of the 25 per cent deduction (towards the Centre's charges) and increase in the rates. Under pressure from the agitation the government suddenly 'discovered' that the women had actually been entitled to higher rates since 1974. So, the government conceded only what it had been legally obliged to do four years ago. But on the real question of abolition of the commission there was silence. More important than their immediate gains and losses was that the agitation enabled the women to get to know women from other centres who had hitherto been unfamiliar to them. The 1977 struggle laid the seeds of a more organised trade union.

Thus in 1982, the Social Welfare Mahila Karmachari Union came into existence. Led by the CPI(M) leader, Primilla Pandhe, it is affiliated to the Centre of Indian Trade Unions (CITU). One of the first agitations of the union was concerning the Refugee Handicraft Shop. Later in December, the women workers held a seventeen day dharna at Jamnagar house, demanding abolition of the 25 per cent deduction, increase in rates, regularisation of service, and old age pension.

The government consistently rejected the demand for the regularisation of service of these women, on the grounds that they were piece rate workers who do not have a continuous service with the government. The frequent and farcical administrative changes mentioned earlier, complicated their case further. The government holds that the nature of their work is of temporary and casual nature, and hence they can only be piece rate workers. As a matter of fact the status of casual, temporary and contract workers within the formal organised industry, especially public sector, has been a source of many militant struggles and legal battles. Railways, post and telegraphs, coal mines, transport services, have all had this component of the workers. In 1974, in a pioneering judgment in the case of railway workers, the Supreme Court held that while laying down a particular railway line may be a job of temporary nature, laying down railway lines in general for the Indian Railways is a permanent job, and thus declared all the casual railway construction workers hitherto employed on piece rate basis as permanent employees. This legal precedent should have been made applicable to these women. But it seems they have been denied it as the government has treated them not as workers but as recipients of its patriarchal benevolence. In this context we may recall that the Centres were once, briefly, under the ministry of labour before they were condemned to the category of 'social welfare'.

After a seventeen-day dharna in 1983 the government rejected the demand for regularisation of service and old age pension but conceded the wage related demands and abolished the 25 per cent deduction and also increased the rates. After the struggle the earnings of these women improved. However, from around the same time the volume of the work began to fall. According to the women this was a punitive measure directly related to the struggle. In any case the bulk of the work relating to uniforms from most of the public enterprises stopped. However, other kinds of work, like bags for the postal department and aprons for hospitals, continued to trickle in. But the women complain that these kinds of orders, demanding more strenuous work, get them very little. The net wage for stitching a postal bag for instance, is just about Rs 3. More importantly, the volume of the government's own orders came down. The situation seems to have worsened during the last year or so when a marked preference for privatisation informed the government's policies. Thus, despite an improvement in their wages, their earnings, presently an average of Rs 300 a month, remained practically the same. The recent circular announcing the government's decision to grant cloth and stitching allowance in cash to the employees thus sounded like a death knell in many Centres where the earnings dropped to about Rs 140. The union conducted its dharna against the threatened closure of the Centres. The other major demand was old age pension.

At the end of their fourteen-day dharna, the government gave them a written assurance that the Centres will not be closed down. But we fail to understand the meaning of this assurance. Already Centres are on the decline. In Kalkaji the present Centre is only one-third of its original space area, in Shankar Market it is half, while in Lehna Singh Market it is about three-fourths of the original space area. The fact that the real estate value of these premises has increased manifold seems to be one of the contributory factors. This is evident not only in private owned premises like the Malviya Nagar Centre (whose present value, we are told is about Rs 20 lakh) and Lehna Singh Market but also in the case of Centres where the government itself is the owner. Plans are afoot to build new structures both in Kalkaji and Lajpat Nagar. We have already noted the shifting focus towards training and the decline in the volume of the work. The number of workers, we should recall, came down from its peak levels of 1,500-1,800 to the present 300. In the absence of any measures to increase the volume of the work, the assurance is likely to lose its meaning. What the government should ensure is the volume of work.

The government also conceded the demand for old age pension. But the operative element of this agreement also raises a host of questions. For example, the case of those who stopped work in the last few years and are presently not on the rolls, like the old woman from the demolished Centre at Hudson Lines mentioned earlier, is left unclear. In any case, of the Rs 200 per month conceded (in place of Rs 300 demanded), Rs 100 is to be part of the wider central government scheme for old age pension whose eligibility conditions these women have to satisfy in the first place. The other half is to come from the discretionary funds of Delhi's lieutenant governor. Assuming all the hundred women past the age of sixty become eligible for the pension the expenditure per annum for the government works out to be Rs 2.4 lakh a year, to be shared equally between the central government and Delhi administration. We may note here that this amount is a pittance for the state, for it is about ten per cent of the real estate value of just one Centre.

But yet Rs 200 per month as pension

is a significant gain for the women. They have won one more battle and for the present the dharna is withdrawn. It should be recalled that the demand for the abolition of the 25 per cent deduction in the 1977 agitation was conceded in the 1983 struggle, while their demand for old age pension in that struggle is conceded in the 1989 dharna. Perhaps even the authorities have been forced to acknowledge that these women cannot be silenced. As an administrator grudgingly said: *in auratan da moon kaun band kar sakda hai.*

IV

The struggle of the women workers of the production-cum-training centres, given this long journey, has more things to it than those reflected in their immediate demands and their monetary significance. For, they worked hard against unfavourable circumstances both at their workplaces and in their homes.

The most striking thing about their work conditions is that they are subjected to all the formal rules and regulations that time-rate workers are usually subjected to. These include fixed eight-hour daily schedule, six day week, attendance register, and monthly payment. But, needless to add, they never received any benefits of regular workers.

At the Centres no arrangements were ever made for creche facilities. The machines they work with still remain the hand-operated sewing machines, the oldest model that was introduced in the twenties. The women have to sit on the floor, bending for hours together. The work is tough on the body and, with some of its detail, hard on the eyes. Almost all of the older women we met are suffering from eye problems. In Lehna Singh Market, an old woman in her sixties stitches with the help of only one eye. Electrification of many Centres took place only in the sixties. Yet even now lighting in some of the Centres is poor. In some Centres the space is also congested. The relations between the piece rate workers and the staff appear to be generally friendly, perhaps because some of the staff themselves share the same refugee background as these workers. But relations may at times be tension-ridden. In one Centre we found that the master tailor used to deny the women entry even if they were late by five minutes. He would also frequently hurl abuses at them. In another Centre, the principal herself is a source of continuous friction. In fact any rigid hierarchical structure becomes more authoritarian in the case of piece rate workers, especially if they are women. These women workers struggled against these kinds of circumstances, and established themselves. Perhaps the nature of the production organisation, a half way house between home industry and factory, also helped them to survive. For such an organisation and the space it provides also helped them to forge more human bonds among themselves. In the absence of creches, they take care of each other's children. They help more fragile and older women by sharing their burden. In Lehna Singh Market we found two women, themselves in their sixties, who sometimes share their earnings, with another older woman who can no longer walk to the Centre. The Centres thus also provide them a source of strength to survive collectively their individual hardships. The women have come to value their collective strength whose best reflection was the dharna that we visited.

But theirs is not only a collective battle but also a struggle at the individual level with their family circumstances. Most of them have had their homes shattered and lives battered. And this does not apply only to refugee women. Some of the other women also have practically no men to depend upon. A sixty-year old woman we met in the Malviya Nagar Centre, for instance, had two sons who now live separately while her husband is a chronic alcoholic. She has worked in the Centre for the last three decades. Another woman, who has been working for twenty five years, was deserted by her husband. She brought up her sole child, a daughter, who is now married and lives separately. Their earnings, even when they are meagre, mean a lot for them. In fact this is the case with some of the young and middle aged women presently working in the Centres. We found, in our visits to their homes, that the extra income for the lower middle class family is important for their survival. The monetary significance of the earnings may not be much in the case of some of the older women whose children are relatively well settled. The earnings or pension, here, represent their hard-won self respect. For the social attitudes towards old people, especially women, within the family are not always sympathetic in our environment. Some of the older women talked to us about the treatment they get from their sons and daughters-in-law. Thus the earnings of these women workers have both a monetary significance and a cultural importance. But women, especially those from such background as these women, often become the 'ideal recipients' of charity and benevolence from the patriarchs that govern our state and society. A low self-image of the 'beneficiaries' is usually the product of such patriarchal norms. But these women struggled against such images and norms. Over the years they established for themselves a relatively decent life, brought up their children, and rebuilt their homes through hard work. Their struggle against their family circumstances thus is closely linked with their status and struggle as workers. It is this simultaneous struggle both at home and the workplace that enabled them to acquire a self respect. When we visited the dharna, these *buddis* (old women), as one of the women said, appeared to be proud that *is umar me bhi ham sadkon pe aaye hain* (even at this age we have come on the streets).

In sharp contrast it is our democratic institutions that have failed them. The maze of bureaucratic wrangles in which the Centres lost their way and the consequent insensitivity, the irrationality of the system that makes their earnings remain the same even when their wages are increasing and the corruption involved, the illegality of the government's refusal to regularise their services and the impunity with which it has got away with it, the privatisation that is now afflicting the Centres—all establish in a revealing manner the failure of our institutions. In turn, these trends are but a reflection of the larger processes at work. A development strategy that marginalises more people than it employs, a ruling elite that loots more than it produces, a bureaucracy insensitised by its own procedures, a polity that becomes more authoritarian as it becomes more corrupt and the patriarchal norms that inform all these institutions and programmes are part of a wider process by which these women workers are being made into refugees for the second time in their lives.

But these women no longer consider themselves as refugees or destitutes looking for charity and benevolence, but as workers who rebuilt their homes and lives in the process of producing for the government. An old lady, who appeared to be in her seventies, told us how she used to carry her sewing machine on her head from Nirankari colony to Lehna Singh Market, a distance of four kilometres, everyday for four years. Not only that the bus ticket (ten paisa in those days) was expensive for her but it was also difficult for her to get into the bus with the machine on her head. It is these kinds of experiences that made the common refrain among them, *ham bheekh nahi mang rahe hain* (we are not asking for charity). In that sense their fight is a fight for the right to live with dignity, that forgotten rhetoric of the freedom movement with which their story began. Democratic sections of independent India owe them support and solidarity.

[This article is based on a report prepared by the People's Union for Democratic Rights, Delhi. PUDR acknowledges the help and co-operation it received from Social Welfare Karmachari Union, the Centre for Indian Trade Unions (CITU) and the women workers of the Centres.]

Tiananmen and the Uncertain Legacy of Reform

B Gopalakrishna Kumar

Events of the past few weeks have shown that despite the glib talk of reform, the Chinese political system remains an odd mixture of discredited autocrats and confused modernisers, incapable of any but the crassest response to a genuine challenge to its authority. The ultimate tragedy in the events of June 4 and thereafter may therefore be to preserve the notion—comfortable to those currently in power in China—that economic progress without political reform is possible.

AFTER a weekend of brutal carnage on June 3-4, and elaborate follow-up operations, the Chinese army now seems in full control of Beijing city, and is moving rapidly to quell agitations in the provincial capitals in similar fashion. Rumours of a split within the PLA and the prospect of a protracted civil war now seem much less credible than they once did at the height of the turmoil. Numerous arrests and a systematic and ruthless policy of liquidating any individuals seen as spearheading agitations appear to have successfully cowed down any further protests.

Despite the immense cost in terms of lives lost, not to mention the loss in the international standing of the country, the crackdown would seem to have achieved its primary purpose from the point of the regime: to eliminate an alternative source of power within society, and to consolidate the position of the current trio in power: Deng Xiaoping, Li Peng and Yang Shangkun. This process reached its natural culmination with the recent dismissal and humiliation of the party leader Zhao Ziyang, and the appointment of the Shanghai party boss Jiang Zemin as general secretary.

There is every reason to think however that this will only be a temporary reprieve for the government. To begin with none of the elaborate disinformation currently being fed through radio and television regarding the nature of the movement and the bloody response to it can hope to convince the mass of the Chinese population who lived through April and May. Popular disaffection with the nature of the regime currently in power is such that fresh protests are bound to spring up at some time in the future. Even more important, the authorities are now so dependent on terror and sheer force of arms, and the institutional basis for party rule so weak, that some sort of overtly political role for the army now looks a distinct possibility. An authority on Chinese politics, Roderick MacFarquhar, recently raised this question when (writing even before the army crackdown) he remarked: "The army is one of the twin pillars of the communist revolution and it retains an institutional credibility long lost by the Communist Party. . . each time China's civilian leaders have called on the army in the past, the step has posed the threat of the army assuming a dominant role in party councils." If so, a substantial change in the shape of Chinese politics which may have rather important implications for the progress of the reform policies so assiduously followed by China's post-Mao leadership may well be in the offing.

In fact, among the many images of protest that emanated from Tiananmen Square in the heady weeks before June 4, along with the majority which concerned the essentially political demands of the student movement and reflected the declining legitimacy of the current Communist Party leadership among the younger generation in the country, a few did articulate more fundamental issues related to the vast changes that have swept Chinese society in the last decade, and it is important to appreciate these to see the current situation in perspective. Problems like corruption, growing disparities and unemployment figured prominently here. That this should have been so underscores some serious difficulties with the reform programme.

Despite a number of achievements against very heavy odds in the forty years since Mao Zedong's accession to power, the Chinese economy has been dogged by poor performance and inefficiencies in a number of critical sectors, and these came to a head in the mid-seventies, a period that saw the death of both Mao and Zhou Enlai and the accession of a new group of politicians to power.

The emphasis on regional self-sufficiency in foodgrain production and the neglect of prices as a regulatory mechanism had seriously distorted the patt of agricultural production although it h to an extent succeeded in controlli regional disparities in consumption. addition the manifest need to push up t rate of economic growth had resulted a chronic tendency towards overinve ment (sometimes referred to in writin on eastern Europe as 'accumulation bi in socialist economies) and to a decline emphasis on current consumption need Indeed it is not often realised that t Chinese economy of the immediate po Mao period was providing living sta dards not markedly different from tho of the mid-fifties (Carl Riskin, *China Political Economy*, OUP, 1987). By t time of the famous central committ meeting of 1978, it was clear that son far-reaching changes in economic manag ment were in the offing.

The reforms in the period since the la seventies aimed principally at reducin what was seen as the overbearing functio of central authority in economic manag ment. A greater role for the price mecha nism as opposed to quantitative contr was therefore envisaged. In agricultur this implied a gradual dismantling of th commune system, and a substantial in crease in farm prices as a means o stimulating economic incentives. It als meant an end to the policy of centrall directed local self-sufficiency in grain an the encouragement of diversification an specialisation in agricultural productior In the industrial sphere, the reforms sa an expansion of local-level autonomy with enterprise being allowed to keep share of profits and to exercise mor authority over production and suppl decisions. Complete quantitative contro on supplies of some important inter mediate goods like steel was replaced b a two-tier regime which emphasised both price and quantity signals. Finally an concomitantly, on the international front the eighties witnessed a steady increase i China's participation in the internationa economy, and a great willingness to impor sophisticated foreign technology as means of industrial upgradation and modernisation.

Despite the fact that a number of these policy changes were conceived and exe cuted in haste the macro-economic per formance of the Chinese economy saw marked improvement in the decade since the reforms, underlining both the effect of incentives and the extent of previous misallocation of resources. The success of the reforms was particularly evident in agriculture where the incentives given to production gave quick results. A commonly used measure of agriculture performance, the gross value of agricultural

output, grew by 9 per cent per year between 1978 and 1984—a higher growth rate than for any previous period—and this boom has lasted till the very recent past in which some difficulties in maintaining agricultural production have set in (*Beijing Review*, May 1-7, 1989). Agricultural growth was accompanied by a diversification of rural activities, and in particular a noticeable increase in the expansion of the so-called sideline rural industries which have proved very important in generating rural incomes.

Industrial growth for the period 1979-85 averaged 10 per cent per annum. This was respectable but by no means outstanding; unlike in the pre-reform period however much of the increase came from light industry, in line with a policy of curbing the excessive growth of heavy industry. The reforms were on the other hand much less successful in improving efficiency and in curbing duplication and waste economy-wide. An indication of this relative lack of success is that labour productivity in state enterprises has hardly showed any improvement in the last decade.

On balance, however in terms of the impact on income and living standards, these continuing inefficiencies mattered much less than the spectacular progress in agriculture. In fact it is probably a structural feature of the Chinese economy that agricultural growth has a much more proximate impact on rural consumption levels than industrial growth has on urban incomes. Thus, in the ten years since 1978, while consumption levels of the whole population rose steadily, rural consumption levels recorded dramatic increases: indeed they more than doubled between 1978 and 1984.

This trend however had a number of less palatable consequences, unintended though perhaps inevitable, and the increase in rural-urban disparities is but the first of these. A look at the recent trend in earnings shows why this should be such a live issue in China today. Currently a university professor might get 200 to 300 yuan a month; an agriculturist on the other hand could get ten times as much, and so could a trader. The widening gap between town and country, and further between the petty bourgeoisie and the bureaucratic elite has featured prominently in Chinese debates in the recent past, and there are indications that the celebrated Dengist snub to Mao's egalitarianism—'everyone eating from the same pot'—may itself have been disowned.

Whatever the status of these debates, there is little doubt as to the further effects of the vastly improved purchasing power of previously low-income consumers. Pressure on the availability of current consumption goods increased dramatically, and, correspondingly, incentives to produce these also expanded. While in theory it would have been possible under the earlier planned regime to control the production and availability of these consumer goods, in a decontrolled system, production was determined more by the incentives given by market signals. A further effect was to fuel competition for raw materials and encourage the diversion of scarce resources away from other sectors to production of consumer goods, thereby also increasing import requirements.

To weather all this without unbalancing the economy would have been a signal feat for any society, and it is no surprise that China did not quite manage it. Infrastructural bottlenecks became increasingly severe throughout the eighties, as did shortages of important raw materials. More importantly, price inflation, hitherto remarkably stable and moderate, began to rise. After a decade of upward pressure, the inflation rate touched 30 per cent in the first half of 1988, sparking panic buying and endemic shortages of key items; by 1989 the inflation rate had only moderated to 27 per cent.

With salaries staying well below the pace of price increases, inflation hit the urban workers and intelligentsia hard, and merely served to heighten their sense of disparity, and their disillusionment with the effects of reform. Also, and equally importantly, against the background of selective liberalisation, rising prices gave a further fillip to corruption and speculation, phenomena already latent in Chinese society. While inflationary price expectations naturally encouraged hoarding, a regime of partial quota allocation (as opposed to a fully planned one) made it easier for bureaucrats and politicians to extract their share while allocating important resources. The American political scientist Michel Oksenberg has commented that "high officialdom is the first to enjoy the fruits of modernisation. Arrogance, corruption and abuse of office in China and elsewhere afflict a bureaucracy removed from those it governs." Such tendencies survived and even prospered under the new dispensation.

Finally, the change in the style of economic management and the restructuring of industrial enterprises had a further consequence for China's growing labour force. This was to increase the number of people who could not be absorbed and hence remained unemployed. It is evident that the worst hit category would be the school leavers and recent graduates from China's numerous colleges of higher education and that this would only add to the feelings of frustration amongst the younger generation in the country. An official report in *China Daily* recently admitted that the unemployment rate this year will rise from the average 2 per cent of the last five years to 3.5 per cent, and there are indications that the rising trend could be maintained in the years to come.

Inflation and related economic worries on the one hand, and corruption and loss in political legitimacy on the other, both attest to the difficulties associated with rapid economic change in a society as vast and as complex as China. It is possible in fact that the very success of the reforms in terms of faster growth and increases in incomes would have masked the less appealing aspects that were to follow. Also, what the recent past in China has indicated is that economic changes rapidly bring in their wake disparate social forces and new political aspirations. Absorbing these requires a political system that is much less rigid and a political culture that is much more in tune with the reality on the ground. Events of the past few weeks have in fact shown more starkly than at any other time that despite the glib talk of reform, the Chinese political system remains an odd mixture of discredited autocrats and confused modernisers, incapable of any but the crassest response to a genuine challenge to its authority. The ultimate tragedy in the events of June 4 and thereafter may therefore be to preserve the notion—comfortable to those currently in power—that economic progress without political reform is possible.

No 'Counter-Revolutionary Clique'

A Special Correspondent

Now we know that the Chinese emperor has no clothes. Whatever they may say about the nature and inspiration of the student movement, the authorities will not be able to return China to what it was before June 4.

TAIWAN: It is very difficult to cover an event like the Tiananmen massacre from distant Taipei even though the vision of the square remains so strongly in one's mind that one can almost see the event as it occurred. The June 16 copy of *Asiaweek* has some marvellous pictures of the advancing soldiers on Changan avenue bearing down in full battle array on hundreds of abandoned bicycles, whose owners, totally unarmed, have already been shot at and have fled for safety. That same magazine also has an hour-by-hour discription of the various events of those 24 hours. But *Asiaweek* is not unique in its coverage. The TV programmes have for the most part been very detailed and crowds in public places have gathered around TV sets at news times. It is said that there have been over a thousand reporters or news gatherers in Beijing and it has been almost totally impossible to prevent news being immediately relayed outside China. There have been no restrictions on the use of overseas telephones and over most of China in the larger cities students have broadcast news about China from overseas through public address systems. For example, in Changsha a huge public meeting was held almost immediately after the Beijing incident fuelled by broadcasting the information from the Voice of America. The national controlled broadcasting media do not have a chance today. How was it possible to talk about the 'counter-revolutionary clique' when one could see with one's own eyes that for the most part they were totally unarmed civilians? In spite of this, however, one can see that the soldiers were in many cases frightened at the false information on which they were fed. One soldier who shot an unarmed woman with her baby was literally torn to pieces by the woman's two brothers who were nearby. Soldiers who realised that they had for the most part been deceived and that there was no counter-revolutionary clique, did not automatically feel that they should fraternise with the population. The first lot of soldiers who 'tested the waters' unarmed had guns stored in their tanks and armoured cars to use if necessary.

Let me now deal with some of the general points which can be seen from these events. Firstly, it is clear that there is no student 'organisation' with a common political standpoint. Delegates who came to the square from their own universities could remain or return as they wished. They had no 'instructions'. The government will not find a leadership or organisation. The 41 wanted photographs on TV are individuals, not part of a conspiracy.

Secondly, not all students had the same idea about how to achieve more freedom. While they were certainly anti-government, especially against certain individuals, they did not have any other country as a model which they wished to emulate. They most certainly did not regard Taiwan as an alternative and they refused to receive any money directly from Taiwan if they knew its source.

Thirdly, I do not think that anyone conceived that troops would be called out at all within the boundaries of Beijing. Conscription to the PLA has been abolished well over ten years ago and there is a strong competition in rural areas to get nominated by the local rural committee to join the army. The common soldiers are much more sophisticated than was formerly the case and I doubt whether an illiterate person could possibly be nominated. On the other hand, they do not come from any elite (as for example, one could regard the citizens of Beijing as an elite or university students as an elite). This would tend to make them more compliant to the orders of their commanders. One knows less about these commanders today however and the units are not organised on a personal basis as used to be the case. One cannot say what their attitude would be if they were ordered to fight other units recruited from different provinces, as the provincial characteristics (and languages) are certainly not so important now as previously when it was the eighth route army.

The position of an army unit today is very different from that of an airforce or navy unit for it is extremely likely that most present-day armies will be used to fight against the country's own citizens (Ireland, Burma, Taiwan as in the 228 incident, China in Tibet during the cultural revolution, India in Sri Lanka against Tamils, Indonesia; the list is long). What makes the Beijing incident important is that it took place in Beijing where tea[...] has never been used and, as a Japa[...] commentator pointed out, there is no[...] specialising in crowd control. The sec[...] police also tried to use force durin[...] Zhou Enlai funeral incident wh[...] number of people were killed. (Con[...] this with the Japanese Mutual Sec[...] demonstrations when not one person[...] killed.)

Poor brave students killed for an i[...] which did not come off. Now we k[...] that the Chinese emperor has no clot[...] And this is due to the media and mo[...] communications as well as to the ac[...] actors themselves. The Chinese gov[...]ment and the 65-year old Qiao Shi [...] never be able to return China to wh[...] was before June 4.

Tribeni Tissues

TRIBENI TISSUES has turned out [...]pressive working results for the 15-mo[...] period ended March 31, 1989. On an[...]nualised basis, sales volume at 17,[...] tonnes has been 11.4 per cent higher t[...] 12,924 tonnes in the previous year. [...] enriched product mix led to a net turno[...] of Rs 51.23 crore, an improvement o[...] per cent over Rs 32.45 crore in [...] previous year. Product volume at 17,[...] tonnes was 11 per cent higher than 13,[...] tonnes in the previous year. Capac[...] utilisation during the period has been [...] per cent. Profit margins have wider[...] significantly, with the result that pro[...] at the gross and net levels have more th[...] doubled at Rs 5 crore and Rs 2.07 cr[...] compared to Rs 2.41 crore and Rs 1[...] crore, respectively, of 1987. Dividend [...] been stepped up from 12 per cent to 2[...] per cent which is covered 1.15 times by e[...]nings as against 1.05 times previously. T[...] company had to depend to a considera[...] extent, on the use of imported wood pu[...] prices of which have increased rapi[...] during the past 15 months leading to [...] import bill of about Rs 11 crore. The co[...]pany has planned greater thrust on pr[...]duction of home pulp from jute and oth[...] alternative raw materials.

The company has planned a moder[...]sation programme envisaging technol[...]gical upgradation of pulp mill and pap[...] machines along with their support equi[...]ment and installation of a modern [...]mospheric fluidised bed combusti[...] boiler and a turbine for cogeneration, [...] a capital cost of Rs 20 crore. This w[...] enable the company to improve its pr[...]duct quality, competitive standing a[...] become self-sufficient in energy. The co[...]pany has made an application to t[...] government for endorsement of its licen[...]ed capacity at 33,000 tonnes per annu[...] Export efforts have resulted in export ea[...]nings of Rs 127 lakh against Rs 24 lak[...] during the previous year.

THE BANK OF TOKYO LIMITED

(Incorporated in Japan Liability of Members Limited)

CONSOLIDATED BALANCE SHEET FOR INDIAN OFFICES AS ON 31ST MARCH 1989 (January '88 - March '89)

Previous Year RUPEES	CAPITAL & LIABILITIES	Rs. P.	Rs. P.
	1. Capital: Investments Deposited with the Reserve Bank of India under Sec. 11(2) of the Banking Regulation Act, 1949		
2,85,00,000		2,85,00,000.00	
—	**2. Reserve Fund and other Reserves:**		7,03,000.00
1,55,17,94,616	**3. Deposits and Other Accounts:**		1,73,67,76,132.55
	Fixed Deposits		
44,00,00,000	From Bank	19,00,00,000.00	
69,15,14,595	From Other	98,16,00,029.94	
12,59,65,189	Savings Bank Deposits	14,26,03,323.18	
	Current Accounts &		
1,20,42,045	From Bank	1,23,98,166.48	
	Contingency Accounts, etc.		
28,22,72,787	From Other	41,01,74,612.95	
76,99,03,996	**4. Borrowings from other Banking Companies, Agents, etc.:**		84,50,02,806.75
57,39,00,000	(i) In India	65,93,83,128.75	
19,60,03,996	(ii) Outside India	18,56,19,678.00	
	PARTICULARS:		
—	(i) Secured (stating the natures of security)	—	
76,99,03,996	(ii) Unsecured	84,50,02,806.75	
3,46,58,161	**5. Bills Payable:**		3,30,48,186.61
11,72,89,070	**6. Bills for Collection being Bills Receivable as per contra:**		11,37,85,490.75
10,24,69,666	(i) Payable in India	10,46,27,442.19	
1,48,19,404	(ii) Payable outside India	91,58,048.56	
12,44,34,542	**7. Other Liabilities:**		16,81,23,774.12
37,51,566	Suspense Receipts	58,27,980.05	
59,113	Taxes collected at source	2,43,659.00	
—	Inter-Office Balance	83,49,580.07	
7,34,64,874	Accrued Expenses and other liabilities	7,23,79,963.72	
3,39,36,621	Provision for taxation	6,16,00,204.00	
91,85,752	Unearned Income	1,72,28,243.00	
40,36,616	F.C. Draft Sold	24,94,144.28	
62,53,81,377	**8. Acceptances, Endorsements & Other Obligations per contra:**		75,94,85,288.82
3,81,19,228	**9. Profit & Loss**		1,20,85,536.44
	Profit/Loss as per last Balance		
5,75,67,817	Sheet	3,81,19,228.33	
47,17,015	*Add:* Profit for the year	35,14,839.30	
	Less: Remitted to Head		
2,41,65,604	Office	2,88,45,531.19	
	Less: Transferred to Reserve		
—	Fund	7,03,000.00	
[illegible]	Carried forward		3,66,90,10,216.04

Previous Year RUPEES	PROPERTY & ASSETS	Rs. P.	Rs. P.
	1. Cash: In hand and with Reserve Bank and State Bank of India (including foreign currency notes)		
36,74,72,157			27,56,40,546.74
	2. Balances with Other Banks		5,29,45,389.60
1,23,01,747	**In Current Account:**		
1,23,01,747	(a) Current Account	5,29,45,389.60	
—	(b) Deposit Account	—	
1,13,84,066	(i) In India	5,18,86,515.41	
9,17,681	(ii) Outside India	10,58,874.19	
—	**3. Money at Call and Short Notice:**		—
73,11,33,317	**4. Investments:** [at cost or below cost]		87,78,04,109.00
	(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central & State Governments		
	Face Value 64,18,00,000.00		
47,74,14,972	Market Value 64,17,50,200.00	63,48,16,772.00	
	(ii) Shares (classifying into preference, ordinary, deferred and other classes of shares and showing separately shares fully paid up and partly paid up)		
	Face Value 29,85,000.00		
23,88,685	Market Value 50,19,375.00	27,48,685.00	
	(iii) Debentures or Bonds		
	Face Value 24,56,16,600.00		
25,13,29,660	Market Value 24,02,38,652.00	24,02,38,652.00	
—	(iv) Other Investments (to be classified under proper heads)	—	
—	(v) Gold	—	
1,27,05,39,198	**5. Advances** (other than bad and doubtful debts for which provision has been made to the satisfaction of the auditors)		1,48,44,63,337.60
	I. Loans, Cash, Credits, Overdrafts, etc.		
1,04,18,71,917	[i] In India	1,10,97,88,995.61	
—	[ii] Outside India	—	
	II. Bills Discounted and Purchased (excluding Treasury Bills of the Central & State Governments)		
15,96,08,813	[i] Payable in India	28,58,98,006.40	
6,90,58,468	[ii] Payable outside India	8,87,76,335.59	
	Particulars of Advances:		
1,05,64,01,503	[i] Debts considered good in respect of which the banking company is fully secured	1,17,08,03,895.03	
14,85,69,597	[ii] Debts considered good, for which the banking company holds no other security than the debtors personal security	21,94,62,790.82	
6,55,68,098	[iii] Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	9,41,96,651.75	
	[iv] Debts considered doubtful or bad not provided for		
1,27,05,39,198		1,48,44,63,337.60	
2,38,14,46,419	Carried forward		2,69,08,53,382.94

THE BANK OF TOKYO LIMITED

(Incorporated in Japan Liability of Members Limited)

CONSOLIDATED BALANCE SHEET FOR INDIAN OFFICES AS ON 31ST MARCH 1989 (January '88 - March '89)

Previous Year RUPEES	CAPITAL & LIABILITIES	Rs. P.	Rs. P.
3,26,15,80,990	Brought forward	3,66,90,10,216.04	
	10. Contingent Liabilities		
—	(i) Claim against the Banking Company not acknowledged as debts	6,50,000.00	
—	(ii) On investment in shares of Joint Stock Company & Bank	—	
1,70,70,44,923	(iii) On letter of guarantee on behalf of constituents & officers	2,20,63,68,381.76	
96,75,74,456	(iv) On behalf of outstanding Forward Exchange Contracts	69,30,98,968.13	
31,17,40,233	(v) Liability on Bills re-discounted	20,86,15,900.00	
3,26,15,80,990			3,66,90,10,216.04

Previous Year RUPEES	PROPERTY & ASSETS	Rs. P.	Rs.
2,38,14,46,419	Brought forward	2,69,08,53,382.94	
25,69,526	[v] Debts due by directors or officers of the banking company or any of them either severally or jointly with any other persons	28,06,839.00	
—	[vi] Debts due by companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or, in case of private companies, as members	—	
28,21,189	[vii] Maximum total amount of advances including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either severally or jointly with any other person	32,01,130.00	
—	[viii] Maximum total amount of advances, including temporary advances granted during the year to the companies or firm in which the directors of the banking company are interested as directors, partners or managing agents or, in the case of private companies, as members	—	
—	[ix] Due from banking companies	—	
	6. Bills Receivable being Bills		
11,72,89,070	For collection as per contra		**11,37,85,490.7**
10,24,69,666	[i] Payable in India	10,46,27,442.19	
1,48,19,404	[ii] Payable outside India	91,58,048.56	
62,53,81,377	**7. Constituents' Liabilities for Acceptances, Endorsements and other Obligations per contra**		**75,94,85,288.8**
—	**8. Premises Less Depreciation**		—
	9. Furniture and Fixtures:		
94,83,874	**Less Depreciation:**		**98,15,328.0**
93,86,604	At Cost upto 31st Dec. 1987	1,47,84,348.94	
59,37,303	*Additions*: at cost during the year	80,29,177.02	
5,39,558	*Less*: Sold during the year	17,45,731.84	
53,00,475	*Less*: Depreciation written off to date	1,12,52,466.12	
12,79,80,250	**10. Other Assets Including Silver**		**9,50,70,725.53**
3,82,68,644	Inter office	—	
63,42,108	Security Deposit with others	96,13,818.00	
65,66,211	Suspense Payments	19,41,653.20	
7,01,51,865	Accrued Interest and others to be received	7,55,21,149.33	
66,51,422	Prepaid expenses	79,94,105.00	
—	**11. Non-Banking Assets Acquired**		—
—	In satisfaction of Claims (stating mode of valuation)	—	
—	**12. Profit & Loss**		—
3,26,15,80,990			3,66,90,10,216.0

THE BANK OF TOKYO LTD.
BOMBAY BRANCH

Sd/-

T. UCHIDA
Authorised Signature

As per our report attached
SHARP & TANNAN
CHARTERED ACCOUNTANTS
BY THE HAND OF

Sd/-

P.S. VIJAYSANKAR
PARTNER

THE BANK OF TOKYO LTD.
BOMBAY BRANCH

Sd/-

M. TSURUNO
General Manager and Chief Executive Officer of Indian Offices

Bombay, 30th June 1989

THE BANK OF TOKYO LIMITED

(Incorporated in Japan Liability of Members Limited)

CONSOLIDATED PROFIT & LOSS ACCOUNT OF INDIAN OFFICES FOR THE PERIOD ENDED 31ST MARCH 1989 (January '88 - March '89)

Previous Year RUPEES	EXPENDITURE	RUPEES	Previous Year RUPEES	INCOME (Less Provision made during the year for bad and doubtful debts and other usual or necessary provisions)	RUPEES
19,17,83,322	1. Interest paid on Deposits, Borrowings etc.	27,16,59,642.45	29,95,34,412	1. Interest and Discount	34,40,78,286. 84
1,60,71,129	2. Salaries and Allowances and Provident Funds	2,14,09,221.20	3,12,48,190	2. Commission, Exchange and Brokerage	6,11,65,379.58
9,000	3. Directors' and Local Committee Members' Fees and Allowances	12,500.00	—	3. Rents	—
10,32,20,280	4. Rent, Taxes, Insurance, Lighting tc.	9,54,75,904.61	6,11,765	4. Net Profit on sale of Investments, Gold and Silver, Land, Premises and Other Assets (not credited to Reserves or any particular Fund or Account)	19,14,429.00
1,35,570	5. Law Charges	3,64,345.15			
30,03,622	6. Postage, Telegrams and Stamps	51,31,279.99	—	5. Net Profit on revaluation of Investments, Gold and Silver, Land, Premises and Other Assets (not credited to Reserves or any particular Fund or Account)	—
99,761	7. Auditors' Fees	1,83,000.00			
34,38,957	8. Depreciation on and Repairs to the Banking Company's Property	1,20,19,815.99			
17,16,305	9. Stationery, Printing, Advertisement etc.	30,70,186.42	—	6. Income from non-banking assets, and profit from sale of or dealing with such Assets	—
—	10. Loss from sale of or dealing with non-banking assets	—			
72,67,611	11. Other Expenditure	1,21,35,074.65	68,205	7. Other Receipts	1,78,17,714.34
47,17,015	12. Balance of Profit	35,14,839.30	—	8. Loss (if any)	—
33,14,62,572		42,49,75,809.76	33,14,62,572		42,49,75,809.76

Inter Office(s) Interest:

(i) Net interest paid by Bombay, Calcutta & New Delhi Office(s) shown under Interest & Discount A/c.	Rs. 35,473,843.00*
(ii) Net Interest received by Bombay, Calcutta, New Delhi Office(s) shown under interest paid on deposits borrowings etc. account	Rs. 36,104,276.56
Net interest received/paid	Rs. 630,433.56

* Includes Rs. 8,252,471.00 as interest paid on borrowings from H.O. Sw. Fr. 1,96,20,000.00 Rs. 185,619,678.00

1. Remuneration relating to General Manager of Bombay (Principal) office & Chief Executive Officer of Indian offices:-

(i) Salary (Previous half year Rs. 1,11,150)	Rs.	1,49,395.00
(ii) Allowance (Previous half year Rs 50,400)	Rs.	70,300.00
	Rs.	2,19,695.00
(iii) Sitting fees	Rs.	Nil
(iv) Bonus	Rs.	Nil
(v) Employer's Contribution to Provident Fund, Pension or other Super Annuation Fund	Rs.	Nil
(vi) Monetary value of other benefit & Perquisites (Previous half year Rs. 17,755)	Rs.	30,501.00

As per our report attached

THE BANK OF TOKYO LTD.
BOMBAY BRANCH
Sd/-
T. UCHIDA
Authorised Signature

SHARP & TANNAN
CHARTERED ACCOUNTANTS
BY THE HAND OF
Sd/-
P.S. VIJAYSANKAR
PARTNER

THE BANK OF TOKYO LTD.
BOMBAY BRANCH
Sd/-
M. TSURUNO
General Manager and Chief Executive Officer of Indian Offices

Bombay, 30th June 1989

THE BANK OF TOKYO LIMITED

(Incorporated in Japan Liability of Members Limited)

NOTES ON ACCOUNTS FOR THE 15 MONTHS PERIOD ENDED 31ST MARCH, 1989

(1) No provision has been made for:

(a) Rs. 15,683 being balance in inter-office account, The Bank of Tokyo Limited, Karachi, outstanding since 1965 and considered doubtful of recovery.

(b) Interest accrued on advances considered doubtful of recovery/sticky of Rs. 3,72,50,693.

(2) On the basis of certificates from Bank's auditors at their head office, Tokyo, specific provisions and the general portion of 'Reserve for Possible Loan Losses' created by the bank in its books at the Head Office adequately cover the provision required for bad & doubtful debts in the Indian Books.

For the purpose of the above provision, surplus in securities available with the bank has been considered on the basis of bankers' right for lien and set-off.

(3) Interest and Discount:

(i) is net after adjustment of interest on advances considered doubtful of recovery/sticky of Rs. 87,13,345 which is related to earlier year.

(ii) includes interest written off in earlier year since recovered during the period Rs. 2,49,227.

(4) As in the earlier year:

(a) depreciation has been provided at the rates specified in the Income-tax Act, 1961 instead of the rates specified in Schedule XIV of the Companies Act, 1956.

(b) certain expenses like insurance, rent, rates & taxes, etc. has been accounted for on cash basis instead of accrual basis.

Since the quantification of the above has not been made by the branches the impact of these on the current period profit is not determined though may not be material.

(5) (a) Head Office administrative expenses have not been charged in the accounts and provision for taxes had been computed accordingly.

(b) Rent, Rates & Taxes include Rs. 8,82,65,220 being provision for income-tax (including Rs. 14,72,192 for prior year).

(c) Other receipts, include Refund/Provision for taxes in respect of prior years written back Rs. 1,74,11,374.

(d) Other expenses include Rs. 95,378 being customs duty paid on office equipment sent by their Head Office.

(6) In some cases the balances with other banks are subject to confirmation by the respective parties.

(7) Inter-Office accounts includes Rs. 1,01,76,000 received from Head Office for the acquisition of residential premises for Bank's Officers in terms of the sanction of Reserve Bank of India.

AUDITORS' REPORT

1. We have audited the annexed Balance Sheet of Indian Branches of the Bank of Tokyo Limited, as on 31st March, 1989 and also the annexed Profit and Loss Account for the 15 months period to that date in which are incorporated the returns from Calcutta and New Delhi Branches, audited under section 228 of The Companies Act, 1956 by other auditors.

2. In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read together with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of The Companies Act, 1956, the Balance Sheet and Profit and Loss Account are not required to be and are not drawn up in accordance with Schedule VI to The Companies Act, 1956. The Accounts are, therefore, drawn up to conform with Forms A & B of the Third Schedule to the Banking Regulations Act, 1949. Subject to the foregoing observations, we report that in accordance with sub-section (3) of Section 30 of the Banking Regulation Act, 1949:

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;

(b) the transactions of the Indian Branches which have come to our notice have been within the powers of the Bank;

(c) in our opinion, proper books of account, as required by law, have been kept by the Indian Branches of the Bank, so far as appears from the examination of those books, except to extent of compliances of Section 209 3(b) of The Companies Act, 1956 owing to non-accrual of certain expenses;

(d) the report on the accounts of Calcutta and New Delhi Branches of the Bank, audited by the respective Branch Auditors, were received and properly dealt with by us, while preparing our report;

(e) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account and the returns;

(f) in our opinion and to the best of our information and according to the explanations given to us the said accounts give the information required by The Companies Act, 1956, in the manner so required, for Banking companies and subject to:

Note 1: (a) regarding non-provision in the accounts for balance in inter-office account considered doubtful of recovery;

Note 1: (b)

& 3: (i) regarding non-consideration/adjustment of interest on advances considered doubtful of recovery/sticky;

Note 2: regarding provision for doubtful debts having been made by their Head Office at Tokyo, Japan;

Note 4: (a) regarding provision of depreciation as per Income-tax Act, 1961;

Note 4: (b) regarding certain expenses being accounted for on cash basis;

and read together with the other notes, give a true and fair view:

(i) in the case of the Balance Sheet of the state of affairs of the Indian Branches of the Bank as at 31st March, 1989; and

(ii) in the case of the Profit and Loss Account, of the profit for the 15 months period ended on that date

SHARP & TANNAN
CHARTERED ACCOUNTANTS
BY THE HAND OF

Sd/-
P.S. VIJAYSANKAR
PARTNER

Bombay, 30th June 1989

AMERICAN EXPRESS BANK LIMITED

(FORMERLY AMERICAN EXPRESS INTERNATIONAL BANKING CORPORATION)

(INCORPORATED IN U.S.A. WITH LIMITED LIABILITY)

BALANCE SHEET OF THE INDIAN BRANCHES AS AT 31ST MARCH, 1989

(to the nearest rupee)

31-12-1987 Rs.	CAPITAL AND LIABILITIES			31-3-1989 Rs.
	1. **Capital** Approved Indian Government Securities deposited with the Reserve Bank of India, Bombay, under Section 11(2) of the Banking Regulation Act, 1949:			
4,80,00,000	6½ % Loan 1990			6,50,00,000
	2. **Reserve Fund and Other Reserves**			
—	Statutory Reserve (relating to Section 11(2) of the Banking Regulation Act, 1949)			2,26,04,937
	3. **Deposits and Other Accounts**			
	Fixed Deposits:			
—	From Banks	—		
1,52,23,37,904	From Others	2,82,00,29,045		
1,52,23,37,904			2,82,00,29,045	
27,11,34,751	Saving Bank Deposits		26,92,27,970	
	Current Accounts, Contingency Accounts, etc:			
3,38,09,932	From Banks	3,79,36,110		
66,64,65,432	From Others	2,20,22,67,721		
70,02,75,364			2,24,02,03,831	
2,49,37,48,019				5,32,94,60,846
	4. **Borrowings from other Banking Companies, Agents, etc:**			
2,59,31,730	In India		62,23,79,936	
3,36,843	Outside India		—	
2,62,68,573				62,23,79,936
	Secured:			
—	31-3-1989	—		
—	31-12-1987	—		
	Unsecured:			
—	31-3-1989	62,23,79,936		
—	31-12-1987	2,62,68,573		
5,29,58,696	5. **Bills Payable**			8,62,97,871
	6. **Bills for collection being bills receivable as per contra—Note 4**			
13,41,35,065	Payable in India		68,29,70,277	
10,05,52,723	Payable outside India		3,78,28,993	
[illegible]				72,07,99,270

31-12-1987 Rs.	PROPERTY AND ASSETS			31-3-1989 Rs.
6,30,40,873	1. **Cash** In hand and with Reserve Bank of India and State Bank of India (including Foreign Currency notes)			47,06,98,796
	2. **Balance with Other Banks**			
	On Current Account:			
7,80,84,123	In India		53,63,47,193	
10,37,394	Outside India		32,36,341	
7,91,21,517				53,95,83,534
—	3. **Money at Call and Short Notice**			—
	4. **Investments**			
1,00,41,77,703	(i) Securities of the Central and State Governments and Other Trustee Securities including Treasury Bills of the Central and State Governments, at book value		1,78,47,16,312	
	Quoted: At Cost			
	31-3-1989	1,78,31,65,000		
	31-12-1987	1,00,36,48,839		
	Market Value:			
	31-3-1989	1,78,01,84,109		
	31-12-1987	98,64,90,249		
34,29,753	(ii) Fully paid Equity Shares at cost		34,29,753	
	Quoted Market Value:			
	31-3-1989	58,88,025		
	31-12-1987	42,00,375		
23,73,750	(iii) Debentures and Bonds		25,00,000	
	Quoted: At Cost			
	31-3-1989	25,00,000		
	31-12-1987	25,00,000		
	Market Value:			
	31-3-1989	24,25,000		
	31-12-1987	23,75,000		
—	(iv) Other Investments Units of Unit Trust of India, at repurchase price		9,06,12,790	
—	(v) Gold		—	
1,00,99,81,206				1,88,12,58,855
	5. **Advances** (See Annexed Schedule) (Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)			
	Loans, Cash Credits, Overdrafts and other sums due to the Bank:			
1,13,46,26,648	In India		1,92,10,24,570	

21,27,24,678	Accrued Expenses	[illegible]	
4,40,41,908	Unexpired discounts	5,87,64,552	
1,06,35,462	Others (including due to Amexco Nominees Pvt. Ltd., a subsidiary company) 31-3-1989 Rs. 1,000 31-12-1987 Rs. 1,000	4,52,39,220	
3,33,31,354	Due to Head Office and Foreign Branches — Net	1,18,03,601	
—	Inter-branch adjustments — Net	—	
1,47,48,784	Travel Related Services Division — Net	8,86,920	
8,16,48,524	Liabilities as per contra	8,69,44,596	
39,71,30,710			39,45,40,667
1,17,46,39,646	**8. Acceptances, Endorsements and other obligations as per contra**		1,14,94,03,385
	9. Profit and Loss Account		
4,99,79,576	Profit as per last Balance Sheet	7,14,47,740	
4,73,22,376	Less: Amount transferred to Head Office	6,45,84,540	
26,57,200		68,63,200	
6,87,90,540	Add: Profit for the period brought forward from the Profit and Loss Account	11,30,24,684	
7,14,47,740		11,98,87,884	
—	Less: 20% transfer to Statutory Reserve	2,26,04,937	
7,14,47,740			9,72,82,947
4,45,08,81,172	TOTAL RUPEES		8,42,27,69,859

	Governments):		
53,19,18,345	Payable in India	1,39,95,95,506	
2,77,83,406	Payable outside India	2,88,38,896	
1,69,43,28,399			3,34,94,58,972
	6. Bills Receivable being Bills for Collection as per contra—Note 4		
13,41,35,065	Payable in India	68,29,70,277	
10,05,52,723	Payable outside India	3,78,28,993	
23,46,87,788			72,07,99,270
1,17,46,39,646	**7. Constituents' Liabilities for Acceptances, Endorsements and Other Obligations as per contra**		1,14,94,03,385
	8. Premises		
31,37,429	At cost at commencement of the period	31,37,429	
—	Additions during the period	2,85,365	
31,37,429		34,22,794	
(8,77,518)	Less: Depreciation written off to date	(10,49,974)	
22,59,911			23,72,820
	9. Furniture and Fixtures, Equipments, Vehicles, etc.		
2,18,03,629	At cost at commencement of the period	2,67,29,226	
74,90,049	Additions during the period	1,32,14,080	
2,92,93,678		3,99,43,306	
25,64,452	Less: Deductions during the period	33,93,328	
2,67,29,226		3,65,49,978	
1,32,42,107	Less: Depreciation written off to date	2,19,70,768	
1,34,87,119			1,45,79,210
	10. Other Assets		
3,58,32,661	Interest accrued and receivable	5,97,37,314	
2,76,23,803	Interest accrued on investments	6,68,72,865	
—	Stamps, stationery, etc.	—	
28,81,509	Prepaid expenses	2,39,26,051	
1,94,30,938	Sundry debtors and debit balances	1,89,71,830	
77,72,715	Expenditure on alteration to premises etc. carried forward	79,12,033	
—	Capital Work-in-Progress	24,92,620	
25,01,863	Inter-branch adjustments—Net	2,61,15,008	
16,42,700	Deposit with Industrial Development Bank of India, Income-tax surcharge	16,42,700	
—	Due from Head Office and foreign branches—Net	—	
—	Travel Related Services Division—Net balance	—	
8,16,48,524	Assets as per contra	8,69,44,596	
17,93,34,713			29,46,15,017
—	**11. Non-banking assets, acquired in satisfaction of claims**		—
4,45,08,81,172	TOTAL RUPEES		8,42,27,69,859

NOTES ON ACCOUNTS ATTACHED

Per our report attached

For A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS
Sd/-
(R. SUBRAMANIAM)
PARTNER

BOMBAY:
June 26, 1989

For AMERICAN EXPRESS BANK LIMITED
Sd/-
J FILMERIDIS
First Vice-President, India

AMERICAN EXPRESS BANK LIMITED

(FORMERLY AMERICAN EXPRESS INTERNATIONAL BANKING CORPORATION)

(INCORPORATED IN U.S.A. WITH LIMITED LIABILITY)

PROFIT AND LOSS ACCOUNT OF THE INDIAN BRANCHES FOR THE FIFTEEN MONTHS ENDED 31ST MARCH, 1989

Twelve months ended 31/12/1987 Rs.	EXPENDITURE	Fifteen months ended 31/3/1989 Rs.
26,78,86,448	1. Interest paid on Deposits, Borrowings etc.	44,00,29,856
4,69,01,460	2. Salaries, Allowances and Provident Fund	6,82,02,767
7,000	3. Directors' and Local Committee Members' Fees and Allowances	8,550
1,47,70,768	4. Rent, Taxes, Insurance, Lighting etc.	2,69,23,196
16,03,763	5. Law charges	13,78,014
1,61,91,245	6. Postage, Telegrams and Telephones	3,49,78,096
2,34,000	7. Auditors' Fees	2,93,000
1,35,26,804	8. Appreciation on and Repairs to the Banking Company's property	2,21,68,149
2,46,99,856	9. Stationery, Printing, Advertisement etc.	3,96,76,220
—	10. Loss from sale of or dealing with Non-banking assets	—
3,68,72,534	11. Other Expenditure (including proportionate New York Administrative expenses)	6,35,90,421
15,27,61,364	12. Taxes on Income	27,86,25,915
6,87,90,540	13. Balance of Profit	11,30,24,684
64,42,45,782	TOTAL RUPEES	1,08,88,98,868

Twelve months ended 31/12/1987 Rs.	INCOME (Less provision made during the period for Bad and Doubtful Debts and other usual or necessary provisions)	Fifteen months ended 31/3/1989 (to the nearest rupee) Rs.
48,80,09,816	1. Interest and Discount	81,10,49,610
14,60,28,364	2. Commission, Exchange and Brokerage	24,21,35,667
—	3. Rents	—
74,83,094	4. Net Profit on Sale of Investments, Gold and Silver, Land, Premises and Other Assets (not credited to reserves or any particular fund or account)	2,80,96,500
27,21,419	5. Net Profit on Revaluation of Investments, Gold and Silver, Land, Premises and Other Assets (not credited to reserves or any particular fund or account)	76,17,091
—	6. Income from non-banking assets and profit from sale of or dealing with such assets	—
3,089	7. Other Receipts	—
—	8. Loss (if any)	—
64,42,45,782	TOTAL RUPEES	1,08,88,98,868

Per our report attached to the Balance Sheet

For A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS
Sd/-
(R. SUBRAMANIAM)
PARTNER

For AMERICAN EXPRESS BANK LIMITED
Sd/-
J FILMERIDIS
First Vice-President, India

BOMBAY
June 26, 1989

Rural Development in Many Hues

Bhabatosh Datta

West Bengal Landscapes by Arun Ghosh; K P Bagchi and Co, Calcutta, 1989; pp 323, Rs 200.

LATE in the autumn of 1983, Arun Ghosh "landed in Calcutta to take up the task of planning—and decentralised planning in particular— in West Bengal". He describes himself as "an outsider and a traveller in West Bengal". He was born in Calcutta but his parents went to north India when he was only six months old. He had never lived in West Bengal, but he had trained and perceptive eyes to see everything from a fresh angle. Perhaps, as a Bengali trying to see Bengal with an incisive and also affectionate vision, he had an advantage over the local experts who think that they know the state inside out.

Ghosh came to West Bengal with wide experience in the field of economic policy-making—national income unit, World Bank and the IMF, ministry of industry and mines, Bureau of Industrial Costs and Prices and many others, including high-level committees. But rural Bengal was new to him. He tried therefore to know rural Bengal from direct contacts, with an uninhibited angle of vision. The result is a 'travelogue'—written during 1984-86 with a touch that appears superficially light, but is replete with deep observations which only a first-order economic analyst can make.

He had difficulties. There was for example, "the inherent contradiction in attempting genuine decentralisation under an administration supposedly imbued with Marxist philosophy". The other difficulty arose from the fact that the government was a coalition of many partners, all professing to be leftists, though not necessarily Marxists. Ghosh is bold enough to say that "even among the leaders there are some who may not have really understood Marxist literature". He feels that there are many possible booby traps in the path of decentralised planning, but "if the experiment does not succeed in West Bengal, it is unlikely to succeed anywhere else in India, at this point of time". This was written before the new noises about panchayati raj that have been sweeping over everything and also before the prime minister's commendation of the West Bengal experiment.

The two major achievements of the Left Front government are, first, the registration of about 1.3 million sharecroppers, who have been vested with permanency of tenure and, secondly, the attempt to implement plan projects through the panchayats. The major failures lie in power generation and in industrial growth. Basically, it is the rural programmes that have been the important ones. The Leftists have lost the urban base on which they had once mainly depended. It is the rural programmes that Ghosh has described and analysed in his travelogue.

The coverage extends to the whole of West Bengal and it includes also Tripura. The areas studied in detail cover Purulia, Murshidabad, the Sunderbans, Tamluk, Bankura, Coochbehar, Jalpaiguri, Birbhum and Malda. He was accompanied in his travels sometimes by ministers, sometimes by party leaders and, of course, always by officials, but his tours here not guided ones. He saw and praised, where praise was due. He saw and asked uncomfortable questions where he felt doubts.

For example, on a visit to the Tamluk area to see a rural development project of the Comprehensive Area Development Corporation (CADC), he asked why a marketing centre had been established at a village for the sale of cotton yarn, when there was no local production and when the entire supply had to be brought from Calcutta. And then, why a marketing centre for helping private traders and not a co-operative purchase society of the weavers? Latrines were built with no proper arrangement for cleaning the septic tanks, but, in this case, there was no problem because nobody used these facilities. The bushes and the open fields were preferred. Above everything, there was the question of costs. When the organisers showed 'low-cost' projects, the obvious question was about the large magnitude of overhead costs—starting from the central office in Calcutta.

Another facet of rural planning in West Bengal comes out in the chapter on 'District Planning: Malda Style'. The district authorities—the elected sabhadhipati of the zilla parishad and the district magistrate in particular—were entrusted with the task of framing the district plan for their area. Some of the district plans so framed were commendable, such as those of Midnapur, 24 Parganas, Burdwan, Jalpaiguri and, to a lesser extent, Birbhum. In their midst, the Malda plan (which in fact was not a plan at all) went astray and required reformulation under top-level guidance. The plan funds were to be spent through the panchayats. The Malda plan arranged to spend all the funds through contractors. The local legislators and political leaders tried to have their way and favour the local contractors ("the contractors are local people and they have to live"). When confronted with the charge that they had not complied with the guidelines, their answer was that they, as elected representatives of the people, knew the problems better.

The bureaucracy had played an almo[st] disreputable part. "The DM of Malda h[as] recently left on a foreign assignment aft[er] (obviously hurriedly) putting together a s[et] of schemes, *intended to keep all the politic[al] heavyweights happy*" (emphasis added). T[he] political bosses, Ghosh states, need a plia[nt] and amenable bureaucracy. He has no hes[i]tation in holding that "perhaps it is an err[or] to get the MLAs and MPs involved". [In] Malda they had their way in proposing th[e] utilisation of the services of contractors an[d] in putting a large part of the allocations f[or] the district town. There was "no focus o[n] minor irrigation, no focus on the openin[g] up of the hinterland by the construction o[f] well-planned, inter-connected, all-weathe[r] roads, no focus on rural employment an[d] education, no focus on the basic problem[s] of the district and their solution". Fortunate[ly], the planners were persuaded to refram[e] the entire scheme of things, but it require[d] much effort from the deputy chairman an[d] members of the state planning board.

Ghosh took a 'busman's holiday' on th[e] Ajodhya Hills in Purulia, near the Biha[r] border. There is a dig at the poshness of th[e] CADC guest house, but the Purulia ex[perience], on the whole, was encouraging. H[e] notes the interesting fact that the tribal[s] themselves can select the right locations fo[r] tube-wells more accurately than the learned geologists. "We are apt to disregard the instinct, born from experience, of the people rooted in the soil." And then there are the usual problems. The 'gobar gas' power plant, installed at a high capital cost, developed a leak and remained dismantled. The long chapter on the Ajodhya Hills together with another on the "open spaces" of the Purulia district bring out sharply the major issues in the development of the dry western areas of the state. Particularly interesting is the story of a bridge constructed by the zilla parishad at a cost of Rs 7 lakh, where the minimum estimate of the PWD had been Rs 30 lakh. The villagers worked "10, 12, or more hours per day on a daily remuneration of Rs 4.50 plus 1 kg of rice". But even then the basic failures emerge. The bridge is ready, but the approach road is still to be built.

One of the most valuable parts of the book is the three chapters on the Sunderbans. The description of the landscape is masterly, but there are problems. Sugar beet was grown, but there was no market. Sunflower seeds were produced, but there was no arrangement for crushing the seeds. Nimpith and the neighbouring areas generated hope. On the other hand, the illegal use of saline water in the rice fields for growing prawns has converted good paddy soil into fisheries. Hope is transformed into dejection. "The more one sees of the people living in the Sunderbans", Ghosh says, "the more depressed one gets. There is of course a run-

ning battle against nature, in regard to erosion, in regard to salinity. But in the battle against salinity, it is also man against man, the poor farmer against the *bheri* owner". The concluding observation is telling! "There is also the apathy of the authorities in regard to the living and working conditions of the people in general, even when a Marxist political party is in power". Sunderbans is another world, though only about 50 miles from Calcutta.

One can go on like this, drawing out cameos, vignettes and acute observations about other districts. The reviewer feels tempted to give long quotations, which alone can bring to the reader the enchanting presentation of the economics of rural development, with the lights and shades all in soft but clear focus. He has, however, to remain content simply by stating that there are perceptive chapters on Nadia and Murshidabad (the 'Midlands' of West Bengal—with the 'command area' programmes); on the 'Bankura model' (which despite a deal of touting, does not in fact exist at all in a concrete form); on Birbhum (with its uncoordinated government activities); and also Tripura, outside the state, (where there are large new buildings to house research that is simply not there).

The epilogue which seeks to round off the study starts by saying that in 1987 "there appears to be a dangerous increase in the Writers Buildings of the spirit of Tennyson's 'lotus-eaters' ", a "general *ennui* in administration". At the same time, irresponsible implementation at the locations and routine-bound administration at the top have combined to take the sense out of decentralised planning. "The puerile, backward-looking objections of a tired and blase civil service need to be swept aside." To Ghosh, the ground in West Bengal seems to be ready for "a bold, statesman-like visionary approach" and "only a visionary, left-oriented government can bring about the required changes". But he concludes by raising the pessimistic questions, "Will it? When will it?" Ghosh apparently knows the answers.

Since Ghosh's travel diary was written, there have been major developments. The central government has suddenly become interested in panchayati raj and has amended the Constitution to give it the power to legislate for the local bodies and to bypass the state government. The objectives announced are highly commendable, but the motives are suspect and the political propriety of establishing a direct link between the centre and the third tier of government is highly questionable. And at the same time, other employment generation programmes (NREP and RLEGP) have been merged with the newly introduced Jawahar Rozgar Yojana.

A piquant situation has been created. The centre is applying cleverly-chosen strategies to thrust its finger into the politically succulent rural pie. The state government can only adopt 'reaction strategies' to counter the political designs of the centre. The officials have their own strategies based mainly on their divided loyalties and personal interests. And there in the black umbrella of corruption shading everything. The zilla parishads are watching their pay-off matrix. A highly sophisticated game-theoretic model of the entire situation can be formulated. It will however take time for our young economists to initiate and complete this provocative exercise. In the meantime, will it be too much to hope that Ghosh will revisit rural West Bengal, once towards the end of the current year (when the politics of election and rural development will get intertwined) and again at the end of 1990 when the hurly-burly's done? The readers will be thankful to him for another enthralling account of the sentimental journey of a clear-headed economist. They will wait eagerly for the next volume which may have some such title as *West Bengal Landscape Revisited*, and will be made available, if necessary, as a paper-back, at a price that large numbers can pay.

Marx's Theory of History

Obituary or New Start?

Arun Bose

Some Problems of Marx's Theory of History by Ashok Rudra; Orient Longman, Calcutta, 1988; pp 76, Rs 25.

TO get the best out of this slim volume (of 70 pages) it is best to remember a few things about its scope, as well as about the scope of this review.

First, the book does *not* have anything to say on Marx's theory of human progress (or Progress, for short). On whether it can or should go on forever, or at least till some communist millennium is reached. On this issue, Rudra will only say, quoting Wallerstein, "progress is not inevitable—one has to fight for it" (p 62), and no more. In saying this, he rejects, of course, the view of many economists, explicitly articulated by the anti-Marxist Paul Samuelson some years ago that there are built-in mechanisms in the economic (i e, the capitalist) system by which any absolute scarcity of everything can be avoided indefinitely. He rejects, also, the more recently advanced argument by the friendly critic of Marx, W J Baumol's challenging conventional classification of some natural resources as being 'exhaustible'. However, though Rudra does find "Marx was wrong" when he occasionally referred to "determinate laws of motion [which] govern development" propelled by 'iron necessity' (p 60), he does not seem to find anything wrong in Marx's acceptance of "man's conquest of Nature" as the goal one must "fight for" (though he does not make his approval explicit). So a reader will be largely wasting his time if he looks for Rudra's discussion of these themes connected with Progress, urgently by the environmentalists and the Greens.

Second, as just noted, Rudra is on the side of those Marxists who reject 'economic' or 'technological' or any Hegelian or neo-Hegelian 'historical' extra-human "idea"-based determinism, or any non-Hegelian version of human 'superstructural' determinism: any *one* of these 'determinisms' or *all* of them together. Thus he is against any theory of 'multiple co-determination' of 'historical laws' operative "in the last analysis" as well as by 'iron necessity'. There are no 'Prime Mover(s)', alternatively called 'motive force', 'motor force', (p 61). Nor are there several such 'motor forces' operating in tandem. For Rudra *any* 'determinism' is tied hand and foot to the doctrines of 'causality'. It must be rejected because there are "no causal links... between... two successive modes in general... [this] needs to be openly admitted" (p 25). He reassures those Marxists for whom it is still an article of faith that Marx's theory of history was 'scientific'. "History can be scientific without having any laws. Not even all the physical sciences have got laws. There are laws in physics and chemistry but not (none *at all*?) in geology or botany" (p 60). (It is not clear whether he would press the argument which has sometimes been heard that even physics, after the 'correspondence principle', is not a law-governed universe based on causality. Perhaps he would, perhaps not.) It is hardly any use trying to find out whether Rudra's anti-determinism makes him reject any 'scientific interpretation of history'. He stoutly denies that it does.

Third, for Rudra in this work, history almost stops with capitalism. He notes several alternative interpretations of Marx's theory of history, where there is no mention of socialism (pp 12,13) in his summary references (perhaps because they, as well as he himself, took socialism for granted). Of course, he does note that Irfan Habib and Paul Sweezy (pp 22, 25) as well as the Soviet historians Vasilev and Stuchevsky (p 14) do refer to 'stages' or 'modes of production' of socialism or the 'transition from capitalism to socialism—as if they have not the slightest doubt that such transitions *have* occurred 'historically', and in any case received attention in Marx's theory of history. But that is all. Anyone interested in discussing, for example, the strongly-held view of Immanuel Wallerstein that no 'transition from capitalism to socialism' has yet occurred in history, will find nothing at all on this issue. Perhaps because Rudra prefers to discuss these matters separately elsewhere, unless he rejects the view that one can study "the present as history" altogether. What is absolutely clear is that he does *not* take the 'historical' tran-

sitions since 1917 from capitalism to socialism as the *only* period in which Marx's theory of history can be, and has been, verified as correct (as the British historian Victor Kiernan, ignored by Rudra, has stated in a Marx centenary volume, and as Sweezy seems to make the bench-mark for assessing the debate on the transition from feudalism to capitalism in Europe, noted by Rudra on p 25).

Given this delimitation of the scope of the study to exclude socialism, there is no mention, naturally, of a question which has been posed since the 1930s, and has become tragically urgent in the 1980s. This is the possibility (or reality) of the 'reverse transition', by a 'revolution from above', of socialism to capitalism, as a problem of Marx's theory of history.

Fourth, Rudra's 'anti-determinism' has nothing to do with the 'anti-historicist' thesis which insists that every event in history is unique and cannot be compared or contrasted with identical or even similar events occurring over time or space. This is Karl Popper's thesis much controverted by Marxists in the 1950s, but which was explicitly endorsed at one time by the late Marx-influenced Joan Robinson who insisted that "the past is completely determined, and the future is completely uncertain", so that no determinate laws, if there are any, which can be discovered about the past, provide a reasonable basis for action to 'determine' the future.

All this falls outside the scope of Rudra's study, or refers to what he does *not* say. But a whole lot of themes do come within the scope of the study. Length-wise, there are more things Rudra has to say in rejecting other Marxists' interpretations of Marx's theory (and each other's interpretations) than in telling us what he puts in place of the interpretations rejected. But it seems to the reviewer that his alternatives are more novel and interesting than his rejections. So it is on these that he will concentrate. But here, too, there is a problem. To discuss in their full elaboration all these alternatives will take almost as many pages as the study itself. Moreover, there is every danger of the reader (and the reviewer too) getting lost in too many interesting details. So we focus on the inner core of Rudra's interpretation of Marx's theory of history, then express some doubts and suggest a few corrections and extensions. At the end we shall try to explain that his criticism of Marx and other Marxists whom he criticises seems to be overdone, since he himself notes that they agree with him on many salient points.

New Departures

In the innermost core of Rudra's re-interpretation of Marx's theory of history are some radically new departures.

First, as already noted, for Rudra there are no 'laws', 'hard' or 'soft', governing events and changes in history. Nevertheless, there is no vacuum, no absolutely unrepeatable, unique events. There *are* (limited chains of?) "regularities and similitudes which may be subjected to analytical comprehension" (p 61).

Second, these regularities or similitudes are *invariably* the product of mutual interaction between the 'productive forces', including in this demographic and geographical factors (p 62), the 'production relations' and the 'class struggle', in which the 'probability concept of conjuncture' (p 69), and perhaps also the state (pp 24, 31, 45, 59, and 69) play their role in varying degrees and in various ways.

Third, productive forces are plural sets, which can never be reduced to a prime mover (p 61). 'Production relations' too are sets with no one production relation being dominant. The class struggle also is seldom or never between any two classes (or even between the 'most exploited class' on one side and the 'exploiters' (one or more?) on the other) (pp 37, 53). As a result, when there is a dominating contention between any two classes (e g, between lords and serfs), it is the winner in another class struggle (e g, between the bourgeoisie and the nobility) who may come out on top (p 53).

Fourth, "the changing productive forces and production relations interact with no primacy or autonomy attached to either" (p 70). There is complete parity of importance between them as (if one dares to use a Rudra forbidden term) co-determinants. But *both* sets interact also with ideology, religion, and other 'cultural factors' (pp 52-53, 70) among which come in the ideology of caste (p 53). ('Other cultural factors' and 'religion' may or may not subsume, at least not entirely, formation of nationalities and nations, of which there is no mention.)

Fifth, the class struggle, too, is never everything, or a 'sufficient condition' (p 69). The degree, intensity of the struggle, and the "level of class consciousness", in turn influenced by ideological factors like Brahminic fatalism or the Protestant ethic, also matter (p 52).

Sixth, the class struggle has to do with "rapacious usurpation and extraction of surplus" by the exploiters. But it leads nowhere unless it is geared to 'innovation' of all kinds. Not only in 'production technology'. Also in surplus mobilisation through banks, equity shares and entrepreneurial activities by a special class consisting of "a new type of men, the [capitalist] entrepreneurs" (pp 68-69).

Doubts and Corrections

I accept, with some reservations, the challenging novelty of Rudra's new departures, and agree with them. Whether my reservations lead to major or minor corrections of either Rudra's understanding or my own will become clearer only if there is a discussion in which they are contested.

Rudra's own reasons for insisting upon dropping the standard Marxian formula "mode of production = productive forces + production relations" are not clear. I t
want its rejection. My reasons are that t
word 'production' on both sides of the ide
tity is restrictive and misleading. The s
called 'productive forces' consist of *bo*
labour and material resources involved n
only in 'production proper', as distinguish
from 'circulation' (i e, trade over both tin
and space) of commodities, but also in ci
culation which I believe, have been in the pi
ture since the dawn of the human specie
and cannot be wished away in any conceiv
ble form of human society. (To assume tha
mankind started with production *on*
without exchange and trade and can and wi
return to that state, is an impossibl
unnecessary and unproven flight of th
imagination, which Marx wrongly share
with his non-Marxian socialist predecessors
The so-called 'production relations' refer t
relations into which men enter to organis
not only 'production proper', but also a
economic activities connected with circula
tion and management of production and ci
culation. Consequently, I reject the term an
concept of "mode of production". I am no
willing to tolerate the formula even as a
euphemism for two reasons. First, if use
even as short hand for all kinds of economi
activities including production proper, ther
is the implication that 'production' is i
some sense *primary*, and others are secon
dary or even dispensable and their scop
should be minimised to 'set free' resource
available for 'production proper', even if they
cannot be wholly eliminated in the course
of 'human progress'. Second, it is absolutely
essential to fight what Rudra rightly attacks
as an 'anti-trade' bias (pp 65, 66, 68, 69)
which has been sanctioned even at the leve
of pure analysis by Engels in his notes or
Capital, volume 3.

I know that many, if not most, readers of this review (and Rudra's book) especially the historians among them, will probably react somewhat violently against what I say in the previous paragraph. They may insist on keeping the scope of Marx's theory of history within the limits of 'written history', and refuse point-blank to 'mix up' its issues with the anthropology or sociology of 'pre-historic' human society. Or they may cite inconclusive recently discovered evidence of "food-gatherers' communities" surviving in isolation in the contemporary world in support of Marx's notion of "primitive communities" where the only economic activity was production without exchange between 'direct producers', and 'production relations' were strictly and *literally* 'relations of production' in this sense. Or they may argue: even if there never have been such primitive communities in the *past* how can we dismiss such possibilities in the *future*? Don't modern scientists tell us that scientific possibilities are sure to be stranger than science fiction?

But suppose we limit the controversy to 'written history', as I am willing to limit it, if insisted upon. What do we do about the

suffocating anti-trade bias, which Rudra at least seems to take seriously enough to demand its elimination? For this reason, at any rate, I do not see how Rudra can insist on retaining the concepts and terms of standard Marxist 'productive forces' and 'production relations', but absolutely refuse to accept the standard Marxist 'mode of production' concept and term. If he argues that production itself interacts with and is conditioned by ideological, cultural factors, etc, then this is a reason for retaining the entire Marxist formula, but investing 'production' on both sides of the identity explicitly with this meaning (as Marx himself in his Preface to *A Contribution to a Critique of Political Economy* did). Only if Rudra insists on correcting biases like the anti-trade bias is there a case for dropping all references to 'production' from both sides of the formula, as the first step towards doing away with the rather narrowly restrictive and redundant concept of 'mode' in the popular Marxist formula, as I do.

For somewhat different reasons, I am also against Wallerstein's call for doing away altogether with the terms 'society' and 'social formation' on the ground of the 'ontological vacuity' of these terms which Rudra endorses as 'correct' (pp 20-21). First, although he prefers the terms 'world economy' and 'inter-states system' encompassing the world, Wallerstein insists that these terms refer only to the 'world capitalist' system. In his view the socialist countries represent only geographical segments of an integral world capitalism which are under the management of communist governments committed to the ultimate goal of socialism which can only be established on a world scale or not at all. If so, Wallerstein (and Rudra, if he agrees with him on this point) can have no objection, except a superficially semantic one, to references to the 'social formation of world capitalism'. Second, of course, there is the argument that most Marxists use the term 'social formation' as "simply a national or regional unit given to the writer rather than defined by him, thus no unit at all" (Perlin quoted by Rudra, p 19), with which, too, Wallerstein agrees. I do not agree that national or regional 'social formation' cannot be defined, and such concepts can only be inflicted on a reader at the passing whim of its author (though I strongly agree that this is often done, e g, in India or in China). My reasons are set out in my *India's Social Crisis* (Oxford University Press, Delhi, 1989), Chapters 2 and 3, with copious references to Wallerstein's arguments. There I show how national and regional social formations *can* be objectively defined with analytical precision.

My third disagreement is over the issue of *capitalist* underdevelopment. Of course, Rudra does have a theory of underdevelopment (in China, p 48, and in India, pp 42, 55, 57). For him 'lack of capitalism = lack of industrialisation = underdevelopment' (pp 55, 57). But the statistical record of 'development' in the period 1961-1981 compiled by the World Bank does *not* suggest that 'formerly underdeveloped countries' that have been industrialising (indexed by share of industry in GDP) have a high growth rate, while the low growth ones have not (Gerald Meier, *Leading Issues in Economic Development*, 1984, pp 152-53). Rudra may, of course, shoot down World Bank statistics as falsification of statistics. But the more general issue is whether capitalist development can promote either underdevelopment and long-term stagnation or development. Are both possible? I am convinced it can do either, so that to overcome capitalist underdevelopment capitalist industrialisation may *not* be the remedy. We may have capitalist industrialisation in India, but *still* have underdevelopment.

Criticism

Finally, I must make two points about Rudra's welcome criticisms of Marx and several Marxists. The more there is of such irreverent and uninhibited criticisms the better. It does not matter very much if some of it is overdone or is 'one-sided' (since underdone and misleading 'many-sided' or 'balanced' criticism has been the bane). But something is gained by trying to correct *ex post* such overdone or one-sided criticism.

Rudra's readers might get the impression that there is more disagreement between Rudra and Marx than there is, though Rudra himself may be fully aware of many more agreements than he found space to mention in a 70-page work whose main purpose was, rightly, to make Marxists think rather than to revere. To refer to one glaring omission, Marx has a great deal to say about the Christian Protestant ethic as a promoter of capitalist accumulation in North America in his *On the Jewish Question* (1844), sec ii, which is emphatically not as doctrinaire and superficial as Engels' references to Calvinism as a promoter of capitalism. Also, in Marx's recently reprinted *Notes on Indian History* there is a generalisation of the role of Indian Brahmins (contrasted to the role of Zoroastrian priests in Persia) which reinforces Rudra's point about the ideology of Brahminic fatalism, the philosophy of Karma, but enriches it. Readers of Rudra's text could profit by turning to these as follow-up reading.

Without being side-tracked in pinning down a wrong idea, Rudra seems to give 'the devil his due', albeit a little grudgingly, when his quarry started with a correct idea and then went astray (e g, Dobb in the Sweezy-Dob exchanges) or started with a wrong obsession and then blurted out what is true (e g, Hilton in the same controversy). But I must register a mild protest against Rudra's attribution to Wallerstein of the view that "the bourgeoisie *did not exist* or play any part independently. . ." (my italics) during the first and second industrial revolutions in Europe (p 37). I have read much by Wallerstein (including at least one article in the *Economic and Political Weekly*) where, if anything, Wallerstein somewhat overstresses the role of the nascent European bourgeoisie, not only from the sixteenth century but earlier. If there is anything by him which *denies* its role, it is an almost unknown Wallerstein writing.

Nationhood and the Nationalities in Pakistan

Hamza Alavi

Whereas in Europe nations were constituted into states, in post-colonial societies the problem is inverted—states have to be transformed into nations. This problem tends to be less acute where national liberation has been achieved through a long-drawn mass struggle, but the movement for Pakistan had a trajectory which did not include such a process. Political debate and conflict in Pakistan have revolved around the question: what is the legitimate place of sub-national aspirations and demands within a larger concept of Pakistani nationhood? The worst contradictions of the politics of ethnicity have been concentrated and have taken violent forms in Sindh.

MORE than four decades after the state of Pakistan was created it is still a country in search of an identity. That is not because the issue of our nationhood has not preoccupied our minds. To the contrary, it is one that we have been obsessed with. Much blood has been spilt just on that ground. Political debate and conflict has revolved around the question: What is the legitimate place of sub-national aspirations and demands within a larger concept of Pakistani nationhood. There is a tension and a dialectical opposition between these two levels of political identity, which has never been resolved, for those in power have tended to look upon sub-national movements as a threat to 'the nation' and subversive of national unity.

In the eyes of the articulate leadership of sub-national groups, the Pakistan 'nation' has been appropriated by Punjabis who dominate the ruling bureaucracy and the military that has effectively been in power in Pakistan since its inception; in partnership, they might say, until the mid-seventies with Muhajirs who were relatively well represented in the Punjabi dominated state apparatus. Members of the under-privileged regions have tended to see themselves as subject peoples who have not been given their rightful place in the nation. In their eyes, with a subtle inflection of meaning, the 'nation' is transmuted into 'country'. They exist within its boundaries and are subject to its laws and institutions. But the concept of 'country' is not evocative like that of the nation. It does not draw upon a deeply embedded sense of identification; it does not have the same emotive and legitimising charge. It does not give quite the same sense of belonging and commitment, as that of the nation. The peoples of Pakistan have not yet fused into a single community. The story of the Bengali movement, culminating in the liberation of Bangladesh, is a manifest example of this. Pakistan has yet to become what Benedict Anderson speaks of as the imagined community which, as he puts it, is "conceived as a deep horizontal comradeship" that cuts across boundaries and social groups and penetrates with varying degrees of consciousness, a great variety of social terrains [Anderson, 1983: 16].

'Official Nationalism'

Up to a point, it might be said that Pakistan is not alone among third world countries in this predicament; among countries where state power lies in the hands of one dominant ethnic group, alienating the rest. In Europe, where sub-national groups have also come forward in recent times with demands for autonomy and national self-determination, the historical perspective nevertheless has been rather different. There, by and large, national unification movements preceded formation of nation states so that the resulting states embraced peoples who, in the course of such movements, had developed a sense of common purpose and common identity that brought them together as nations. In post-colonial societies such processes, that weld peoples together, have tended to be rather tenuous. So it was, to a degree, in the case of the Pakistan movement. Whereas in Europe, nations were constituted into states, in post-colonial societies the problem is inverted: to transform states into nations.

This problem tends to be less acute where national liberation has been achieved through a long drawn mass struggle for independence and self-determination, which has brought peoples together to constitute nations, in their march towards a common destiny. The Pakistan movement has had a trajectory that has not included such a process. In any case the whole issue becomes more problematic where a single ethnic group finds itself in control of the state apparatus, through its disproportionate representation in the state bureaucracy and the military, as in Pakistan. There ruling military bureaucratic oligarchies, having appropriated state power, identify the state and the nation narrowly with their own particular purposes and interests.

If, in the circumstances, it were to be claimed that Pakistan is a unified nation that would be tantamount to what Anderson speaks of as "official nationalism", a national identity that is not spontaneously generated from below, but is imposed from above by those at the heart of the power structure in the country, in reaction to powerful sub-national movements that evoke a far more powerful popular response in a[ll] regions outside the Punjab. The nation, i[n] that context, is made into a property of th[e] privileged groups. Repression of sub-national movements by the ruling bureau-cracy and military, in the name of 'nationa[l] unity', in the circumstances, is self-defeatin[g] for that only deepens their sense of aliena-tion; their sense of being a subject people.

The Salariat

There is one class which has been centra[l] to this problem, both with regard to th[e] Pakistan movement as well as regional na-tionalism within Pakistan after indepen-dence. This is a section of the urban middle class, those with educational qualifications and aspirations for jobs in the state apparatus, the civil bureaucracy and the military. I have called it the *salariat* [Alavi, 1987]. This class has a particular salience in colonised societies with a predominantly agrarian production base where the colonial (and post-colonial) state apparatus has a dominating presence in the urban society and is the principal employer. Associated with the salariat are urban professionals, lawyers and doctors, as well as the intelligentsia, writers, poets, teachers and journalists, who share the life experiences and many of the aspirations of the 'salariat'. It is from amongst these that an articulate component of the political leadership is also drawn.

The Indian salariat, in its contemporary form, originated in the 19th century when the colonial regime made changes in the administrative and the legal system that was now to be worked by those who had received an anglo-vernacular education rather than a classical education in Persian, Arabic and Sanskrit. Those who acquired the requisite educational qualifications were recruited into the colonial state apparatus as clerks or bureaucrats. These 'westernised oriental gentlemen' as they were contemptuously referred to by British civil servants in India were to play a key role in shaping the style and direction of early Indian nationalist politics and they were at the centre, throughout, of the Pakistan movement.

The salariat is internally differentiated, for

those in its upper echelons, senior bureaucrats and military officers, hold positions of power. Their position is qualitatively different from that of lower level functionaries. But they share a common goal in a struggle for access to the limited opportunities for state employment. In that struggle the salariat has a tendency to divide and align along ethnic lines in order to draw wider support and solidarity in their struggle for a greater share of the available jobs as well as the limited places in institutions of higher education, the source of credentials for future jobs. Students, aspiring occupants of salariat positions, are therefore aligned with the respective salariat groups and play an active role in salariat politics.

India and Pakistan: The Differences

Lines of ethnic cleavages within the south Asian salariat are in large part a reflection of historical occupational specialisation in India by communities, as well as by uneven regional extension of the process of the colonial transformation of Indian society. Some communities have traditionally been associated with state employment. Under the several hundred years of Muslim rule, many Hindu communities nevertheless occupied a key role in the state apparatus, such as the Kayasthas and Kashmiri Brahmins in northern India or Amils in Sindh. It was much later that members of other communal, occupational, groups begn to be drawn towards salariat careers and it is not surprising therefore that they found themselves greatly under-represented in state employment.

The factor that influenced an uneven regional development of the salariat in India was early proximity to or distance from the nodal points of colonial rule in India which fanned out from its initial bases in Calcutta, Madras and Bombay and later Delhi. Those communities that were established in these places had an edge over those who were more distant and who had poorer access to the new educational institutions and salariat positions. This was affected too by the areas of concentration of missionary activity, a channel through which the new education was purveyed.

As far as Pakistan is concerned an important factor in the regional equation was the patronage bestowed by a grateful colonial regime on Punjabis for their help to the colonial regime in putting down the so-called 'Indian mutiny', the first Indian war of independence. Punjabis, whether Muslims, Sikhs or Hindus, were rewarded in many different ways, including land grants in the newly created canal colonies of the Punjab. But that included special attention to education. This was availed of by urban Punjabis who by virtue of being drawn into the salariat followed the political leadership of the Muslim League rather than the Unionist Party that was in power in the Punjab, the party of landowners of the Punjab, a multiethnic paty that defended landlord interests. Urban Punjabis, predominantly Urdu speakers, were both patronised and looked down upon by the ruling Unionists of the Punjab and their leaders like Sir Fazli Hussain, founder of the Unionist Party.

By contrast Bengali Muslims were much under-represented in salariat jobs, despite their relatively higher educational levels [Basu, 1974]. In Sindh the urban population before the partition was overwhelmingly Hindu, as indeed was the Sindhi salariat, the Amils. But Hindus were driven out of the country, following well organised rioting in Karachi in January 1948, leaving a social vacuum which was filled by incoming Urdu speaking Muhajir refugees from India. Sindhi Muslims were overwhelmingly rural and the Sindhi Muslim salariat element was very small at the time. Likewise the Baluch and Pathans were under-represented, although the latter were well established in the military. The relatively well educated Urdu speaking Muslims of northern India were traditionally well established in salariat positions and after the partition these Muhajirs shared control over state power as junior partners of the dominant Punjabis. Given that source of patronage and support, Muhajirs were with the Punjabis in supporting the notion of an indivisible Pakistan nation. But their position was shattered by the weakening of bureaucratic power by Bhutto's administrative reforms, and decisively so by the Zia regime that followed. Against that background Muhajirs abandoned their earlier position and declared themselves to be another disadvantaged ethnic group—giving rise to a new movement, the Muhajir Qaumi Mahaz (MQM), the Muhajir National Front. Ethnic politics in Sindh have followed an uneven course because at one level the small and weak Sindhi speaking salariat in that province has found itself in direct competition at the local level with the Urdu speaking Muhajirs while at the national level they both find common ground by virtue of Punjabi domination from the centre.

While the salariat has been at the centre of ethnic politics in Pakistan, it does not stand alone in this. This applies in particular to sons of landowners or rich peasants for example, who can afford to put their sons through higher education so that they may move into salariat positions which has not been their traditional occupation. In such cases we can say that there is an *organic link* that ties the salariat with the classes from which they originate. Beyond direct organic bonds, by virtue of kinship, there are also other kinds of linkages that mobilise broader sections of society behind salariat politics that dominates our political life. This is particularly an effect of the pervasive role of government in our society and its personalised character. Linkages that create possibilities of personal access to the bureaucracy are much valued, sought after and cultivated. Persons who come within wider social networks that potentially provide such contacts and connections with actual and prospective members of the salariat, such as fellow villagers or even those who can invoke their shared ethnic identity, will tend to identify themselves as such and give their backing to the ethnic politics of the salariat. They have a stake in their installation in public office and their promotions to higher positions within the bureaucracy for they can then hope to invoke their mediation and help that would provide for them a point of fruitful access to the bureaucratic machine.

In the case of sub-national movements for regional autonomy, ambitious politicians are also drawn into the game of ethnic politics. Where they have little hope of gaining power at the centre, an alternative is to profit from possibilities of acquiring influential public office at a local or provincial level. They have a stake in the goal of greater provincial autonomy which would put greater power and more resources at their disposal. They resort to chauvinistic rhetoric as a powerful means of mobilising support when they have little else to offer to the common people. On the other hand, one can see the logic of the politics of members of privileged and dominant ethnic groups who hold key positions in the bureaucracy and the military, and thereby are in control of state power, who feel threatened by politics of ethnicity and denounce such political appeals as parochial and particularistic. They invoke instead appeals for loyalty to larger entities such as the 'Pakistan nation' or the 'brotherhood of Islam' in the name of which they try to delegitimise regional ethnic demands. They invoke an 'official nationalism'.

Finally, in considering the reasons for Pakistan politics being overshadowed by politics of ethnicity we must consider our long history of authoritarian government by a bureaucratic and military oligarchy, seen to be predominantly Punjabi. There have been few opportunities, therefore, for the common people to participate in democratic processes. They feel alienated from the political system with no sense of participation in it. Pakistan and India provide contrasting cases of this. In India the plurality of salariat groups in the higher reaches of government and the absence of dominance by any single one of them has necessitated a political system through which those who are in positions of power in the state are obliged to operate a process of negotiation with different sections, groups and regions of Indian society, in a wide variety of ways, in order to aggregate authority in their exercise of state power. Such processes of negotiation operate both within the ruling Congress Party and between the Congress and regionally powerful political parties. There is therefore a wider degree of participation in the process of government. In Pakistan, by contrast, there is the dominance of a single salariat group, the Punjabis, in the military and the bureaucracy and the tenuous character of democracy in the country, even when it has been allowed formally to exist. As a result there is an absence of

political negotiation under authoritarian rule, which has heightened the sense of alienation and exclusion of the under-privileged regional groups, who are made to feel as outsiders in their own country.

Salariat-Based National Movement

The salariat was at the heart of early Indian nationalism whose main slogan was not yet independence but rather 'Indianisation' of government service and 'self-government' within the empire. Under conditions of colonial rule the salariats from different parts of India were, initially, united in that common goal. Yet even at this early stage ethnic competition within the Indian salariat was beginning to make its appearance. The movement of the Muslim salariat that ultimately culminated in the formation of Pakistan was only one of several such movements. Others included the Scheduled Castes Federation, the Brahmin vs non-Brahmin movement in south India and the unsuccessful movement led by E V Ramaswamy Naicker, the *Periyar* (great sage) who gave a call for the formation of a separate state of *Dravidisthan*, a state of the non-Brahmin people of south India. Naicker supported the Pakistan movement and was given a seat on the platform at the Madras session of the Muslim League. Naicker's dream and also his failure to mobilise the different, putatively Dravidian, people of south India behind his Tamil-led movement illustrates very well the character and the limits of politics of the salariat. This limitation is reflected in the history of the Muslim League too. It did very badly in the elections of 1937 and, ironically, it was at its weakest in Muslim majority provinces of India. It was by virtue of certain special circumstances that surfaced when independence was in sight, that brought about a swing in political alignments of powerful landlord groups in the Muslim majority provinces, that the Muslim League was able to muster forces that lay behind the creation of Pakistan.

The heart of Muslim nationalism in India was in the UP and Bihar, Muslim minority provinces. Muslims there had held a lion's share of government jobs. But with the switch to an Anglo-vernacular system of education and changes in the colonial administrative and legal systems as well as the very rapid expansion in the size of the salariat in the latter half of the 19th century, parallel with the construction of a new colonial economy in India [cf Alavi, 1989], there was a relatively greater increase in the non-Muslim component of the salariat. Muslims saw themselves losing their pre-eminence. Their share in the highest ranks of government service declined from 64 per cent in 1857 to about 35 per cent in 1913. This was a remarkable *decline in privilege*, for Muslims were only about 13 per cent to 15 per cent of the total population of the UP in that period. Under the leadership of Sir Syed Ahmad Khan they demanded a parity in quotas for government jobs, arguing that Muslims made up in quality what they lacked in overall numbers! Aligarh and Lucknow were the main political bases of the Muslim salariat who hijacked the Muslim League as soon as it was founded [cf Alavi, 1987]. Jinnah, a leader of the Indian National Congress, was invited to joint them in 1913. It is component of the Muslin salariat that was later to come to Pakistan as *Muhajirs*.

In the Punjab the Muslim salariat was also quite sizeable, for about 32 per cent of those educated in English in the Punjab were Muslims, rather less than their share of the total population which was over 52 per cent (Census 1931). The Punjabi Muslim salariat joined that of the UP and Bihar in the Muslim national movement, declaring that they were under-represented by way of their proper share of government jobs. These relatively more advanced components of the Muslim salariat in India were the main base for the Pakistan movement. It was a very limited base.

The salariat based Indian national movement was able to extend its base both by virtue of getting the backing of the Indian national bourgeoisie, anxious to get the colonial regime off its back and also by virtue of politics of mass mobilisation inaugurated by Mahatma Gandhi which triggered off the active support of the subordinate classes behind the movement for independence. That was not the style of politics of the Muslim League leadership. Mass mobilisation being absent in this case, the requisite political weight was secured only when a deal was made by Jinnah with landlord leadership of the Muslim majority provinces, especially in the Punjab and Sindh. That secured, nominally at least, the adoption of the Muslim League label by right wing landlord dominated governments that were in power in those provinces and gave the Muslim League some kind of mandate on the basis of which it was able to secure the final result. But the Muslim League's dependence on landlords of Sindh and Punjab for securing its goals and its inability to mobilise the Muslim masses was to have far reaching consequences for the state of Pakistan.

Politics of ethnicity, based on the problems and aspirations of different salariat groups, have developed differently in India and Pakistan in two respects. Firstly ethnic movements in Pakistan have taken the form primarily of sub-nationalism, although a secondary theme of localised ethnic conflicts and competition has not been absent. In India, by contrast, politics of ethnicity have, by and large, been displaced on to local arenas, taking the form of communalism and inter-communal conflict over quotas for jobs and places in institutions of higher education that lead to salariat and professional careers.

Secondly, we find that in the case of Pakistan there has been a succession of ethnic definitions and re-definitions, according to changing contexts of ethnic politics. To begin with the salariat groups behind the Pakistan movement were defined and uni[fied] by a religious *ethnic* criterion nam[ely] 'Muslim'. Pakistan was not created, a[s] ideologically represented by some inter[ests] in Pakistan today, to create an 'Islamic' s[tate] [cf Alavi, 1987]. The Pakistan Mus[lim] League was held to be the champion [of] *Muslim* nationalism. But the social roots [of] Muslim nationalism were quite shallow[. It] is quite remarkable that the Pakistan mo[ve]ment was at its weakest in Muslim majo[rity] provinces. As has been pointed out politi[cal] power in the Punjab lay in the hands no[t of] the Punjabi salariat but, rather, in the ha[nds] of powerful landowners who were organi[sed] behind the right wing landlord party, [the] Unionist Party, the party of Hindu and Si[kh] as well as Muslim landowners who despis[ed] the urban salariat groups even when th[ey] patronised them.

In Sindh the pattern was virtually ide[n]tical except for the fact that an ethnic Sind[hi] speaking Muslims salariat was virtual[ly] non-existent. Muslim in Sindh were eith[er] landlords or peasants, the *waderas* and *har[is]*. Sindhi urban society was overwhelming[ly] Hindu, except for a certain number of no[n-]Sindhi Muslims who had migrated to citi[es] of Sindh in the wake of colonial develo[p]ment. It is only in relatively recent times th[at] Sindhi speaking Muslims, who were pr[e]dominantly rural, have begun to come fo[r]ward to claim their share of salariat pos[i]tions. Muslims of Baluchistan were likewi[se] backward as also those of Sarhad, althoug[h] some sub-regional variations existed. I[n] these regions the Muslim League was to b[e] at the mercy of landlords and tribal leader[s].

The claim of Muslim nationalism in Indi[a] was that Indians were divided into two na[]tions, the Hindu nation and the Muslim na[]tion. The moment that Pakistan was esta[]blished Muslim nationalism had fulfilled it[s] objective and had outlived its original pur[]pose. There were two interesting response[s] to this new situation. Firstly Jinnah himsel[f] buried the two-nation theory in his inaugura[l] speech given on August 14, 1947 to the newl[y] established constituent assembly o[f] Pakistan. In that historic speech he declare[d] in the clearest possible terms his commit[]ment to the idea of secular citizenship i[n] Pakistan. From the principal forum of th[e] new state he declared:

> You may belong to any religion or creed[.] That has nothing to do with the business o[f] the state... We are starting with this fun[]damental principle, that we are all citizen[s] of one state... I think we should keep tha[t] in front of us as our idea and you will fin[d] that in course of time Hindus will cease t[o] be Hindus and Muslims will cease to be Muslims, not in the religious sense becaus[e] that is the personal faith of each individua[l] but in the political sense, as citizens of the state [Choudhury, 1967: 21-22].

Jinnah's speech was a clear declaration of secular citizenship in the new state, a speech that ideological vested interests in Pakistan have a hard time explaining away.

ASSERTION OF REGIONAL IDENTITIES

A rather different response to the creation of Pakistan was the affirmation of their own regional identities, as against the common identity of 'Muslim', by under-privileged regional salariat groups in Pakistan *vis-a-vis* the dominant Punjabis. There was a fresh reckoning of the distribution of privilege and deprivation. Virtually overnight there were ethnic re-definitions. The salariat groups of East Bengal, Sindh, Sarhad and Baluchistan promptly re-defined their identities as Bengalis, Sindhis, Pathans and Baluch and demanded fairer shares for themselves in jobs in the state apparatus. The respective regional, sub-nationalist, movements exploded into view the day after Pakistan came into being. The state of Pakistan was now represented by them as an instrument of Punjabi domination, with their control of the bureaucracy first under secretary-general Choudhry Muhammed Ali and later under governor Ghulam Mohammed. The fact that neither general Iskandar Mirza nor general Ayub Khan, who held the reins of power after them were Punjabis made little difference to that perception, for given the Punjabi positions within the bureaucracy and the military power was seen to be securely in Punjabi hands.

The articulation of Bengali and Pathan identities, respectively, on the basis of both region and language, was relatively unproblematic. The first expression of the demands of the East Bengal salariat came when Shaikh Mujibur Rahman, as a young student leader, put the aspirations of the people of East Pakistan before Jinnah when he visited Dacca. The powerful Bengali language movement, symbolically so, for language is above all the instrument of the pen-pushing salariat, was triggered off by the announcement in 1952 that Urdu would be the national language of Pakistan. The Bengali movement demonstrated its power in the East Pakistan election of 1954 when the 'ruling' Muslim Party secured no more than 10 seats out of a total of 309. Here the Bengali salariat was far more effective in the political arena than the Muslim League had been in the 1937 elections. In 1937 the social base of the victorious Krishak Proja Party in Bengal was made up of rich peasants and *jotedars*, who demanded abolition of *zamindari*, to get rid of the overlords who dominated their lives. That objective was achieved by zamindari abolition in East Bengal in 1951. In the elections in East Bengal in 1954 and subsequently, the leading issues were salariat demands. The rich peasants and jotedars, whose sons made up the East Bengal salariat, were solidly with them. Hence their landslide victories. These were solid votes against 'Punjabi' domination.

The problem of ethnic identity is rather more complicated in Sindh and Baluchistan. In Sindh, especially, it is an explosive issue that has torn that province apart in violent conflict. In Baluchistan if cultural criteria were to be interpreted too rigidly, as differentiating criteria of ethnic groups, a number of separate groups can be demarcated namely Baluch proper, Brahuis (or Brohis), Lassis, Makranis and in the north-eastern districts Pushtuns who are Pathans rather than Baluch. The literature of Baluch nationalism repudiates angrily attempts to fragment them on the basis of such criteria. Instead they have produced historical accounts of convergent origins of these different sections of a single people, the Baluch. It is the dominant Punjabi ruling groups, they argue, who emphasise and try to exploit such differences to disrupt Baluch unity. The Baluch on the other hand resist such attempts to divide them and stridently proclaim their unity. The only exception that some of them are prepared to make is in the case of Pushtuns and they accept the idea of Pushtun areas of Baluchistan being amalgamated with the neighbouring Sarhad province. Affirmations of Baluch unity are directed against Punjabis and other outsiders who monopolise jobs and most profitable occupations in Baluchistan to the exclusion of the Baluch.

CASE OF SINDH

It is in Sindh that the worst contradictions of the politics of ethnicity in Pakistan are concentrated and they take violent forms. Sindh is truly a multi-ethnic province. In a sense it has always been so, for historically it has been inhabited by a substantial number of Baluchi speaking people who, although they may speak Baluchi at home, are nevertheless regarded as Sindhi; some of them are Sindhi nationalist leaders. Likewise, there are migrants from Cutch in India (business communities) who have lived in Sindh (mainly Karachi) for many generations and have played leadership roles in Sindhi politics. For example Mahmood Haroon, who is from such a background, was among prominent delegates at a conference organised at Sann, the home of G M Syed, when the Sindh National Alliance was founded in 1988. Feroz Ahmad, a militant Sindhi extremist, who is an Ismaili, also belongs to this category. Hence we can see that Sindhi identity is a mixture of many different elements, a product of historical evolution.

But a distinction *is* made in the case of those who have come to Sindh after the partition. They are not categorised as Sindhis although they have lived in Sindh for decades. These include Muhajirs speaking refugees from India who came in at the partition and also Punjabis and Pathans who have migrated to Pakistan since then. Forty years ago when a flood of refugees, uprooted from India poured into Pakistan (similar numbers of Hindu and Sikh refugees were uprooted from Pakistan areas and were driven over the border across to India), the Punjabi dominated ruling oligarchy ensured that refugees from East Punjab and in the main only those, were settled in West Punjab so that ethnically and linguistically Punjab remained homogeneous; only a handful of refugees from other parts of India found their way into that province. All refugees other than those from East Punjab, i e, mainly the Urdu speaking refugees from northern and central India, were settled in Sindh, although Punjab, being a much larger province, had a greater capacity to absorb these refugees and offer them a livelihood. With Sindhi Hindus, the predominant element of Sindhi urban population having been driven out and the influx of Muhajirs into Sindh, the ethnic composition of Sindh was radically altered.

Some of the Urdu speaking refugees from India who were funnelled into Sindh settled on the land. But the bulk of them took the place of urban Sindhi Hindus, either as traders or professionals in the big cities and small towns of Sindh. The Urdu speaking Muhajirs also initially provided the bulk of the urban working class in Sindh. Sindhi speaking urban population in Sindh thus became quite minute. Whereas before the partition Sindh's cities were predominantly non-Muslim now they are predominantly Urdu speakers. As Sindhis started coming up in salariat they found that they had not only to deal with Punjabi domination of the state apparatus but also to compete with the relatively more advanced Muhajirs. Although initially (after the partition) the population of Sindh's cities was overwhelmingly Muhajir in composition, their ethnic composition changed substantially with the influx of Pathan and Punjabi workers who provided additions to the working force for the growing industries.

As a result according to the 1981 Census only 52 per cent of the population of Sindh consisted of those whose first language was Sindhi. Urdu speakers were more than 22 per cent of the total. But they predominated in the urban areas of Sindh where they were reckoned to number over 50 per cent of the population. The Muhajir urban majority is less pronounced as one moves to smaller towns which, after all, are mere extensions of the rural society. But along with Punjabis and Pathans they are an overwhelming majority of the three major industrial cities, namely Karachi, Hyderabad and Sukkur.

In Karachi, the capital of Sindh, a metropolis of over 8 million people, 54.3 per cent of the population (in 1981) were urdu speakers, i e, mainly Muhajirs. 13.6 per cent were Punjabi speakers and 8.7 per cent Pushto speaking Pathans from the Sarhad. In that capital of Sindh, those whose first language was Sindhi numbered a mere 6.3 per cent. That is the grievance of Sindhi nationalists. They have become strangers in their own land. However, it might be said that the census figures probably underestimate, as some experts believe, the numbers of Pathans and Punjabis in Karachi, many of whom live in *katchi abadis* or shanty towns where there has been under-enumeration. An estimated 40 per cent of the population of the city live in these slums. By contrast Sindhis who live in Karachi

belong to the lower middle class and above, many of them being absentee landlords and their retinues. Likewise in the other major cities of Sindh, Hyderabad and Sukkur, native Sindhi speakers are in a very small minority.

A rather different kind of complication in the ethnic composition of Sindh arises from the influx of privileged groups from outside. These are mostly Punjabis. Large tracts of land in Sindh, brought under irrigation since independence, were allotted by the ruling bureaucratic military oligarchy to senior officers of the bureaucracy or the military or their relatives, rather than to Sindhis. These new landlords in Sindh tend mostly to be absentee landlords and they brought with them Punjabi tenants or labourers, whom they could better control and rely upon than local Sindhis. So this is a double deprivation, of lands as well as jobs. In urban areas too valuable land and property has been allotted to persons in these categories. Punjabis are taking over industries and large businesses also from the (mainly) Cutchi businessmen of Sindh. Because of proliferation of state controls of a variety of kind, over the operation especially of industrial enterprises, the established businessmen have found it increasingly more difficult to cope with them, the more so during the eleven years of Zia's military dictatorship when rule of law gave way to arbitrary decisions by military officers. As a result many of the traditional businessmen have retreated into trade and many have transferred their operations abroad. In their place a new class of Punjabi capitalists has taken shape. These are not just any Punjabis but rather they are close kinsmen of senior bureaucrats and military officers. Their kinship links play an important part in their ability to negotiate bureaucratic hurdles which the old established bourgeoisie found it difficult to negotiate. *Both* Sindhis and Muhajirs have found themselves pushed into the background and resent these developments.

Muhajir Politics

The ethnic orientation of both Sindhis and Muhajirs has undergone significant changes in recent years, dramatically so in the case of Muhajirs. At the time of the partition Muhajirs were well established in the bureaucracy, though not in the armed services which is estimated to be around 85 per cent Punjabis, most of the rest being Pathans (these are not confirmed or verifiable figures). It must be said, however, that there do exist a number, though a diminishing one, of very senior Muhajir officers and generals. general Mirza Aslam Baig, Zia's successor is, for example, a Muhajir. However, as the significant alignments in the military are those amongst Punjabi officers and generals, Muhajir officers do not represent a power base on their own. They are rather often the 'least evil' choice of powerful rival groups of Punjabi officers.

Muhajir presence in the bureaucracy was an important source of patronage for them. In the circumstances they identified politically with concepts of Pakistan nationhood and some even with Islamic ideology and opposed demands of regional ethnic groups. That ideology was in continuity with their political orientation in the past for, along with urban Punjabis, Muhajirs were the bulwark of Muslim Nationalism in India and provided many of the principal leaders of the Pakistan movement. In Pakistan they were largely non-political, for their linkages with the bureaucracy were personal and particularistic. Insofar as they were drawn into the political arena they tended to back Islamic ideological parties such as the Jamaat-i-Islami or the Jamiat-i-Ulama-i-Pakistan.

The bureaucracy, with its important Muhajir component, used to be presided over by the tightly organised CSP, the Civil Service of Pakistan, successor to the colonial ICS, the so-called 'Steel Frame' of colonial rule. For two and a half decades after independence, it was the senior partner in the bureaucratic-military oligarchy that ruled Pakistan [cf Alavi, 1983]. It was powerful enough to keep the military at bay even during the martial law regime of General Yahya Khan. The situation changed radically after Bhutto's administrative reforms, that broke its back and the bureaucracy ceased to be the powerful entity that it used to be. Ironically that opened the way for unrestrained military rule under General Zia for the one great barrier in the way of military hegemony was removed. With the collapse of bureaucratic power, it was also the case that the Muhajirs lost their patrons in the structure of state power which now passed into unchallenged Punjabi hands.

It took a little time for these changes to manifest their effects in Muhajir politics—although it must not be forgotten that Muhajirs played a big role in movements against Ayub Khan which led him to transfer the capital away from Karachi, the principal Muhajir centre. Soon Muhajirs were to abandon their pre-occupation with affirmations of Pakistani nationhood and they abandoned, in the process, their support for Islamic fundamentalist parties. They lined up behind politics of ethnicity.

Hitherto Muhajirs had agitated against the quota system for jobs and admissions into institutions of higher education, which are at the core of ethnic politics. As late as December 1986 a Jamaat-i-Islami Urdu weekly, read mostly by Muhajirs, carried an article entitled: 'Quota System: Denial of Justice and the Sword of Oppression' (*Kota Sistam: Adal ki Nafi Aur Zulm ki Talwar* in *Takbeer*, December 24, 1986). But the Muhajirs were to change this stand. The quota system in Pakistan dates back to the 1950s when it was introduced in deference to East Bengali ethnic demands. Unlike the system in India where quotas are based on local communal criteria and are left to local authorities to work out and implement, in Pakistan they are regional, 10 per cent of the places being awarded 'on merit', 50 per cent for the Punjab, and 19 per cent for Sindh of which 11.4 per cent was for 'rural Sindh' and thus for predominantly Sindhi speakers and 7.6 per cent for urban Sindh, mainly Muhajir. A quota of 11.5 per cent was fixed for Sarhad and 3.5 per cent for Baluchistan and the rest for Azad Kashmir and Federally Administered Territories. However, there were problems with implementation of the quota system. Given Punjabi control over the administrative machinery, it has not been too difficult for a Punjabi to poach places from the other groups by obtaining false 'Certificates of Domicile' in say Quetta in Baluchistan or Hyderabad in Sindh, depriving the locals.

With the total collapse of bureaucratic power and consolidation of the power of the Punjabi dominated army, Muhajirs began to feel that they were losing ground heavily and their bureaucratic patrons were no longer able to help them quite as much as before. They had little to gain, they felt, from agitating for abolition of the quota system. In March 1984 a new movement, called the Muhajir Qaumi Mahaz (MQM), i e, the Muhajir National Front, was set up, its main impetus deriving from a Muhajir students' organisation. They now demanded that Muhajirs be recognised as the fifth nationality of Pakistan and that they should be allotted a 20 per cent quota at the centre and between 50 per cent and 60 per cent in Sindh. They also want it to be ensured that quotas in Sindh reserved for Sindhi speakers and Muhajirs, respectively, are not poached by Punjabis. The MQM took the urban centres of Sindh by storm.

Emergence of MQM

The MQM has emerged through the 1988 elections as the third largest party in the country—one might even say that in effect it is the second largest, for the Islamic Democratic Alliance, reckoned second, it itself no more than a precarious patchwork of 9 parties, cobbled together under pressure from above, to present a viable opposition to the PPP. The MQM was founded in March 1984 by some Muhajir students' groups. Its rise as a major force on the national scene was quite dramatic. That was precipitated by certain events in September 1986 when a planned Muhajir protest march from Karachi to Hyderabad was stopped by the police at Sohrab Kot, the 'gateway' to Karachi and the participants beaten up. That was the catalytic moment in its subsequent meteoric progress.

The emergence of the MQM as a major political force was not merely a matter of Muhajirs getting organised as such. It marked a sea change in their political attitudes. So far Muhajirs had championed the cause of Pakistan nationhood and were a major support for extreme right wing Islamic fundamentalist parties such as the Jamaat-i-

Islami. But now the national identity was dropped. Only a few months earlier it would have been thought to be unbelievable that Muhajirs would rally behind a slogan that said: "We have not signed a contract to uphold Pakistan and Islam!" (*Ham nain Pakistan aur Islam ka theka nahin liya hai*). Having for decades declared quite militantly that their identity was Pakistani and Muslim and that they opposed all ethnic movements as communal, they now decided to pursue communal politics. Overnight there was an ethnic redefinition for now they declared themselves to be Muhajirs rather than Pakistanis. Instead of moving towards an end to communalism and to ethnic conflict, the rise of the MQM, in the face of strident Sindhi nationalism, further consolidated the hold of communalism in Pakistan politics.

Sindh politics, however, have been in a state of flux. In 1983 the Movement for Restoration of Democracy in Pakistan was to launch a nationwide protest against Zia. In the event, it was in Sindh that an exclusively Sindhi movement arose, with great fury and power. Based on Sindhi speakers, it turned out to be narrowly a rural movement for it failed to rally the urban population, mainly Muhajirs, because of its sectarian Sindhi slogans. Nevertheless it was a most powerful movement that stretched the repressive state apparatus to the limit in trying to contain it and put it down. Attempts were made by the Zia regime to turn that movement into communal rioting and there was plenty of evidence of *agents provocateurs* at work. The leadership of the Sindhi movement succeeded in securing the help of local level Muhajir leaders and prominent members of their community to stand with the Sindhis on their platforms in order to prevent their struggle against the central government from degenerating into an inter-communal conflict. That experience had some impact on the thinking of some sections of the Sindhi leadership, especially its more radical sections. They began to realise that their movement had failed because of their inability to rally the urban population without which no movement in Sindh could succeed; and that if they had managed to involve the Muhajirs, their movement would have been irresistible. They began to see that Muhajirs were a part of the peoples of Sindh, indeed a part of the Sindhi people.

An important and influential section of the Sindhi leadership began to redefine Sindhi identity. Historically Sindhi identity had always been rather problematic in that multi-ethnic province. Many people from other regions have settled in Sindh, such as the Baluch who still speak Baluch at home but are recognised as Sindhis—many Baluchis are in fact in positions of leadership in Sindh. There are also Cutchis in Sindh. Cutch is a bridge between Sindh and Gujarat (in India) and the Cutchi language is cognate with Sindhi. There are other groups of early migrants in Sindhi. That includes those who are (putatively) of Arab origin, the Syeds, who came with the Arab conqueror of Sindh in the eighth century AD, Mohammad bin Kassim. Amongst these would be counted G M Syed, the father of Sindhi nationalism.

Extending Sindhi Identity

In 1986 one found Sindhi leaders and intellectuals engaged in discussing criteria on the basis of which Sindhi identity might be redefined so as to include also Muhajirs who are now an integral part of the population of Sindh, whom they would like to carry with them in their struggle for provincial autonomy. One can recognise that achievement of greater provincial autonomy would benefit the rural Sindhi speakers more directly because of the rural bias in the political system and the franchise. If unity with Muhajirs brought them nearer to that goal, it is the Sindhi speakers who would stand to gain most, even if the benefits were to be shared with Muhajirs. Together they would get the dominant Punjabis off their backs. At that time many Sindhi leaders were keen to extend the concept of Sindhi identity, accordingly, although there were a chauvinistic few who campaigned vigorously against it. In the cse of at least one of these in the latter category, suspicions were voiced that he was an employee of the ubiquitous inter-services intelligence, the notorious ISI (which was reported by the London based *Financial Times* to have 1,00,000 persons working for it). Such a possibility is not at all unlikely and cannot be ruled out. It would have suited the interests of the Zia regime to generate conflict between Sindhis and Muhajirs and even now that would serve the purposes of those who would like to see a weak government in power even if it is a democratically elected one.

Sindhi leaders who favoured extending the concept of Sindhi identity, argued that being a Sindhi was not a matter of place of origin or one of language that one spoke. If that were so, how could the Baluch in Sindh be accepted by them for so long as fellow Sindhis and so many of them acknowledged and honoured as Sindhi leaders. They argued that the Baluch in Sindh were Sindhis because they had *roots* in Sindh. They would extend that principle to Muhajirs. Muhajirs, they argued, were uprooted 'by fate and the forces of history' from their own soil in India and deposited in Sindh. They had struck fresh roots in Sindh as the Baluch and the Cutchis had done before them. These Sindhi leaders and intellectuals repudiated quite forcefully the paternalistic designation of Muhajirs as 'new Sindhis', a term that was widely used in the past but which, implicitly, denies Muhajirs full status as Sindhis. They insisted that they are full Sindhis, without any qualification. Descent they said, was no criterion of ethnicity nor was it religion or language. It was a question of *roots*.

Applying that criterion of rootedness, to other groups in Sindh, they took the view that Punjabis in Sindh would not qualify for inclusion within the expanded notion of being Sindhi. These are mostly bureaucrats and members of the armed forces or their close relatives who have secured large grants of land from the government, and who have brought with them their retinue of Punjabi sharecroppers and labourers. These Punjabis, the Sindhi leaders and intellectuals argued have come to Sindh as conquerors and usurpers, on the strength of state power. They remain Punjabis for they have their roots in Punjab which is exploiting the resources of Sindh. They should therefore be expelled from Sindh and the land restored to Sindhi hands, the sons of the soil.

Such Sindhi ethnic redefinitions, impelled, by recognition of need for political realignments, are most interesting to see. It was likewise in the case of Muhajirs, responses to some degree to re-alignments to Sindhi positions, but also, and especially, to changes on the national scene. This included the change in the ethnic self-definition of Muhajirs and the dramatic rise of the MQM in the mid-1980s. The Muhajirs now abandoned their opposition to the very conception of sub-nationalities. Earlier Muhajirs had repudiated the idea of ethnic identity or nationality in favour of Pakistan nationhood and Islamic brotherhood for which such divisions were repugnant. The MQM demanded instead the recognition of Muhajirs as the fifth nationality of Pakistan and virtually overnight Muhajirs rallied around it overwhelmingly. The process of ethnic redefinition continued further. In the face of Sindhi moderation Muhajirs realising that their own future is tied up with the future of Sindh as a whole, which cannot be resolved except in company with Sindhi speakers, changed tack once again. More confident after their resounding success in the local elections of Spring of 1987, they reoriented their approach, to prepare the ground for closer political co-operation with Sindhi speakers. Now they declared that Muhajirs were not a nationality by themselves. They were only a sub-nationality within the larger Sindhi nationality, Sindhi speakers being the other sub-national group. *Together* they constituted Sindhi nationality. Given Sindhi reorientations too, for a time it looked not at all unlikely that the two would move closer in the political arena towards some kind of a United Front in order to win concessions from the centre. However, the political situation was to change once again, after the death of Zia and the elections of 1988. The self-definition of Muhajirs as a sub-nationality was therefore short-lived. With the new re-alignments, they reverted to their claim to be the fifth nationality of Pakistan.

Strands in Sindhi Leadership

Sindhi re-alignments were taking shape also. A conference was held in Sann, the home of G M Syed, the grand old man of Sindhi nationalism, where the Sindh National Alliance was founded. It was a very broad-based conference where delegates

comprised the whole political spectrum among Sindhi speakers. A central issue in the debate turned out to be the name of the alliance, whether it should be *Sindh* National Alliance or *Sindhi* National Alliance. The former would leave the door open for Muhajirs to be invited in, and several speakers suggested that they should be. The latter alternative was designed to close the doors on Muhajirs being brought into the Alliance at all. It is significant therefore that it was the former option that was adopted.

There are elements within the Sindhi leadership who have resorted to extreme chauvinistic rhetoric *vis-a-vis* Muhajirs. Some of them speak of 'Muhajir Separatism' which is both an absurd and also a mischievous notion. It is intended to arouse Sindhi fears that Sindh will be dismembered. This is nonsense because the cities in which Muhajirs predominate cannot be lifted out of their rural environment in order to constitute a Muhajiristan. Moreover, a very large proportion of Muhajirs do not live in the three large cities but are dispersed throughout Sindh in small rural towns where their livelihoods depend on their relationships with Sindhi speakers who predominate there. Indeed these Muhajirs, now in their third or even fourth generation in Sindh, have learnt Sindhi at school and have been undergoing a process of Sindhification. In the 1983 movement despite attempts to promote Sindhi-Muhajir riots, to split and disrupt the powerful Sindhi movement, Muhajirs and Sindhis stood united, a fact which does much credit to both the Sindhi and Muhajir local level leadership. But it is sad, in the circumstances, to find scholars such as Feroze Ahmed fanning the fires of Sindhi chauvinism and progressive journals publishing such material.

On the other hand there are Sindhi leaders whose eyes are focused on the problem of getting the authoritarian hand of the central government off their backs and to win a greater degree of regional autonomy for Sindh. These more pragmatic leaders of Sindhi speakers cannot be unaware of the fact that, given the rural bias in our political system, it is they rather than the Muhajirs, who would predominate in the government of Sindh, as is the case at present. They have nothing to lose by an alliance with Muhajirs and indeed much to gain *vis-a-vis* the centre.

Motives of leaders of Sindhi speakers who resort to an extreme chauvinistic rhetoric and violent anti-Muhajir slogans must remain much more suspect. In the case of many of them, leaders whose political fortunes have waned, this strategy of outbidding more 'moderate' leadership by extreme slogans would, hopefully for them, revive discredited political fortunes and foster personal political ambitions. There is at least one Sindhi chauvinistic leader who is preaching what is tantamount to fascism. He has been demanding that all those who are not native Sindhi speakers should be expelled from Sindh. In the case of non-Sindhi industrial workers he declares: 'Let them take their industries with them. We do not want them here.' Likewise, he demands that Muhajirs should be expelled from Sindh. When asked where they might go—for by now we have third and fourth generation Muhajirs who know no other home than where they are—this leader replies that this should be no concern of his or the Sindhi people. "Hand them over to the United Nations High Commissioner for Refugees. He should find some place for them somewhere in this world. That is his job." This is a variant of the 'final solution' of the Nazis. This mischievous and vicious campaign offers nothing concrete to the Sindhis. Those who know the political leaders who are conducting such a vicious campaign see the hand of the central government in this and are able to point out concrete examples of patronage and positions of very considerable profit that have been bestowed on such individuals and their close relatives by a grateful central government for such campaigns directly benefit central power by causing disruption, divisions and conflict amongst the people of Sindh and undermine possibilities of united action on their part in the interest of the region as a whole.

LEFT'S NAIVETY

Paradoxically, objectively at any rate, the authoritarian centre is helped ideologically in this by groups on the Left, mainly in the Punjab, who tend to take utterly naive and quite misinformed positions *vis-a-vis* the Sindhi movements. They feel ideologically committed to the right of oppressed nationalities to national self-determination and regional autonomy. But when they look at Sindh, they see only the movement of Sindhi speakers as a legitimate movement. They have not yet overcome their suspicion of Muhajirs to recognise that they too are an oppressed nationality, standing side by side with Sindhis. Their suspicions of Muhajir politics are grounded in the fact that until the mid-eighties, Muhajir politics were hostile to the idea of natioinal self-determination in the name of Pakistani nationhood and Islamic unity. Muhajirs had supported central authoritarian rule and Islamic fundamentalism. When the MQM appeared on the scene they were taken unprepared for it and they have not yet figured out how to evaluate it. They have yet to come to terms with the sea change in Muhajir politics, their abandonment of Islamic fundamentalism and their emergence as a sub-national group whose claims, hardly less valid than those of Sindhi nationalism, need to be located justly and fairly within the overall picture.

At this point one might add that the ethnic problem in Sindh does not involve only the contending claims of the rival salariat groups, although that class has been at the core of ethr[illegible] politics. It concerns also a complex r[illegible]ure of ethnic groups that make up the industrial working class in Sindh, concentrated mainly in Karachi, Hyderabad and Sukkur. Ethnic divisions have been exploited to break up the unity of the industrial working class whereas in periods of militant working class action, as in the early 1970s, ethnic conflicts amongst workers has tended to recede into the background and lost from sight.

Industrial workers in Sindh are, almost entirely, non-Sindhis. Before independence, the working class in Karachi, engaged mainly in transport (railways, the docks and various forms of urban transport) were overwhelmingly Baluch (Makrani) migrant workers. Immediately after the partition, Muhajirs made up the bulk of the working class in Sindh's industrial cities Karachi, Hyderabad and Sukkur. As industrialisation progressed in the 1950s and 1960s, more workers were pulled in from densely populated agricultural regions of Sarhad and the Punjab (i e, its extreme north-western districts in the Potowar area) where farms were small and fragmented, incapable of providing a livelihood, so that traditionally there has been a 'push effect' forcing members of farm families to look for employment outside. In Sindh, by contrast, there was no such push effect so that members of farm families did not seek outside work and the working class in Sindh therefore was not recruited from the immediate hinterland. It is only in very recent years that farm mechanisation by Sindhi landlords is causing eviction of Sindhi sharecroppers, the *haris*, who are being forced to look for urban employment in a period of relative industrial stagnation.

Powerful vested interests are at work in Karachi which have generated ethnic conflict between working class ethnic groups, notably Pathans, against Muhajirs. Rioting has become endemic in Karachi and the people are terrorised by gangs equipped with automatic weapons, transported around in trucks. Some brilliant investigative journalists, especially those who have contributed to the monthly *Herald*, have exposed the hand of well organised drugs mafia and those engaged in trade in illegal arms and, not least, racketeers in urban land, who were behind these so-called ethnic riots. Karachi has large areas of vacant land around it, areas into which the rapidly expanding city has been pushing. Vacant land is seized by the racketeers, developed as housing projects and the houses sold at great profit to themselves. The city administration has been able to do nothing for it is itself under the control of the mafia. Given extraordinary levels of official corruption, the mafias also control the agencies of 'law and order', both the police and also the military at the local level. In the circumstances they have a relatively free hand. They do not tolerate any official projects that might interfere with their own very profitable operations. The organised violence of these mafias has sometimes been explained away as ethnic conflict that masks its real purposes on behalf of powerful interests. But once violence begins, inevitably, in the wake of such conflicts ethnic antagonisms escalate.

1988 Elections

More recently, in the context of the 1988 elections, some remarkable changes in alignments have taken place. Despite the powerful thrust of Sindhi nationalism, it was the PPP that got solid support from the Sindhi speaking part of Sindh's electorate. Those Sindhi nationalist candidates who insisted on standing in the elections were routed.

The PPP and notably its Sindhi leadership had consistently distanced itself from Sindhi nationalism. When approached by some chauvinistic Sindhi nationalist leaders in 1987, who invited the PPP to join them in sponsoring the Sindh National Alliance, the PPP Sindhi leaders spurned them saying that they were a 'national' party and could not therefore espouse regional causes. The PPP refused to align itself with particularistic Sindhi demands. The PPP also kept out of the Sindh National Alliance. There is an understandable logic in the PPP's anti-communal position. If it was to come to power at the centre, it had to carry the electorate of the Punjab. Punjab was hostile to regionalist movements that challenged Punjabi domination.

Despite that consistent position of the PPP leadership, already in 1986 there were clear indications that if general elections were to be held, Sindhi votes would go to the PPP. In my discussions with Sindhi intellectuals and Sindhi nationalist leaders in 1986 in Hyderabad, they all put it in somewhat emotive language legitimising their decision to abandon, temporarily at least, their Sindhi nationalist cause. They said that "We have a debt of blood to discharge. Therefore this time it will be the turn of the daughter of Zulfiqar Ali Bhutto. Our turn will come the next time." Bhutto had given his life for them, they said. That debt must be repaid by voting for his daughter.

Behind that ideological justification for their electoral tactics, practical reasons for taking such a course were quite evident. Sindhi nationalists could have no hope of forming a government at the centre and without that nothing would be delivered. Voting for Sindhi nationalist candidates would therefore be an empty gesture. On the other hand Sindhi leaders occupied powerful positions in the PPP, not least Benazir Bhutto herself. Even if in deference to her 'national' position she would not go quite so far as they might wish, it would not be unreasonable, they thought, to expect that she would go some little way at least to redress Sindhi grievances.

Ethnic strategies were re-assessed in the context of the 1988 elections. Despite the more florid rhetoric of some Sindhi nationalists, in the face of the consistent position of the PPP in distancing itself from them, Sindhis, nevertheless, voted solidly for the PPP. Those few Sindhi nationalist leaders who insisted on standing on a nationalist platform, faced ignominious defeat. Half a loaf was still something, as far as the Sindhi electorate was concerned. Just protest would achieve nothing. There are so far few signs that Sindhi nationalists will get even the few concessions that they hoped for and their disaffection is already making itself felt.

Defeated and discredited Sindhi nationalist leaders are using this to try and stage a come back. Their rhetoric has taken on a more chauvinistic tone. A wave of rioting has been sweeping through the cities of Sindh, following attacks by motorised armed gangs, equipped by automatic weapons, who have driven, with impunity, through wards of cities of Sindh, killing indiscriminately. As the history of communalism in the subcontinent has shown, once such violence is unleashed, it becomes self-generating and communal riots escalate with mutual reprisals.

Against such a background of inter-communal tension and indeed bloody violence, a demonstration was organised in Karachi in the name of the Sindh National Alliance, "the first big demonstration of its kind", as was reported (*Jang Daily*, April 3, 1989). This would not be quite true, for in 1987 an even bigger demonstration, in the form of a Peace March, was organised in Karachi, after some extremely vicious communal rioting. That demonstration and procession was led by leaders of all communities, Sindhi, Muhajir, Pathan and Punjabi, and to good effect.

Hopeful Sign

Be that as it may, the recent Sindh National Alliance demonstration was led by defeated and discredited right-wing leaders such as Hamida Khuro and Hafeezuddin Pirzada in company with ultra-chauvinists such as Rasool Bux Palejo. But it was addressed also by saner voices such as that of Abdul Wahid Aresar, chairman of the largest of the Sindhi nationalist parties, the Jiye Sindh Mahaz. The demonstration was organised against continued immigration and settlement of outsiders in Sindh but for the chauvinists it was clearly an anti-Muhajir event. On the other hand Aftab Meerani, a senior minister in the PPP-led Sindh government, declared that the demonstration was a conspiracy against the democratic government of the PPP.

The speech of Abdul Wahid Aresar, chairman of the Jiye Sindh Mahaz was in marked contrast to that of some of the others mentioned above. He said that just as the people of Sindh, while voting for the PPP on pragmatic grounds, nevertheless, could not be identified with the PPP, so also the fact that the Urdu speaking Muhajirs had voted solidly for the MQM did not mean that they did not have their differences with the MQM or that they should therefore be identified with that party. The fact that there had been an electoral polarisation did not mean that these two peoples of Sindh were therefore aligned against each other in rival camps. He continued that political conditions do not remain constant and fresh alignments would emerge. He appealed to both Sindhis and Muhajirs to stand shoulder to shoulder in their struggle to solve the collective problems of Sindh and he was confident that they would do so. The solution of problems of Sindh did not lie in rioting and conflict between Sindhi and Urdu speaking people of Sindh. It was a courageous speech in the context of attempts to arouse Sindhi chauvinistic feelings. What is significant is that this speech from the leader of the most important of the Sindhi nationalist parties (and groups) was received with enthusiasm. It is a hopeful sign for the future.

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Roche Products

ROCHE PRODUCTS engaged in the manufacture of bulk drugs, drug intermediates, pharmaceutical specialities, food and feed supplements, wants to explore possibilities of export of software packages which can be suitably developed if the conditions are favourable. The proposed business can be combined conveniently and advantageously with the existing business of the company under existing circumstances. In future there may be other business opportunities also which the company may wish to explore.

The company has fared well during 1988 with sales rising from previous year's Rs 33.95 crore to Rs 43.11 crore and gross profit from Rs 2.24 crore to Rs 3.37 crore. Net profit is also higher at Rs 1.57 crore (Rs 1.12 crore). The directors have raised dividend by a point to 15 per cent which is covered 2.18 times by earnings as against 1.67 times previously. These good results have been achieved mainly due to the increased price of vitamin A prevailing throughout the year and the increased production of vitamin A from 49 to 59 MMU, an increase of 20 per cent. There have also been marginal price and volume increases in pharmaceutical specialities.

Exemption Limit and Personal Income Tax
An International Comparison

Pulin B Nayak
Pawan K Aggarwal

This paper analyses the relationship between the exemption limit in personal income tax and per capita income for a group of 26 selected countries. Two alternative kinds of exemption limit are examined, viz, the actual exemption limit and the notional exemption limit, where the latter is defined to be the income level at which the marginal rate of 25 per cent becomes applicable. Norms for both the actual and notional exemption limits are devised using a determinants analysis on the basis of per capita income and the share of personal income tax in total revenue. It is seen that the actual exemption limit and the marginal tax rates at low levels of income are high in India, Pakistan, Jamaica and Spain and low in the US and Thailand.

I

Introduction

THE exemption limit and the marginal tax schedule comprise the two basic elements of any income tax system. In most countries of the world personal income up to a certain limit is exempted from income tax. Two broad justifications may be provided to have income up to a certain level exempted from tax: (I) The capacity to pay income taxes may be regarded as being low for very low incomes. Individuals with low incomes up to a certain level may thus be exempted from paying tax. This may be thought of as being an *equity* argument. (ii) On grounds of administrative cost it might be advantageous to exempt a large number of taxpayers with very low tax liability if it is felt that the ratio of cost of collection to the tax yield for such persons would be so high as to make the imposition of the tax uneconomical. This may be thought of as being an *administrative* argument.

A natural question arises as to whether the exemption limit in a country is high or low as compared to the limit in other countries. It is well known that as the level of well-being of a country, judged in terms of, say, its per capita income, rises the share of direct taxes in total tax revenues is seen to be higher. With a per capita income of US $ 290, India raised about 18.96 per cent from direct taxes in the year 1986 whereas with per capita incomes of $ 8.870, $ 12,080 and $ 12,840 respectively. UK, West Germany and Japan raised 66.15, 76.49 and 74.79 per cent of their tax revenue from direct taxes. It should also be remembered that direct taxes can be more readily used as a tool to promote equity as compared to indirect taxes. The arguments for this are quite well known but for a systematic review of it the reader is referred to Musgrave and Musgrave [1980]. It may be expected that as the general level of well-being of a country rises an increasing proportion of the population may be, with good justification, brought within the income tax net. In particular, as per capita income rises the ratio (R) of the exemption limit to per capita income may be expected to fall. This also means that the ability- to-pay of the bulk of the population rises. Beyond the recognition of this fact, however, it ought to be stressed that any attempt at comparing the exemption limit across countries is in fact fraught with several methodological difficulties. Two countries may have the same per capita income levels, but the exemption limits of personal income taxes may well be different owing to, among others, three important factors: (i) The tax structures in the two countries in terms of the mix of the direct and indirect taxes may well be significantly different. This might well be so due to the different structural features of the two economies. (ii) The structure of personal income taxes itself may be significantly different between the two countries in the sense that different combinations of exemption limits and marginal tax schedules may be chosen to yield a target level of income tax revenues. (iii) The distributions of income in the two countries may be different, giving rise to the need for instituting different exemption limits in the two countries.

In this paper, however, we exclusively focus attention on per capita income and the mix of direct and indirect taxes as the key factors determining the level of the exemption limit.

A country with a large population size and high income inequality like India may adopt, *ceteris paribus,* a higher exemption limit as compared to other countries principally to avoid dealing with a large number of taxpayers for a meagre amount of tax revenue. From a perusal of the data for several countries it is observed that as per capita income rises the ratio R of the exemption limit to per capita income falls. Through a choice of suitable functional forms we relate R to per capita income and the share of personal income taxes in total tax revenue, and estimate the relationships. The actual R is then compared to its predicted value of R for individual countries. We also posit that those countries that raise a relatively larger amount of tax revenues from direct taxes would be having a lower exemption limit in relation to their per capita incomes for the sake of a wider tax base.

It has long been felt that inter-country per capita GDP data available, for example, the *World Development Report*, do n accurately reflect the real income lev across countries. In order to account for r income differentials not captured in t exchange rate adjustments Kravis and othe [1982] have proposed a set of correction fa tors to the per capita GDP figures. W attempt a second exercise linking the rat R to per capita incomes corrected by t Kravis index.

For our exercise we consider a sample o 26 countries. These are Austria, Brazi Colombia, Denmark, France, We Germany, India, Ireland, Italy, Jamaic Japan, Kenya, South Korea, Luxembour Malawi, Malaysia, Mexico, the Netherland Pakistan, Philippines, Spain, Sri Lank Thailand, UK, the US and Zambia. Th Kravis index is also available for all thes countries.

We also examine an alternative notion o exemption limit, which we call the 'notiona exemption limit'. This is taken to be the leve of income at which the marginal tax rate 2 per cent becomes applicable. Accordingly two exemption limit ratios, RA and RN could be defined which refer to the ratio of actual and notional exemption limits t per capita income. RN avoids the misleadin picture that we get from purely looking a RA for the countries that start with very lo exemption limits associated, perhaps, with very low marginal tax rates as in France West Germany, Luxembourg and the Nether lands. Both these notions provide differen kinds of information and it should not b thought that one is necessarily superior t the other.

We find that Colombia has the highes actual exemption limit ratio (RA), followe by India, Pakistan, Kenya and Sri Lanka, i the descending order. The US has the lowes RA which is followed, in the ascendin order, by South Korea, West Germany Austria and Luxembourg. On the othe hand, Malawi has the highest notiona exemption limit ratio (RN), followed in the descending order by Kenya, Pakistan and Thailand. West Germany has the lowest ratio which is followed, in the ascending order by Austria, UK and Luxembourg.

TABLE 1: ACTUAL AND NOTIONAL EXEMPTION LIMITS AND PER CAPITA INCOMES OF DIFFERENT COUNTRIES

Country (1)	Per Capita GDP in US$, 1986 (PCGDP) (2)	Country Currency Units Per US$, 1986 (3)	Index of Purchasing Power, 1975 (4)	Actual Exemption Limit (5)	Notional Exemption Limit (6)	Actual Exemption Limit as Ratio of PCGDP (RA) (7)	Notional Exemption Limit as Ratio of PCGDP (RN) (8)	Per Capita GDP Adjusted for Purchasing Power Parity (PCGDPA) (9)	Ranking in Terms of RA (10)
Colombia	1230	194.2610	2.82	1200000	2000000	5.0222	8.3703	3480.9	1
India	290	12.6110	3.23	18000	18000	4.9218	4.9218	936.7	2
Pakistan	350	16.6480	3.12	24000	74000	4.1189	12.6999	1092.0	3
Kenya	300	16.2257	1.95	12000	79200	2.4652	16.2705	585.0	4
Sri Lanka	400	28.0170	3.65	27000	48000	2.4093	4.2831	1460.0	5
Denmark	12600	8.0910	0.79	208200	208200	2.0422	2.0422	9954.0	6
Jamaica	840	5.4778	1.25	8580	8580	1.8647	1.8647	1033.2	7
Mexico	1860	611.7730	1.23	1427400	5625800	1.2544	4.9440	2287.8	8
Malaysia	1830	2.5814	1.98	5000	35000	1.0584	7.4090	3623.4	9
Brazil	1810	13.6600	1.58	21600	120400	0.8736	4.8696	2859.8	10
Malawi	160	1.8611	2.55	240	6000	0.8060	20.1494	408.0	11
Philippines	560	20.5300	2.51	8500	106000	0.7393	9.2200	1405.6	12
Spain	4860	140.0500	1.36	500000	600000	0.7346	0.8815	6609.6	13
Thailand	810	26.2990	2.61	13000	233000	0.6103	10.9378	2114.1	14
Ireland	5070	0.7454	1.14	2000	2000	0.5292	0.5292	5779.8	15
Zambia	300	7.3046	1.49	900	6400	0.4107	2.9205	447.0	16
UK	8870	0.6817	1.11	2425	2425	0.4010	0.4010	9845.7	17
The Netherlands	10020	2.4500	0.89	7474	17233	0.3045	0.7020	8917.8	18
Japan	12840	168.5200	1.10	570000	4430000	0.2634	2.0473	14124.0	19
Italy	8550	1490.8000	1.12	3000000	11000000	0.2354	0.8630	9576.0	20
France	10720	6.9261	0.91	16560	41730	0.2230	0.5620	9755.2	21
Luxembourg	15770	44.6720	0.91	153600	369600	0.2180	0.5246	14350.7	22
Austria	9990	15.2670	1.00	30762	50000	0.2017	0.3278	9990.0	23
West Germany	12080	2.1715	0.88	4536	4536	0.1729	0.1729	10630.4	24
South Korea	2370	881.5400	2.54	300000	10000000	0.1436	4.7864	6019.8	25
USA	17480	1.0000	1.00	1900	16800	0.1087	0.9611	17480.0	26

Country (1)	Ranking in Terms of RN (11)	Total Tax Revenue (12)	Tax on Income, Profits, and Capital Gains (13)	Social Security Contribution (14)	Tax on Individuals (15)	Tax on IPCG and SSC (16)	Tax on Individuals and SSC (17)	DTR (16)/(12) (18)	ITR (17)/(12) (19)
Colombia	6	292393	78479	53033	45895	131512	98928	0.4498	0.3383
India	9	23470	4655	0	1928	4655	1928	0.1983	0.0821
Pakistan	3	31263	5253	0	1804	5253	1804	0.1680	0.0577
Kenya	2	15987	5023	0	1803	5023	1803	0.3142	0.1128
Sri Lanka	12	30354	5480	0	1760	5480	1760	0.1805	0.0580
Denmark	15	188028	77671	10447	62359	88118	72806	0.4686	0.3872
Jamaica	16	15861	5193	690	2743	5883	3433	0.3709	0.2164
Mexico	8	43383	11766	5780	5388	17546	11168	0.4044	0.2574
Malaysia	7	17131	7982	106	1975	8088	2081	0.4721	0.1215
Brazil	10	60733	16135	20966	736	37101	21702	0.6109	0.3573
Malawi	1	29626	11724	0	4501	11724	4501	0.3957	0.1519
Philippines	5	49974	12166	0	4308	12166	4308	0.2434	0.0862
Spain	18	58739	14910	29440	11766	44350	41206	0.7550	0.7015
Thailand	4	139385	31101	0	16716	31101	16716	0.2231	0.1199
Ireland	22	6427	2213	935	1978	3148	2913	0.4898	0.4532
Zambia	13	10174	3218	0	1089	3218	1089	0.3163	0.1070
UK	24	108056	46931	21987	32543	68918	54530	0.6378	0.5046
The Netherlands	20	17593	4778	8285	3736	13063	12021	0.7425	0.6833
Japan	14	34854	24523	0	13868	24523	13868	0.7036	0.3979
Italy	19	243724	90839	82499	72615	173338	155114	0.7112	0.6364
France	21	170920	31400	80060	23230	111460	103290	0.6521	0.6043
Luxembourg	23	86070	35615	22225	25201	57840	47426	0.6720	0.5510
Austria	25	41924	9223	16127	7877	25350	24004	0.6047	0.5726
West Germany	26	48358	8719	28470	6915	37189	35385	0.7690	0.7317
South Korea	11	11078	2867	158	1522	3025	1680	0.2731	0.1517
USA	17	64500	35553	23479	29848	59032	53327	0.9152	0.8268

In the following section we present a brief review of the literature. In Section III a picture of the exemption limit and per capita incomes in various countries is presented. The fourth section of the paper outlines the methodology that we have adopted in this study. The results of our econometric exercise are presented in the fifth section. Since the exemption limit of the personal income tax is matter of much interest and relevance in India we focus specifically on the Indian case in Section VI. Section VII presents the conclusions of this study.

II
Exemption Limit: A Brief Review of the Literature

The literature on the comparative picture of personal income taxes across countries is meagre, presumably because of the inherent difficulties associated with attempting such an exercise. Some of the best known works in the area are due to Chelliah, Bass and Kelly [1975] and Tait, Gratz and Eichengreen [1979], both of which work out some measures of the average tax rate relative to the base. Dilnot and Morris [1984] in an important paper study the incomes tax structure of UK, and consider the consequences of choosing alternate tax scenarios but they do not provide a comparative picture of other countries. In the Indian context Chawla [1972], Gupta and Aggarwal [1982], and Kothari [1987], among many others, have considered the question of the exemption limit and the marginal tax schedule. None of these works, however, has considered the international picture.

Sicat and Virmani [1988] develop a methodology to compare marginal official tax rates across a sample of fifty developing countries. They caution against trying to link disincentive effects of a tax system purely in terms of the highest marginal rate. For their analysis they relate the income level which the tax reaches the highest marginal rate to per family GDP (FGDP), and examine the proportion of tax-payers to which the highest rates apply. The analysis is based on the above threshold income level and four other income levels (3/4 of mean FGDP, mean FGDP, 2 times FGDP and 3 times FGDP).

In analysing the impact of inflation on personal income tax in India, Bagchi [1982] argues that it is not the case that income tax has totally ignored the effects of inflation. In fact he shows that the exemption limit has moved up more than was necessary to neutralise the inflationary impact. He also looks at the ratio of the exemption limit to per capita income for 21 selected countries and finds that the ratio is the highest for India, followed by Pakistan, and lowest for Austria, West Germany and Israel. Bagchi also recognises that the exemption limit of personal income tax must depend upon the mix between direct and indirect taxes amongst countries.

III
Exemption Limit: Concepts Adopted and the International Picture

Table 1 presents data on both the actual and notional exemption limits along with per capita incomes of the sample countries. The data on exemption limits have been obtained from the *Investing Licensing and Trading Conditions Abroad* which have been compiled by the Business International Corporation, and the per capita income figures have been obtained from the *World Development Report (1987)*. The data on the exemption limits correspond to the year 1987 and the figures for the per capita gross domestic product (PCGDP) are for the year 1986. The latest year for which the Kravis index of real income comparisons of different countries is available with us is 1975 and the same have been used in the current study to make a correction for real PCGDP.

For the purpose of determining actual and notional exemption limits, we focus exclusively on the basic[1] exemption limit and the tax rate schedule applicable to a country. It is possible to think in terms of adding the standard deduction to the basic exemption limit to get an idea of the zero tax limit [see, for example, Sicat and Virmani (1988)]. We have resisted this temptation because in most countries the standard deduction is a variable with an upper limit and we see no obvious justification in merely adding on the upper limit of the standard deduction to the exemption limit. Moreover, the standard deduction is not applicable to income from all sources and is allowed only with respect to salary income in lieu of the expense of earning income just as deductions for expenses are allowed in computing profit or loss from business or other sources of income. Therefore, to the extent that the standard deduction represents the expense of earning salary income alone, it would not seem appropriate to add it to the basic exemption limit to cover all sources of income. Variation in the standard deduction across countries may thus be presumed to principally reflect variations in the expense of earning salary income.

It is of course true that income earners in different countries may have families of different average sizes to support but we make no adjustments to the exemption limit on this score. The picture would be further complicated by the fact that average family size would generally vary across income classes as well as across countries. Our analysis also does not take into account personal allowances specifically allowed for old age marriage, etc.

From Table 1 (Column 7), it would be noted that the ratio (RA) of actual exemption limit to per capita gross domestic product (PCGDP) in the country's own currency varies from as low as 0.1087 to as high as 5.0222 across the 26 countries covered here. Colombia has the highest RA which is followed in the descending order by India, Pakistan, Kenya, Sri Lanka, Denmark, Jamaica, Mexico and Malaysia. On the other hand, the US has the lowest RA which is followed, in the ascending order, by Korea, West Germany, Austria, Luxembourg, France and Italy. The ratio is found to decline as PCGDP rises across the countries as well as with rise in PCGDPA.[2]

It would also be noted from Table 1 (column 8) that the ratio (RN) of notional exemption limit to per capita gross domestic product varies from as low as 0.1729 to as high as 20.1494 across the countries. Malawi has the highest RN which is followed, in the decending order, by Kenya, Pakistan, Thailand, Philippines, Colombia and Malaysia. On the other hand, West Germany has the lowest RN which is followed, in the ascending order by Austria, the UK, Luxembourg, Ireland, France, and the Netherlands. As in the case of RA the ratio RN is also found to decline with increase in PCGDP across the countries as well as with increases in PCGDPA.

The rankings of different countries in terms of RA differ substantially from those in terms of RN (Table 1, columns 10 and 11). Colombia and India which are ranked first and second in terms of RA are found to be ranked sixth and ninth in terms of RN. On the other hand Malawi and Philippines which are ranked eleventh and twelfth in terms of RA are found to get respectively the first and fifth rankings in terms of RN. Similarly Korea and the US which are found to have the lowest exemption limit ratio RA are not found to have the lowest ratio RN—instead they are placed among countries with middle rankings.

The relationship between exemption limit ratios and per capita incomes is analysed subsequently.

IV
The Methodology

The ratio (R) of the exemption limit to per capita income can be expressed as a function of per capita income (PCI) and the ratio of personal income taxes (and social security contributions, wherever applicable) to the total tax revenue (ITR), as:

(1) $R = f(PCI, ITR)$

The higher the PCI of a country the lower is likely to be the exemption limit ratio (R). Countries relying more on direct taxes and specifically more on personal income taxes may adopt lower exemption limits to have a broad base of individuals' taxes. So the higher the ITR of a country it may be expected that the lower ought to be the exemption limit ratio (R).

For the purpose of studying the relationship of R with PCI and ITR, we have chosen the following alternative functional forms of relation (1):

(2) $R = \beta_1 PCI + \gamma_1 (1/PCI) + \delta_1 ITR$

(3) $LR = \beta_2 LPCI + \gamma_2 (1/PCI) + \delta_2 LITR$

(4) $LR = \beta_3 LPCI + \gamma_3 (1/LPCI) + \delta_3 LITR$

Where LR, LPCI and LITR denote the log values of R, PCI and ITR respectively. β_1, β_2, β_3, γ_1, γ_2, γ_3 and δ_1, δ_2 and δ_3 are the parameters to be estimated.

The expected values of β_1, β_2, β_3 δ_1, δ_2 and δ_3 are negative. γ_1, γ_2 and γ_3 can take any value. This is so because a country with a higher PCI is expected to have a lower R. Similarly a country that depends relatively more on individuals' taxes is also expected to register a lower R. The inverse term '1/PCI' or '1/LPCI' allows the relation between R and PCI to vary among the countries with respect to their level of economic development judged in terms of PCI.

In equation (2), for $\beta_1 < 0$, $\gamma_1 < 0$ would mean that the decline (rise) in R following a unit rise in PCI is higher (lower) among the countries with higher PCI, whereas for $\beta_1 < 0$, $\gamma_1 > 0$ would mean that the rate of decline in R following a unit rise in PCI is lower among the countries with higher PCI, and insignificance of γ_1 would mean that R falls by a constant value β_1 following a unit rise in PCI. A positive (negative) value of δ_1 would mean that R rises (falls) by a constant value δ_1 following a unit rise in ITR.[3] Equations (3) and (4) may be interpreted in a similar manner.

The per capita income (PCI) of different countries can be defined in at least two ways. The first and the obvious one would be in terms of US dollars at the official exchange rate. The second would be in terms of US dollars at the official exchange rate adjusted by the Kravis index for parity in purchasing power among different countries. The latter concept of PCI seems to be preferable to the former though several researchers have questioned the Kravis approach [see for example Isenman (1980)]. We have obtained the estimates of equations (2) to (4) by using both the concepts of PCI with a view of bringing out the implications of the above concepts.

As suggested above the exemption limit ratio (R), like PCI, is defined in two ways. The first is in terms of the ratio (RA) of actual exemption limit to per capita income. The second is in terms of the ratio (RN) of the notional exemption limit (taken to be the level of income at which the 25 per cent marginal rate of tax becomes applicable) to per capita income. Estimates of equations (2) to (4) are obtained by using both the concepts of R, i e, RA and RN.

The choice between equations (2) to (4) is dependent essentially on the econometric fit. The one which gives the statistically better fit is taken to be the preferred equation for our purposes. Different equations may be found to give better fits with different combinations of R and PCI, i e, RA and PCGDP, RA and PCGDPA, RN and PCGDP, and RN and PCGDPA.

Countries with exemption limits above or below a norm can be identified by comparing the estimated values of R obtained by using a preferred estimated equation with the actual values of R. Countries with the actual exemption limit ratio greater (lower) than the estimated value can be identified as those with exemption limits that are higher (lower) than the norm. Different countries can be ranked according to an index of deviation of actual value of R from its estimated value, which can be defined as:

$$(5)\ I = \frac{\text{actual R} - \text{estimated R}}{\text{actual R}}$$

This index may rank different countries in different ways depending on the concept of PCI (PCGDP or PCGDPA) and that of R (RA or RN) used in the estimated equations.

A positive (negative) value of the index I for a country would mean that the exemption limit in that country is greater (lower) than the norm. Values of I of 0.50 and 0.75 suggest that the actual exemption limit is respectively two-fold and four-fold as that of the norm. Similarly, values of I of −0.50, −1.00 and −2.00 suggest that the exemption limit is respectively two-thirds, half and one-third of the norm.

V

The Results

Each of equations (2) to (4) were estimated by ordinary least squares separately with each of the four combinations of R and PCI, i e, (RA, PCGDP), (RA, PCGDPA), (RN, PCGDP) and (RN, PCGDPA). In all these cases, equations (3) or (4) gave better fits as compared to equation (2) evaluated in terms of the explanatory power of the equations (R^2), significance of the coefficients of the exogenous variables

TABLE 2: PARAMETER ESTIMATES OF EQUATION OF ACTUAL EXEMPTION LIMIT RATIO (RA)

Eq No	Per Capita Income (PCI)	R^2	SEE	Coefficient of log PCI	1/log PCI	1/PCI	log ITR
1	PCGDP	0.48	0.85	−0.5256*	0.1054		−0.0504
				(5.16)	(1.13)		(0.46)
2	PCGDP	0.48	0.85	−0.5622*		−0.2104	−0.2289
				(4.94)		(1.20)	(1.13)
3	PCGDP	0.45	0.86	−0.4902*			−0.0214
				(5.03)			(0.20)
4	PCGDP	0.45	0.84	−0.4901*			
				(5.13)			
5	PCGDPA	0.43	0.90	−0.5154*	0.0055		−0.2041***
				(4.72)	(0.22)		(1.70)
6	PCGDPA	0.42	0.88	−0.6149*		−0.6907***	−0.5393***
				(5.42)		(1.95)	(2.68)
7	PCGDPA	0.42	0.88	−0.5151*			−0.2089***
				(4.81)			(1.80)

Notes: PCGDP = Per Capita gross domestic product.
PCGDPA = Per capita gorss domestic product adjusted by the Karvis index of parity in purchasing power among different countries.
ITR = Individual tax ratio, i e, the ratio of tax revenue from personal income tax to total tax revenue of the central government.
* = Significant at 99 per cent level of confidence.
** = Significant at 95 per cent level of confidence.
*** = Significant at 90 per cent level of confidence.
SEE = Standard error of the estimates.
Depdendent variable in the equations is log of actual exemption limit ratio (RA), i e, log RA.

TABLE 3: PARAMETER ESTIMATES OF EQUATION OF NOTIONAL EXEMPTION LIMIT RATIO (RN)

Eq No	Per capita Income (PCI)	R^2	SEE	Coefficient of Log PCI	1/Log PCI	1/PCI	Log ITR
1	PCGDP	0.73	0.73	−0.3604*	0.1417***		−0.8453*
				(4.15)	(1.79)		(9.10)
2	PCGDP	0.70	0.78	−0.3054*		0.0216	−0.7851*
				(2.94)		(0.13)	(4.24)
3	PCGDP	0.69	0.76	−0.3128*			−0.8063*
				(3.62)			(8.55)
4	PCGDPA	0.67	0.80	−0.3111*	−0.0104		−0.9289*
				(3.18)	(0.47)		(8.63)
5	PCGDPA	0.67	0.81	−0.3194*		−0.0526	−0.9449*
				(2.90)		(0.15)	(4.83)
6	PCGDPA	0.67	0.79	−0.3118*			−0.9197*
				(3.24)			(8.84)

Note: Same as in Table 2 excepting that the dependent variable in the equations is log of notional exemption limit ratio (RN), i e, log RN.

and the standard error of the estimates. Parameter estimates of equations (3) and (4) are given in Tables 2 and 3. Parameter estimates of these equations with dependent variable as log RA are reported in Table 2 and those with dependent variable as log RN are reported in Table 3. The explanatory power of the equations with dependent variable log RN is substantially higher than those with dependent variable log RA. This is in fact what one would have expected. Our analysis suggests that some of the countries rather than opting for a higher exemption limit have settled for a low exemption limit with very low marginal rates of tax at initial levels of incomes. These are France, West Germany, Luxembourg and the Netherlands. The variation caused by this factor in RA could not be explained by the variables included in the functional specifications whereas RN is free from this variation and is thereby explained better by the variables included in the specifications.

It would be noted from Tables 2 and 3 that the coefficients of the logs of PCI and ITR are significant with all the four combinations of (R and PCI), except that the coefficient of log ITR is not significant with the combination (RA PCGDP). This seems to suggest that per capita income and the ratio of personal income tax to total taxes significantly affect the exemption limit ratio. The inverse of the log of PCI is significant only with the combination (RN, PCGDP) and the inverse of PCI is significant only with the combination (RA, PCGDPA). Depending on the explanatory power of the equations, the significance of the coefficients and the standard error of the estimates, the equation that gives the better fit differs with respect to different combinations of (R and PCI). For the combination (RA, PCGDP), equation 4 in Table 2 with the exclusion of the inverse of PCI and log ITR terms seems to give the better fit. With the combination (RA, PCGDPA), equation 6 in Table 2, with the inclusion of inverse of PCI and log ITR terms seems to give the better fit. With the combination (RN, PCGDP) equation 1 in Table 3, with the inclusion of the inverse of log PCI and log ITR terms seems to give the better fit. Lastly with the combination (RN, PCGDPA), equation 6 in Table 3, with the exclusion of the inverse of PCI but inclusion of log ITR seems to give the better fit. The expected signs of the coefficients of the explanatory variables are obtained in these equations. These better fit equations with different combinations of (R and PCI) are chosen for setting exemption limit ratio norms for different countries. Exemption limit ratio norms are thus given by estimated values of the ratio by using these better fit equations. Based on the actual and estimated values of the exemption limit ratio the index of deviation of the actual value of the exemption limit from its estimated value 'I' is calculated with respect to each of the four combinations of (R and PCI). The values of index I with the combinations (RA and PCGDP) and (PC, PCGDPA) are given in Table 4 and those with the combinations (RN and PCGDP) and (RN, PCGDPA) are reported in Table 5.

The values of index I, based on the combination (RA, PCGDPA) given in Table 4 (column 3), suggest that the actual exemption limit is greater than four-fold of the norm in Colombia and Denmark, greater than twice the norm in India and Spain, greater than one and a half times the norm in Kenya, Pakistan and Jamaica, around the norm in Mexico, Brazil, the UK, Ireland, Sri Lanka, the Netherlands, Malawi, Malaysia, Luxembourg, Japan and Italy less than two-thirds of the norm in Germany, Austria and the US, less than half the norm in Thailand, Philippines and Zambia and less than one-fifth of the norm in Korea. Implications of the values of the index, based on the combination (RA, PCGDP), i e, with unadjusted PCGDP, given in Table 4 (column 2), however, would have been slightly different from those stated above with the combination (RA, PCGDPA). The extent of excessive exemption limit would have been overestimated in Pakistan, Mexico and Sri Lanka and underestimated in Kenya and Spain. The extent of short-fall in the exemption limit would have been underestimated in Thailand, Philippines and Korea and overestimated in Malawi, Italy, the US, and Zambia. The policy applications of the above findings would seem to be that the exemption limit ought to be lowered in Colombia, Denmark, India, Jamaica, Kenya, Pakistan and Spain.

The value of index I, based on the combination (RN, PCGDPA), given in Table 5 (column 3), suggest that the notional exemption limit is greater than four-fold the norm in Colombia, greater than twice the norm in Malawi, Brazil and Japan, greater than one and a half the norm in Thailand, the US, Mexico, Kenya, Denmark and Malaysia, around the norm in Korea, Italy, Spain, Philippines, the Netherlands, Pakistan, France and Luxembourg, less than half the norm in India, Jamaica, Ireland, the UK, Austria and Sri Lanka, and less than one-third the norm in Zambia and West Germany. However, the implications of the values of the index based on the combination (RN, PCGDP), i e, with unadjusted PCGDP, given in Table 5 (column 2) would have been slightly different from those stated above based on (RN, PCGDPA). The extent of excessive exemption limit would have been overestimated in Thailand and Denmark, and underestimated in Colombia, Malaysia and Korea. Further, this would have placed Jamaica among the countries with exemption limit close to the norm instead of among those with exemption limit less than half the norm. An implication of the above findings is that the level of income at which the marginal rate of 25 per cent is applicable is high in Brazil, Colombia, Denmark, Japan, Kenya, Malaysia, Malawi, Mexico and the US, and low in Austria, Germany, India, Ireland, Jamaica, Sri Lanka, the UK, and Zambia.

A comparison of column (3) in Table 4 with that in Table 5 reveals substantial variation in the comparative picture of different countries based on the actual and notional exemption limit ratios. Countries such as India, Pakistan, and Jamaica which were found to have the exemption limit substantially higher than the norm based on the former ratio are found to have the exemption limit substantially lower than the norm based on the latter ratio. On the other hand, countries such as the US and Thailand which were found to have the exemption limit substantially lower than the norm based on the former ratio are found to have the limit substantially higher than the norm based on the latter ratio. This is attributable to the low minimum marginal rate of tax and low exemption limit in the latter category of countries as compared to the former category of countries. An implication of these findings is that in the former category of countries a lowering of the actual exemption limit should be accompanied by a simultaneous lowering of the marginal tax rates at low levels of income, and in the latter category, a raising of the exemption limit should be accompanied by a simultaneous raising of the marginal tax rates at low levels of income. For example, the exemption limit in India based on RA is greater than twice the norm but when judged in terms of RN it is less than half the norm. This suggests that the actual exemption limit in India should be reduced to half the present amount and simultaneously, the marginal tax rates at low income levels ought to be lowered such that the marginal rate of 25 per

TABLE 4: INDEX OF DEVIATION OF ACTUAL EXEMPTION LIMIT RATIO (RA) FROM THE NORM

Country	With RA and PCGDP	With RA and PCGDPA
Colombia	0.82	0.86
Denmark	0.86	0.81
India	0.63	0.61
Spain	0.37	0.54
Kenya	0.27	0.44
Pakistan	0.59	0.43
Jamaica	0.42	0.39
Mexico	0.41	0.26
Brazil	0.14	0.18
UK	0.14	0.18
Ireland	0.15	0.13
Sri Lanka	0.35	0.05
The Netherlands	−0.06	0.03
Malawi	−2.05	−0.09
Malaysia	0.30	−0.10
Luxembourg	−0.19	−0.17
Japan	−0.09	−0.17
Italy	−0.48	−0.26
France	−0.40	−0.35
West Germany	−0.71	−0.50
Austria	−0.60	−0.52
USA	−1.26	−0.69
Thailand	−0.82	−1.34
Philippines	−0.80	−1.52
Zambia	−3.39	−1.84
South Korea	−3.56	−4.69

cent becomes applicable at an income level above twice the current actual exemption limit. The exemption limit in the US based on RA is less than half the norm and the one based on RN is greater than one and a half times the norm.

Our analysis reveals that the exemption limit in Spain based on RA is greater than twice the norm and the one based on RN is close to the norm. This suggests that the actual exemption limit in Spain should perhaps be reduced to less than one half by carving out a low rate bracket from the current exemption limit so that the marginal rate of 25 per cent continues to be applicable at an income level as per the existing rate schedule. The exemption limit in Mexico and Brazil based on RA is around the norm and the one based on RN is around twice the norm. This implies that the marginal rate of 25 per cent is applicable at a relatively high level of income. The rate structure in these two countries need to be adjusted to raise the marginal rates at low income levels. The exemption limit in West Germany and Austria, based on RA, is around three-fourths of the norm and if based on RN is less than half the norm. This gives a signal for raising the exemption limit and lowering the tax rates at low income levels in these two countries.

VI

Exemption Limit in India

The exemption limit in India currently stands at Rs 18,000. In 1984-85 the limit was Rs 15,000. With each passing year there is clamour in several quarters for increasing the exemption limit, principally on the ground that inflation cuts into the real incomes of households and business firms. The consequences of inflation also eventually show up in upward wage revisions which leads to what is known as 'bracket creep', whereby tax payers move into higher tax brackets even though their real incomes may not have risen, or perhaps, even might have fallen. This will perhaps have some consequences for the notional exemption limit exercise we have carried out above. However, our presumption throughout has been that inflation would push up by a constant fraction both the per capita incomes on the one hand and the actual or notional exemption limit on the other.

Even so it might be useful to look at th exemption limit and the consumer price index (CPI) in India for some selected years from 1960-61.

Financial Year	Exemption Limit (Rs)	Consumer Price Index 1960=100
1960-61	3,000	100
1974-75	6,000	221
1975-76	8,000	270
1977-78	10,000	277
1980-81	12,000	330
1981-82	15,000	369
1986-87	18,000	568

It should be quite apparent that the exemption limit as well as the consumer price index have more or less moved up in tandem. For some years, e g, 1977-78 and 1981-82, the exemption limit appears to have been over-corrected *vis-a-vis* inflation, whereas for some other years, e g, 1986-87, the exemption limit appears to have been under-corrected.

The main burden of our analysis above suggests that with reference to an inter country comparison of per capita incomes the exemption limit is among the highest in the world. This conclusion is unaffected by inflation. However, the conclusion may well be affected by other significant features of the tax system, such as the share of direct to indirect taxes, the reliance on non-tax revenues and public borrowing, etc, and indeed it would also be affected by the structural features of the economy as a whole. The latter would include, among others, factors such as the level of development of the country, the share of agriculture, industry and the services in the national income,[4] the share of the export sector, etc.

When the analysis is carried out with respect to the notional exemption limit it emerges that India's exemption is, after all, not among the highest in the world. The starting marginal tax rate of 25 per cent appears too steep. There is perhaps a very good case for tempering the marginal tax rate applicable on the first slab. This could perhaps be set at around 15 per cent or so. There is however, no case whatsoever for increasing the exemption limit as such beyond the present level of Rs 18,000. Our analysis suggests that this level itself is very high, and in keeping with the international comparison t we have worked out, it should, if anythi be lowered. But we also realise that c templating any lowering of the exempt limit would perhaps be politically expedient. The limit should therefore allowed to stay put, with inflation be gradually allowed to reduce the real va of this sum.

This would also be in keeping with general thinking among tax theorists tod which seems to suggest that the base oug to be widened to bring one closer to notion of a comprehensive income tax a there ought to be a few tax slabs with t top rate not being too high. Seminal wo in the area of optimal income tax by M rlees [1971], Sheshinski [1972], Atkins [1973], Sadka [1976] and others seems to su gest that the top marginal tax rates oug not to be in excess of 40 per cent or so f a wide variety of specifications of incon profiles and individual utilities.

TABLE 5: INDEX OF DEVIATION OF ACTUAL EXEMPTION LIMIT OF RATIO (RN) FROM THE NORM

Country	With RN and PCGDP	With RN and PCGDPA
Colombia	0.45	0.78
Malawi	0.56	0.63
Brazil	0.50	0.62
Japan	0.55	0.50
Thailand	0.70	0.49
USA	0.54	0.49
Mexico	0.36	0.46
Kenya	0.47	0.46
Denmark	0.54	0.43
Malaysia	0.18	0.37
South Korea	0.11	0.32
Italy	0.16	0.13
Spain	0.05	0.12
Philippines	0.17	0.07
The Netherlands	0.09	−0.02
Pakistan	−0.12	−0.06
France	−0.23	−0.39
Luxembourg	−0.22	−0.44
India	−1.34	−1.07
Jamaica	0.08	−1.17
Ireland	−1.24	−1.26
UK	−1.16	−1.29
Austria	−1.27	−1.49
Sri Lanka	−2.09	−1.85
Zambia	−2.11	−2.44
West Germany	−2.25	−2.69

VII

Conclusions

Per capita income and the ratio of incom tax to total tax revenue seem to have significant effect on the ratio of exemptio limit to the per capita income of a countr

The actual exemption limit is found to b high in Colombia, Denmark, India Jamaica, Kenya, Pakistan and Spain, an low in Austria, Germany, Korea, Philippine Thailand, the US and Zambia.

The notional exemption limit, defined i terms of the level of income at which th marginal rate of 25 per cent is applicabl is found to be high in Brazil, Colombia Denmark, Japan, Kenya, Malaysia, Malawi Mexico and the US, and low in Austria, Wes Germany, India, Ireland, Jamaica, Sr Lanka, the UK and Zambia.

Our study suggests that the actual exemp tion limit and the marginal tax rates at lov levels of income should be lowered in India Pakistan, Jamaica and Spain and raised ir the US and Thailand. Signals are also noted for raising the exemption limit and lower ing the tax rates at low income levels ir Austria and Germany, and for raising the marginal tax rates at low levels of income in Brazil and Mexico.

Notes

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1 This excludes deductions specifically allowed for dependent children or parents, marriage allowance, etc.

2 PCGDPA is PCGDP adjusted for purchas-

ing power parity by the Kravis index.

From equations (2) (3) and (4) we have:

$$\frac{dR}{dPCI} = \beta_1 - \frac{\gamma_1}{PCI^2} \quad \text{and} \quad \frac{dR}{dITR} = \delta_1 (2')$$

$$\frac{dR/R}{dPCI/PCI} = \beta_2 - \frac{\gamma_2}{PCI} \quad \text{and} \quad \frac{dR/R}{dITR/ITR} = \delta_2 (3')$$

$$\frac{dR/R}{dPCI/PCI} = \frac{\gamma_3}{LPCI^2} \quad \text{and} \quad \frac{dR/R}{dITR/ITR} = \delta_2 (4')$$

This factor is particularly crucial because countries such as India do not levy personal income taxes on agricultural income.

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'Science' in Service of Monopolies
Universal Salt Iodisation Policy

K P Aravindan

The ubiquitous common salt, which once was the symbol of our struggle for national liberation, will soon be no more. The low cost crystal salt will be replaced by higher priced, fine iodised salt coming in sleek bags and carrying brand names made familiar by the electronic and other media. Another item of mass consumption is thus going to be fully integrated into the advanced capitalist market economy. The change-over will be effected by suitable legislation enacted by the government, buttressed by arguments put forth by a 'neutral, disinterested' scientific establishment. The monopoly sector of the Indian industry will chip in their might guided of course by the 'noble' pursuit of profit. Naturally, all of this will be done in the name of the poor, suffering millions, so that questioning it would be made to appear almost blasphemous.

The object of this article is to raise exactly a few of such blasphemous questions.

ENDEMIC goitre is enlargement of the thyroid gland, seen in a significant number of people in a population. This has been described in India from almost the vedic times. *Charakasamhita* and *Susrutasamhita* refer to neck swellings in what are most likely cases of goitre. It is known from the early part of the century that the inhabited valleys of the Himalayan massif is one of the world's largest contiguous areas of goitre prevalence[1].

The development of goitre or thyroid enlargement can be due to various factors. Undoubtedly, deficient intake of iodine is the most important of these causes. Iodine is necessary in minute quantities for the thyroid gland to synthesise its hormone thyroxine. This iodine is usually made available through the food and water. In areas where iodine is deficient in the water and soil, goitre incidence increases. In some other areas substances taken in the food can block the entry of iodine into the hormone. Such substances, called goitrogens are known to be a cause of endemic goitre either acting alone or in consonance with iodine deficiency.

It has been established beyond doubt that in the sub-Himalayan belt extending from Kashmir to Assam iodine deficiency is the cause of goitre[1]. The water and the food grown in the area is deficient in iodine and the people consume little or no fish and meat, which are rich sources of iodine, due to poverty and unavailability.

In such areas of the world various ways have been thought of, by which iodine can be supplemented in the diet. The most successful way this can be achieved is by iodising salt used for human and animal consumption. This is done by adding a specific amount of potassium iodide or iodate to the salt at the point of manufacture.

Apart from the cosmetic problem caused by a greatly enlarged thyroid gland, it is also found that in areas of high endemicity of goitre some children are born with gross mental retardation, deaf mutism and other physical abnormalities (cretinism). Prevention of this unfortunate disease is another important aim of salt iodisation[2].

Recognising the public health problem posed by the sub-Himalayan endemic goitre, the government of India initiated the National Goitre Control Programme in 1962. The modus operandi of this scheme was to (i) survey the suspected endemic areas, (ii) supply of iodised salt to the areas, (iii) prohibit the sale of non-iodised salt in those areas, and (iv) resurvey after periodic intervals to assess the impact of the programme. The government set up salt iodation plants in the public sector in Rajasthan, Gujarat, Assam, West Bengal and Himachal Pradesh. The state-owned 'Hindustan Salts' was given the sole monopoly for the production of iodated salt [3].

Despite these measures, the National Goitre Control Programme languished after a promising start. The 'sad story' of its mismanagement was sharply attacked by C Gopalan, the former director of ICMR [4]. This led to the setting up of a working group by the GOI to review the entire working of the National Goitre Control Programme. It is the acceptance of the suggestions made by the working group that led to the policy of 'universal iodisation of common salt' [3].

Strange Recommendations of Working Group

To any discerning observer the causes of failure of the programme in the endemic areas were obvious. The working group seems to have glossed over these entirely.

(1) The public sector units which were entrusted with the production of iodated salt were not able to produce the required amounts. The fact was accepted tamely without going into the reasons. The disinterest and lack of political will of the government is not seen as the most important factor. This was no doubt influenced by the urgings of the private salt manufacturers. The fact that this is not due to the innate inefficiency so often attributed to the public sector is borne out by the efficient functioning of the undertakings in which the government is really interested—look at the companies manufacturing condoms for the government's family planning project!

(2) The failure of health education campaigns to make the people in the endemic areas aware of the need to consume iodised salt. Such an education campaign relating to their daily life situation would have gone a long way towards the success of the programme. This lack of enthusiasm is again in striking contrast to the missionary zeal of the FP propaganda.

(3) Iodised salt was not made available in the endemic areas at the same or lower prices as compared to uniodised salt. This led to the smuggling and selling of cheaper non-iodised salt. There was no administrative willingness to check this. In the absence of a proper health campaign, people went in for the cheaper salt.

(4) Some of the salt sold as iodised was in fact not so at all. There were no proper quality control measures to detect this.

(5) Transport bottlenecks led to further non-availability in areas where it is most required.

The working group instead of studying the causes of this failure and giving suggestions for the streamlining of the existing production and distribution system, seems to have arrived at totally different and strange conclusions. It recommended that the only solution is to go in for universal iodisation. The reasons given were:

1 It was administratively difficult to prevent entry of non-iodised salt in the goitre endemic areas.
2 The problem of goitre and IDD was widely prevalent throughout the country and new endemic areas were frequently being identified.
3 The use of iodised salt by normal healthy individuals was not a health hazard.[3]

Increased production is sought to be achieved by throwing open the production of iodised salt to the private sector. As regards distribution and quality control, despite platitudes, the underlying hope seems to be that the market forces will take care of everything. As regards the second and third reasons, they seem to be put in as afterthoughts based on 'scientific evidence' so conveniently supplied.

The working group recommendations and the government policy announced shortly

thereafter is not based on a realistic assessment of the causes of earlier failure. To quote Gopalan, a supporter of the policy, "It will be a serious and naive miscalculation to expect that by just extending the salt iodation programme to cover the entire country, implementation will be simplified and current deficiencies will be automatically overcome"[5].

Socio-Economic Cost of Universal Iodisation

Fate of the small manufacturers: About 9 million tons of salt is produced in India annually. Except for negligible amounts it is mainly from sea water in the states of Gujarat, Tamil Nadu, Maharashtra and Andhra Pradesh. About 10,000 manufacturers are involved in this production. 50 per cent of the salt used for human consumption is produced by the small-scale manufacturers with fields less than 40 hectares in size[6].

The process of iodisation can be done in different ways. The spray mixing technology is the one favoured by the government and UNICEF. Moreover, only this technology can iodate salt in large quantities (5 tons per hour) and ensure uniform mixing of salt. Government of India has decided to supply potassium iodate free of cost to the manufacturers. But the experience so far has been that the delivery is not prompt[7].

The real problem for the small manufacturer is that an initial capital investment of 3-5 lakh rupees is needed for one spray mixing unit, which most of them are in no position to raise. Moreover for those with smaller fields (the vast majority) this technology is not cost effective. A further snag is that the manufacturers have to set up and maintain a quality control laboratory which adds to the initial and recurring expenditure. Newer regulations about packaging will also be disadvantageous for the small-scale sector.

To add to their woes is the competitive selling of iodised salt under different brand names. In the resultant free market warfare it will be a great wonder if the small-scale sector survives. In all likelihood the monopoly houses like Tatas who have now entered this field will make full use of the new policy to drive the small manufacturers out of business, with their shrill advertising and aggressive marketing.

Cost to the consumer: Common salt sells in most areas of the country at a price of approximately 50 ps per kg. The process of iodisation which involves extra expenditure tends to increase the price despite the subsidies. Apart from the capital costs involved there is a definite increase in the continuous operating costs. It is claimed that the minimum operating costs work out to about 11 paise per kilogram which is most probably an underestimate. Of this only about 2 paise per kg is subsidised by the government in the form of free supply of potassium iodate.

In actual fact the increase in prices would be out of proportion to the actual increase in expenses incurred. This is already seen in the market where iodised salt sells for prices ranging from Rs 1.50 to Rs 3 per kg. Only extreme naivette would permit the hope that this will come down in future. The very success of the current strategy depends on the co-operation of the private sector and it would be unrealistic to believe that they would be willing to forgo the current levels of profit in the industry. As for the capability of the government to force the private sector to bring down the prices, past experience in the different areas of industry should be an eloquent guide.

It is claimed that the costs of Rs 1.5 per kg and above is only that of refined iodated salt and that iodated crystal salt would sell cheaper as it already is in the endemic areas. But the whole point is that the new policy with its emphasis on private sector and reliance of the market will help the big manufacturers using the continuous spray mixing technology and sophisticated packaging to prevail over the others. It is feared that the crystal salt manufacturers (mostly small manufacturers and the public sector) will be pushed out of production. There would be an inexorable shift towards refined salt aided by the regulations and policies followed. UNICEF, the active partner of the GOI in the implementation of the programme, says in a document, "A lot of the salt in India is in crystal form. Historically consumers have bought only crystal salt. It is propsed that the common salt will be crushed before iodation. This would be achieved in a phased manner and consumer education will be undertaken to change consumer preferences"[6].

The final result would be that instead of salt now selling at 50 paise per kg, it would cost a minimum of Rs 1.5 per kg. This would cost the consumer a minimum of Rs 500 crore annually. In other words, the government would take Rs 500 crore from the poor citizen in whose name the policy is being pushed through and pass it on to the monopoly sector of Indian private industry.

Cost to the government: The government has committed an estimated Rs 210 million for the programme in the 7th Plan. A further Rs 125 million is the projected cost for the 8th Plan period excluding the recurrent costs of the staff, subsidy and other inputs. Furthermore all the iodine that is required for the programme would have to be imported and paid for in foreign exchange. It is only natural to ask whether this kind of expenditure would not have been more worthwhile if it was spent to make the already existing goitre control programme in the endemic areas a success.

Fate of the endemic areas: If the proposed increase in iodised salt manufacture does not keep up with the schedule, there is the real danger that the supply to endmic aeras will worsen. Previously the flow of iodised salt was from the production centres to the endemic areas. Now with the policy of universal iodisation, it would be easier and more profitable for the private manufacturers to sell the higher priced salt in the metropolitan and well developed markets. We may see a situation where people who really need the product do not get it while those who do not need it get a surfeit of the same. This situation already exists for several products like drugs.

Perhaps, anticipating this it has been recommended that in the interim period (i e till iodised salt manufacture attains necessary levels) the people in the endemic area be covered by injections of iodised oil[6]. But it has been pointed out that this would be prohibitively costly besides requiring large imports. Moreover, it is strange to suggest that areas which are 'inaccessible' to common salt would be easily accessible to periodic massive injection programmes![5].

'Scientific' Backbone of Universal Iodisation

The universal iodisation policy if pushed through as it is, will be done at tremendous social and economic cost. But the bitter pill would have to be swallowed willingly, had the scientific argument in its favour been so strong as to make it imperative. Faced with any criticism of its policy, the authorities would take cover behind the shield of 'learned scientific opinion'. It is worthwhile to examine how foolproof the scientific arguments in support of universal iodisation really are.

Virtually all the studies forming the basis of the new policy have been done by a handful of scientists—mostly in the All India Institute of Medical Sciences. The claim is that they have uncovered several new facts which challenge the conventional wisdom.

The conventional wisdom till the late seventies has been that a programme for the prevention of endemic goitre can be justified only in terms of health. If endemic goitre were merely a cosmetic problem there could be little justification for government action. However large nodular thyroids may cause obstructive symptoms and may be subject to malignant changes. In addition, when endemic goitre is severe, endemic cretinism is found also[9].

Leading from this the question was posed as to what level of endemic goitre or endemic cretinism justifies a prophylactic programme? Obviously the criteria accepted would vary according to the socio-economic situation of a country. Methods for grading goitres in surveys were developed whereby all goitres were graded on a scale from 0 to 4[10]. In general it was suggested that a 5 per cent incidence of Grade I goitre in pre- or peri-adolescent school children or a 30 per cent incidence of goitre in the general population would certainly warrant some action; the presence in the population of 1 per cent persons who could be classified as cretins would demand early and urgent action[9].

The bedrock of the new policy is the purported new evidence unearthed by studies

done in India. The main line of argument is more or less as follows:

1 Previously it was thought that an adaptively enlarged thyroid gland compensated for iodine deficiency by stretching its cpacity to put out enough thyroxine to meet bodily needs, i e, the patients are 'euthyroid' (thyroid function normal). It is now claimed that more than half the goitrous persons in the severely endemic areas were 'hypothyroid' or that they had thyroxine deficiency[11].

2 Sub-cretinous brain damage occurs in endemic populations in addition to overt cretinism[12]. The argument is that even in areas with no increase in the rate of cretinism children have sub-normal intelligence and this can be detected by IQ tests. The problem of mental retardation may be much more extensive than was inferred originally from the observation that only less than one percent of children in goitre endemic areas suffer from cretinism. New studies reveal that 15 per cent of children could be suffering from varying degrees of mental retardation[3].

3 The risk for such subnormal intelligence can be assessed by screening new-borns for thyroxine deficiency. By such methods, in the severe endemic areas, as much as one in six new-borns are found to be thyroxine deficient at birth.

4 Newer endemic areas in India are being found in surveys and the cause for endemic goitre in these areas is also iodine deficiency[11].

5 Prophylaxis of endemic goitre is best done by iodising salt. Excess intake of iodine will not be a problem given the current levels of intake in any part of India[11].

Each thread in this line of argument needs to be examined in detail.

Claim of Hypothyroidism in Himalayan Endemic Goitre

The most quoted study in support of this claim is one by Kochupillai et al published in 1973[13]. This article is cited often and with an air of finality to claim that as much as 60 per cent of the goitrous individuals are decompensated and subthyroid[14, 15].

In reality all that the study shows is that the mean levels of TSH hormone is increased in the 26 goitrous subjects studied when compared to controls in England. In fact the mean thyroxine (T4) levels were higher (significantly so in Grade I goitres) when compared to the same controls. In a classical example of doublespeak the authors try to dismiss this by saying that possibly it is due to the fact that the controls were from England! True, the authors find that the effective thyroxine available (represented by the values of ETR) is slightly reduced. But the most important point actually seen from the results but only cursorily discussed is the fact that the second type of thyroid hormone called T3 is significantly elevated in the subjects when compared to the controls.

Now what happens is that the thyroid enlarges in response to the increased secretion of the pituitary hormone TSH and makes more economical use of the iodine available by preferential secretion of tri-iodothyronine (T3) which is metabolically more active than thyroxine but contains less iodine (three atoms per molecule compared to four for thyroxine)[16, 17]. In these persons the normal function of thyroid is thus maintained.

There is a tendency among some endocrinologists to use the term 'subclinical hypothyroidism' in subjects with normal thyroxine and elevated TSH. But this is apparently a misnomer. To quote an eminent endocrinologist "I question the wisdom of referring to patients with normal circulating thyroid hormone, but elevated serum TSH values as suffering from 'subclinical hypothyroidism'. Hypothyroidism to my mind is a state in which there is inadequate supply of thyroid hormone to the tissues... I would prefer the term inadequate thyroid reserve in analogy to other endocrine axis"[18].

The misnomer becomes positively misleading when used in the lay press to whip up support for a policy as Kochupillai has done[11, 19].

Some other attempts to present the above quoted study as something of a landmark, again reveals a misleading propagandist streak out of place in a scientific article. For example it is said of the 1973 study, "this was indeed disturbing information and lead to an editorial comment in *Lancet* about 'Theory and Practice of Endemic Goitre'"[14]. A close reading of the said *Lancet* editorial[16] finds the work mentioned among many others. It was certainly not the sole inspiratron, nor was the main theme of the editorial the same.

Case for Subclinical Cretinism

In the mountainous terrain of the Himalayas there are pockets where endemic cretinism is seen in 1-4 per cent of the population. Even higher figures are reported from parts of Nepal[1]. But elsewhere in the sub-Himalayan endemic, the incidence is uniformly below 1 per cent[3]. In the supposedly new endemic areas being uncovered, endemic cretinism is not seen at all. But suppose iodine deficiency produces milder forms of mental retardation? (The so-called 'subclinical cretinism' *a la* subclinical hypothyroidism that we have just examined). It then becomes a powerful and emotive argument for ramming down the new policy (the unseen drain of brain power of our future generations, etc). So subclinical cretinism comes into the vocabulary and if it did not exist it had to be invented.

The methodology adopted for proving the new hypothesis involves developmental and intelligence testing. This approach is highly controversial and has been so riddled with a priori assumptions, conscious fraud and politics, that its very value and scientific objectivity has been seriously questioned[20, 21].

In one such study exactly 26 children goitrous mothers are compared with 20 co trols by using the Gessel developme score[22]. It is then concluded that t development quotient and language develo ment is lower in the children of the goitro mothers. The mean DQ for the controls 98.4 and that for others is 94.4. Using a co venient statistical test (t test) this has bee shown to be a significant difference and pr found conclusions drawn.

Apart from conscious fraud resorted by the likes of the grat Cyril Burt which p mental testing into much disrepute[23], the are unconscious and theoretical errors whic nullify its scientific value. One such 'reification' i e, belief that anything given name (like intelligence) is a thing and ca be measured on a metric scale, like heigh or weight and can further be used for com paring people. The fault in the logic in cas of intelligence and developmental tests ar clear. The fact that it is possible to devis tests on which individuals score arbitrar points does not mean that the quality bein measured by the test is really metric. Th illusion is provided by the scale. The ordina scale is an arbitrary one and most psycho metric tests measure ordinals of this sort. person with an IQ of 100 is not twice a intelligent as one with an IQ of 50[24]. Thu the statistical tests used to compare smal differences in scores are inappropriate.

A second criticism often levelled agains these tests is that strong a priori assumption alter the result even in the absence of fraud The tests do not represent the application of a neutral instrument, a test by an objective tester to a testee whose performance is being measured. Rather the results of a test are themselves the products of a three way interaction between the tester, the test and the testee. The tester's expectations of the testee's performance may itself modify that performance[25]. It is seen that black children score better on IQ tests administered by a black (or even by a computer!) than by a white[26]. This tester bias has led to such monumental errors as classifying the blacks and Asians as less intelligent than whites, women as less intelligent than men and so on[24].

Another important source for error is the socio-cultural bias of the tests themselves. In a country like India no single test may be appropriate for all the regions. Yet using such a test battery, children in Gonda have been branded less intelligent than those from the average Indian village[27]. This is a slipshod work to say the least. No controls seem to have been tested at all. Instead, the 'normal' values provided by the tests' designers have been taken. Performance in intelligence tests especially for those who score between 50 and 75 are strongly influenced by factors like material deprivation, poor educational facilities, family instability and lack of mental stimulation[28]. Yet we find here, supposedly serious scientists testing children from one of the poorest regions of India without even bothering to

set up a control and branding them as subnormal. And to add to the original errors they unquestioningly attribute the low scores to iodine deficiency without caring to look for the other socio-economic variables which could have given the same result.

The claim for sub-cretinous mental retardation is not supported by hard evidence. If indeed it is present in such high proportions it is indeed strange that it is not accompanied by a concomitant increase in clinical cretinism. The studies done by 'convinced' scientists using faulty and careless methods seem more like propaganda for their pet theme rather than real science.

As of now the following comment by Clements in 1960 seems to be still valid. "Mental deficiency without the other stigmata of cretinism has sometimes been considered to be a sequel of endemic goitre. Most of those who have made this claim have not had close association with endemic cretinism... Extensive investigations of mental defectives in non-goitrous areas have failed to show any connection between thyroid function and mental deficiency. There seems to be no justification for the statement that one of the sequelae of endemic goitre in the progeny is uncomplicated mental deficiency[35].

Neonatal Chemical Hypothyroidism

Proceeding from the assumption that milder forms of mental retardation due to iodine deficiency exists, neonatal screening for thyroid status was organised in selected areas to detect those at risk[15, 27]. The indigenous development of effective technology to accomplish this was a commendable effort. But the conclusions drawn from the studies are open to question.

In this study, the cord blood of newborns from the severe endemic areas were examined for T4 and TSH and compared with blood controls from Delhi and Kerala. Using standard criteria it was found that 7.5 per cent in Gonda and 13.3 per cent in Deoria were hypothyroid, while there was no significant neonatal chemical hypothyroidism in Delhi or Kerala[27].

It is known that in iodine deficient areas, some children may be born with what is called 'transient neonatal hypothyroidism'. This abnormality is characterised by low serum T4 and high TSH concentrations and spontaneously corrects itself over five to six weeks[29]. In Europe transient neonatal hypothyroidism has been related to iodine deficiency, since the incidence seems higher in regions of endemic goitre[30, 31]. In one series of Belgian newborns, the prevalence of transient hypothyroidism was 12 per cent[29]. Most cases occurred in the premature infants[32]. The prevalence was 26 per cent in infants under 32 weeks and about 5 per cent in term infants. Significant levels of transient neonatal hypothyroidism has been reported from Sicily[33].

In the studies quoted from India no attempts have been made to note the proportion of those with transient hypothyroidism. There is further no attempt even to quantitate the proportion of premature infants. Two of the articles published in 1984 are clear examples of evasion of the issue[14, 15]. Transient hypothyroidism is not even mentioned in the discussion. It is difficult to believe that the authors were unaware of the condition which has been described as early as 1978. Moreover, in one of the articles[15] the book containing a discussion on the subject is quoted in the bibliography in another context[30]. This is an example of the kind of intellectual dishonesty that is seen in much of the work on iodine deficiency goitre in India.

The problem of transient hypothyroidism is acknowledged in the discussion in a later paper by the same authors[27] (probably inserted after peer review). In it they admit that it could be important in iodine deficient areas but that they did not look for it because they considered it unethical to follow up these babies without treatment. Again it is unlikely that they were unaware of the studies in which the babies were given T3 and followed up. In transient hypothyroidism the T4 gradually rises under such conditions in a matter of weeks whereas in permanent hypothyroidism it does not[30]. They could have easily tried this in at least a subset of these cases, instead of starting them on thyroxine.

Transient hypothyroidism should specifically have been looked for especially in areas like Gonda and Deoria of eastern UP where a higher proportion of birth complications and prematurity are likely among the hospital deliveries. In the control areas of Delhi and Kerala this proportion would be much less because even most of the normal deliveries there take place in hospitals.

Further it is not good policy to put babies with transient hypothyroidism on prolonged thyroxine treatment because of the danger of neonatal hyperthyroidism[34]. There is also some evidence that in neonatal hypothyroxinemia (low T4, high TSH) found in iodine deficiency environments compensatory increase in T3 is encountered and the babies are compensated[31].

Undoubtedly, more studies need to be done in this area before firm conclusions are drawn. But one thing to be noted even at this juncture is that the control areas, among which Delhi has been claimed to be a new endemic area, is remarkably free from neonatal hypothroidism, whether transient or otherwise.

New Endemic Areas

Starting from the fifties and till the seventies, the figures quoted for goitre incidence in India were 40 million people exposed with 9 million having goitre[1]. Then in the eighties, almost simultaneously with the beginnings of the new policy we see a quantum jump in the estimates. The newer estimates have the exposed population at 120 million with goitrous population of 40 million[36]. Even higher figures of 300 million exposed and 60 million goitrous are sometimes bandied about[37].

There is reason to believe that the new figures are part of a campaign based on gross exaggeration. It is generally part of an effort to impress the decision makers—political and bureaucratic—and to gain public acceptance for the new policy. It is based primarily on the basis of surveys conducted in different parts of the country followed by blind extrapolation of data using faulty mathematical models.

It is now claimed that of 132 districts studied, 122 provided evidence of iodine deficiency goitre. But there is no indication that these 132 districts or the areas surveyed were randomly selected. On the contrary, there is reason to believe that these areas were selected because they were suspected to be endemic for iodine deficiency. Extrapolation from these to arrive at total figures would be highly fallacious. It has indeed been claimed that the actual figures for the number of IDD in South-East Asia (including India) have probably been overestimated by a multiplicatory factor somewhere between 3 and 6 due to the bias in the mathematical models used[38a].

Moreover the lay public including the decision makers are misled in another more subtle way. They are told that there are 40 million goitrous people, often accompanied by a photograph of a person with a large neck swelling. The overall impression sought to be conveyed is that there are 40 million such people in the country. As a matter of fact the vast majority of the supposed goitrous people have thyroids which cannot even be seen. Even considering the figure of 40 million to be true, calculations made from the rates of various grades of goitre in the different surveys [38, 39, 40, 41] show that the visible goitres will not exceed 4 million. The clinically significant cases causing cosmetic problems will not exceed 0.6 million. If there is a four-fold overestimation in these figures, the actual figures would be, total goitrous 10 million, visible goitres 1 million and those producing clinical problems 0.15 million.

These projections are made considering the percentages of goitrous people obtained in the different surveys to be true. In reality, the surveys are liable to considerable bias and variation. It has been mentioned that the large majority of goitres detected in such surveys are not visible but palpable only. Any thyroid thought to be enlarged on palpation (a swelling as big as the terminal phalanx of the subject's thumb) is taken as a Grade I goitre[42]. This is highly subjective. When the surveyors are convinced of a high prevalence in an area this leads to unconscious inflation of the percentages. Palpable and visible goitres can be overestimated in individuals with thin necks or poorly developed sterno-mastoid muscles[9]. This is another source of error in a poorly nourished population like ours.

In the last few years one thrust of

argument has been that endemic goitre is no longer a problem of the sub-Himalayan region alone and that it is widely prevalent in other parts of India also. Surveys purporting to back this claim are few in number and subject to the same drawbacks mentioned above. The chance of error is greater because in almost all these surveys the result indicate only mild or moderate endemicity (prevalence below 50 per cent)[39, 41, 43, 44, 45]. The fact that such studies are limited to few isolated pockets has not prevented fantastic claims being made. Even the maps have been redrawn to show the new-found widespread prevalence of endemic goitre in India. These maps are patently dishonest. For example, few isolated pockets in Maharashtra have been surveyed. This has led to the whole state to be shaded and shown as endemic goitrous.

One way of checking the veracity of these survey results is by reference to exacting biological data like that of iodine excretion in urine. Urinary excretion of iodine as a proportion of the excretion of creatinine (iodine per gm of creatinine) when properly done is a good measure of iodine intake[42, 46]. Mean values of less than 50 ugms/gm of creatinine in a population is indicative of moderate iodine deficiency. Values less than 25 ugms indicate severe deficiency. This can be tested on casual urine samples and is thus a relatively easy procedure[42]. Yet very few such studies are available from India. The occasional study from areas outside the sub-Himalayan belt show no evidence of severe deficiency. The results in some studies flatly contradict the results of the survey thus casting doubts about the reliability of the survey results. For example, Krishnamachari reports severe endemia from Maharashtra i e, a 52 per cent prevalence. But the urinary iodine per gm of creatinine in that population ranges from 52 ugms to 141 ugms. Even the iodine content of drinking water in the area is normal. Yet it is one of the surveys based on which the whole of Maharashtra is shown as endemic goitrous!

Pandav et al report a goitre incidence of 55 per cent from Kalkaji and Chandni Chowk areas of Delhi. But this does not correlate well with their finding of mean urinary iodine/creatinine value of 48 ugm/gm[40]. They argue that this figure is artificially high because of the probability of low creatinine excretion by smaller Indian children. They say that the figure of 50 ugm/gm as the cut off point for endemic iodine deficiency was proposed for western children and that this would exceed by 20-30 per cent the values appropriate for their Indian counterparts. Here they are in error, for the value of 50 ugm/gm of creatinine was proposed by Follis et al based on their findings in the Songkhla province of Thailand and there is no reason to believe that it would be substantially different from the Indian mean values[48].

There is however need to standardise the iodine excretion values in the Indian population for getting comparative data. Differential values for boys and girls may be used depending upon their body weight[49]. It has been suggested that measurement of iodine concentration alone in urine is sufficient especially for monitoring control programmes[42]. Whatever it is, iodine deficiency is best monitored and graded by the measurement of urinary iodine excretion. Very little of such work has been done in India especially outside the Himalayan belt. No attempts have been made to standardise the values. Wherever goitre really exists significantly and iodine excretion does not reflect the degree of deficiency to account for it goitrogens have to be looked for. Such diverse things as contamination of water by sewage, organochlorine pesticides, and thiocyanate in tubers have been blamed in this context[42, 50]. Studies along these lines from India are singularly marked by their absence. There is reason to believe that blind extension of the studies done in the sub-Himalayan endemic to the rest of India may prove counterproductive in the long run.

The Question of Safety

The most hotly debated issue in the new policy concerns the safety of iodine prophylaxis. Two extreme views are generally held. On the one hand it is held that iodation of salt can produce as many problems as it solves and should not be resorted to at all. The supporters of the policy on the other hand dismiss out of hand any reports regarding the complications. Pandav et al mention allergic reactions to iodine, iodine-induced hyperthyroidism, iodism and iodide goitre as the generally reported complications. They then proceed to demolish the claim for allergic reactions without discussing the others at all[51]. Kochupillai in an article claims that up to 400 ugms intake of iodine is not only safe but salubrious[11]. As with most extreme polemical views, the truth resides somewhere in between.

it is absolutely true that allergic reactions to iodine and iodism occur due to administration of pharmacologic doses of iodine and is absent in the usual prophylactic programmes. But the following complications need to be given serious thought: (a) iodide goitre (b) iodine-induced thyrotoxicosis (c) sequelae of possible increase in salt intake.

Iodide goitre: It is well known that pharmacological excess of iodide can produce goitre[52]. Extremely high intakes of iodide can produce endemic goitre as seen in the Hokkaido coast of Japan where it is due to high intake of the seaweed 'Kombu' in soup[53]. But can it also occur as the result of a prophylactic programme? The answer seems to be a qualified 'yes'. It appears that milder forms of endemic goitre can be a result of prophylaxis with iodised salt. A survey conducted in four areas of the US in 7,785 children showed an overall goitre prevalence of 6.8 per cent. In Michigan state the prevalence was 9.8 per cent. These endemic levels are seen many decades after the introduction of the salt iodisation programme. In all these areas iodine intake was more than adequate with a mean urinary iodine excretion of 452 ugm/gm of creatinine. More interestingly it was found that children with goitre and areas with high goitre prevalence tended to have higher rather than lower iodine excretion[54]. A ten-state nutrition survey of 35,999 people in the US similarly found a higher prevalence of goitre among persons excreting high levels of iodine[55]. The same study found an overall prevalence of 3.1 per cent with a high of 7.2 per cent in California.

It can however be argued that the overall incidence of goitre in the US was much higher prior to salt iodisation. While this is no doubt true of the US, it is by no means the rule. For example there are reports that in Iran and Iraq the incidence of goitre among school children increased after prophylactic use of iodide[56]. It is worth noting that such iodide goitres are mainly reported from the US and countries which have followed the US in using high levels of iodide in their salt iodisation programmes.

Iodine-induced thyrotoxicosis: Mild iodide goitre produced by salt iodisation programmes, if and when it occurs, is only a minor public health problem. But thyrotoxicosis, i e, disease due to hyperfunctioning of the thyroid gland is much more serious and cannot be dismissed lightly.

Iodine-induced hyperthyroidism, the so-called Jodbasedow effect has been the subject of many reports since the beginning of this century. Early reports noted the precipitation of hyperthyroidism in goitrous patients who were administered large doses of iodine. The iodisation of salt in parts of the US in the 1920s seems to have been followed by a temporary increase in toxic nodular goitre (one form of hyperthyroidism). While the earlier reports were all in those receiving high doses of iodine, it was however convincingly shown that physiological doses can also provoke toxic goitre. This was done in a study from Tasmania where a prophylactic programme based on iodation of bread was initiated in 1966[57]. The incidence of thyrotoxicosis in Tasmania showed a steep rise in 1966 and this higher incidence was maintained in 1967 and 1968. The increase was evident after iodation of bread was begun.

In defence of iodation programmes, it is however pointed out that the outbreak of thyrotoxicosis in Tasmania occurred predominantly in old people with long-standing nodular goitres. It is also known that the iodation of bread was effective in bringing down the levels of goitre in the community[58] so that such forms of thyrotoxicosis disappeared along with endemic goitre from the region eventually.

This argument is reasonable to a certain limit. In an area where there are cases of endemic cretinism a few cases of thyrotoxicosis may seem a small price to pay for

getting rid of a graver problem. But what about areas of moderate or mild deficiency where endemic cretinism is not seen at all?

It has also been stated that iodine-induced hyperthyroidism is not seen in the Indian endemic after initiation of prophylaxis. This is assumed to be due to the younger age structure of the population. But this claim cannot be accepted blindly. Has the surveillance for thyrotoxicosis been conducted at all? Who detects the random cases of toxic goitre occurring in far-flung backward areas?

Thyrotoxicosis occurring as a temporary phenomenon in certain individuals in a goitrous population may be acceptable, provided the prophylaxis that induced it finally gets rid of it. This was the comfortable assumption till recently. But what about the non-endemic non-goitrous areas? Can there be an increase in thyrotoxicosis in such a population as well? If so it would be a definite point against introduction of iodisation of salt in the non-endemic areas.

Recent studies in England show that the peak of onset of thyrotoxicosis occurs in the winter months[59]. This has been shown to correlate with winter peak in milk iodide concentrations which in turn correlates with the urinary iodine excretion[60]. Milk provides about half the adult iodine intake in Britain in winter. The higher content of iodine in milk in winter is because the cattle are fed solely on cattle feed enriched with iodine and there is no grazing during the period. The urinary iodine excretions are not particularly high, with a median of 106 ugm/gm of creatinine. The study expresses concern that an excess of iodine may be harmful to some individuals and asks whether an alteration of iodine levels in cattle feed should be considered[60].

The whole question of levels of iodisation is also likely to be reopened by such findings. High levels of iodisation as practised in the US and sought to be implemented in India may not be so salubrious after all.

Possibility of increased salt intake: Problems like hypertension can be precipitated by increase in the salt intake. In many western nations the salt consumption is coming down as a result of this awareness. In India however the way iodised salt is sought to be popularised raises genuine fears whether it will not lead to an increase in salt consumption.

Iodised salt is presented almost as a restorative tonic with wondrous powers. Companies advertise freely claiming that anything from dullness to squint is due to iodine deficiency and that iodised salt is the cure for it. A private company has recently begun an advertising campaign presenting iodised salt as a 'healthy food'. There is no medical or ethical justification for this type of action[42]. Even the government is made to join in this unethical, unscientific marketing blitz. A comic book shows a boy performing badly in school and dropping catches in cricket. After consuming iodised salt he is transformed into a brilliant student and a cricketing hero. After reading such stuff how many mothers will be able to resist adding that little extra salt to their children's food? The most unfortunate bit is that the said publication is by the health and family welfare department of the GOI[61].

Towards an Alternative Strategy

The present strategy of universal iodisation is one in which the costs are borne by the consumers and the benefits accrue to the monopolies. The real costs are likely to be higher than envisaged. The costs presently calculated do not take into account the recurring expenditure for maintaining a vast network for quality control and underestimates the cost for several items like import of iodine. Furthermore the programme is not likely to succeed because the focus has shifted from the areas of severe endemicity. The whole programme is wasteful of resources and unmindful of the priorities facing the nation. There is no appreciation for the opportunity costs of iodisation, i e, what other programmes with possible impacts on health, such as immunisation or provision of safe drinking water, could achieve with the same money. The scientific data presented in support of the policy is open to question. Clearly an alternative strategy is called for.

Scientists are often trapped in the quagmire of their own reductionist thinking. This leads them to propose simple 'technological fixes' for problems of complex socio-economic origin. The failure of national nutrition programme to solve the problem of malnutrition and of national blindness eradication programme to solve the problem of Vitamin A deficiency should have been eloquent pointers. But no lessons seen to have been learnt. Waiting in the wings of future technological fixes are fortification of salt with iron for anaemia and a host of other similar reductionist solutions.

Endemic goitre too is a problem with socio-economic, developmental and ecological causes. These have to be understood properly and solved sincerely. Iodine deficiency of soil is related to flooding, deforestation and soil degradation possibly related to the newer agricultural technologies. A programme to combat iodine deficiency should essentially contain flood control measures, checking deforestation, soil improvement, proper use of pesticides and fertilisers and general eco-restoration. These measures will also help the people in more ways than simply reducing the incidence of goitre.

It is also known that lack of food exchanges are important in the causation of severe endemic goitre and endemic cretinism. This is also a question of development. It

has been noted in Mexico that the simple measure of building a road in an inaccessible area resulted in more of food exchanges and disappearance of endemic cretinism. Development and ecology are thus the keystones of a permanent solution to the problem of IDD.

This is not to say that a salt iodation programme has no role. In the severely endemic areas one cannot wait for the general development to occur first. The birth of babies with endemic cretinism is a tragic waste of human resources. In fact this is the problem that needs to be tackled most urgently. Areas of severe and moderate deficiency (which occurs in the sub-Himalayan belt) can be tackled best by a programme limited to those areas. In fact, focus should not be allowed to shift from these areas by the imperatives of the free market economy.

This calls for revival and strengthening of the old National Goitre Control Programme. The anomalies discussed earlier need to be corrected and efficient implementation ensured. Increased production of iodised salt through the public sector, vigorous quality control along with proper administrative measures to check entry of non-iodised salt and a proper public health education campaign in those areas should be the cornerstones of such a programme. Subsidy may be given at the level of the retailer or the consumer to bring the price of iodised salt at par with that of ordinary salt. In the most severely affected pockets with high rates of endemic cretinism, provision of iodised oil to expectant mothers could be considered. This can be done through the PHCs and can be integrated with the maternal and child health programmes.

Further studies to assess the problem in different parts of the country accurately are needed. Such studies should be based on the incidence of endemic cretinism and on urinary iodine excretion parameters. The problem of goitrogens in natural foods and in synthetic chemicals should also be subject of study.

The problem of IDD in India offers no easy solutions. Rather than instant bravado and shotgun solutions, a mature and realistic assessment of the whole problem is what is required. A national debate involving scientists, social workers, economists and politicians is called for.

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Sickness in Indian Textile Industry

Prafull Anubhai

BAGARAM TULPULÈ's comment (February 18) on our paper raises some issues which need to be clarified.

Tulpule is not convinced that sickness is more prevalent in the composite sector than in the spinning sector. For this, he is relying only on the percentage of displaced workers in the two sectors. Our contention that "...within the organised sector, composite mills are worse off" was not based only on the analysis of closed mills. Closure is the terminal point of sickness. There are other units at different stages of sickness. A study of the health of the industry focusing on the two sectors based on some direct and indirect indicators helps us to understand this point better. We shall deal with these other indicators a little later.

First let us deal with Tulpule's observations regarding closed mills and displaced workers. Analysing the figures in Table 1 of our paper, Tulpule observes:

(i) "According to Table 1 in his paper, the percentage of sickness in composite mills is somewhat higher than in spinning mills."

(ii) "But the comparison of these percentages could be misleading. If, as is generally believed, it is the weaving stage in the composite mills that has rendered them sick due to competition from powerlooms, it would be logical to infer that the spindleage in the composite mills is rendered idle not because the spinning operation becomes uneconomical but because the whole mill goes sick due to uneconomical weaving. The higher percentage of closed spindles in composite mills is, therefore, of no special significance."

Let us take (i) above. Whether one takes the number of closed mills or the percentage of capacity rendered closed, the difference of 50 to 60 per cent (18 over 12 or 16 over 10) cannot be termed as "somewhat" higher.

Tulpule's contention that comparison of these percentages is "misleading" is based on the very point we are making, viz, that the composite mills suffer more because of the competition of powerlooms. Although there is some confusion in interpreting the data, we refrain from making any further comments on the same as we find that he has a priori assumed the observation we were making.

Tulpule then argues that if the number of displaced workers in closed mills is taken as the indicator of sickness, then sickness would appear to be higher in spinning mills. How valid is it to take such an indicator? In many cases, sickness is due to overstaffing. When we are talking about relative sickness in the two sectors, to use this as an indicator is misleading. Further analysis of our Table 1 brings out this point (see Table A). As can be seen in the table, the average size of the closed spinning mills (16,666 spindles) is less than the overall average size of spinning mills (18,490 spindles) and yet the average number of workers in such closed spinning mills (642 workers) is far higher than the general average number of workers in all the spinning mills (497 workers).

To sum up, capacity closed is one of the relevant indicators of sickness and not the number of displaced workers. There is little doubt about the comparative capacities closed here.

Further, our observation about sickness being more prevalent in the composite sector was based on several such indicators—number of units closed, growth of the spinning sector and the powerloom sector, relative movement of yarn and cloth prices, number of units falling sick and knocking at the doors of financial institutions and BIFR, losses incurred by composite mills in the last two years compared to the profits of the spinning sector, over-extension of suppliers' credit in the composite mills, increasing debt burden, etc. In a recent study done by ATIRA covering state textile units in Maharashtra, Gujarat, MP and UP, the finding was as under:

> The financial performance of the spinning mills has been relatively better, this group has shown cash profits in four out of the seven years covered by the study. The composite mills, on the other hand, have been generally running with cash losses.

From the latest IFC (Inter-Firm Comparison) Study carried out by ATIRA on the profitability of textile mills, the trend that emerges is given in Table B. The table brings out the trend in the relative health of the composite and spinning mills. As this point was so generally accepted, we had refrained from elaborating it earlier.

Tulpule questions our proposition that sickness is largely afflicting the organised sector. He cites lower utilisation of capacity in the powerloom sector as an indicator of poor health of that sector. The validity of this observation is questionable. The powerloom sector works on the basis of flexible production. This is its main strength. Utilisation varies with market situation. Cost of temporary idle capacity is very low as no wages are paid or overheads incurred. It is this factor which gives them a market advantage. This market advantage and lower operating costs make them profitable even at lower annual capacity utilisation. Lower utilisation does not mean sickness in this context. The growth of this sector has been phenomenal and so consistent (year after year) that it is difficult to argue that these entrepreneurs are a misguided lot, not knowing their interest and jumping one after the other on a sinking ship.

Tulpule also disputes the relative cost advantage of the powerloom sector by observing that the yarn cost of powerloom is more by 12 per cent. We do not know how he has arrived at this figure, but the study of ATIRA which we had cited does refer to this factor which according to them varies between 7.65 to 10.4 per cent (p 104 of the proceedings of the 26th Technological Conference, ATIRA, February 1985). The conclusion which we had quoted, viz, "the combination of powerloom weaving and power processing will be more cost effective than composite mills to the tune of about 10 per cent even if the excise duties were equalised" was reached after taking this into account. To quote further from the same study, "powerlooms incur higher (8-10 per cent) yarn costs than composite mills. Nevertheless cotton cloth woven on powerlooms is cheaper by 5-10 per cent than the equivalent mill cloth" (p 18 of ATIRA study).

Tulpule laments that when cotton prices were falling, mills did not take advantage to increase production and that the benefit of falling cotton prices was not passed on by reduction in cloth prices. We have already pointed out the long-term trend of fall in cloth production by the organised sector and the reasons thereof. (Emergence of a large number of spinning mills and the more cost effective powerloom sector for various reasons cited by us explain this.) We need not repeat the argument. As regards reduction in cloth prices, we should not lose sight of the incessant rise in other costs like power, fuel, chemicals, dyestuffs, stores, spares, etc, as brought out in our Table 10 (p M-151).

Regarding locational cost factors, Tulpule considers it to be misleading. His conten-

TABLE A: AVERAGE CAPACITIES

	Average Sps/Mill	Average Looms/Mill	No of Workers/Mill
Composite mills	44,645	745	3,039
Closed composite mills	38,615	638	2,096
Spinning mills	18,490	—	497
Closed spinning mills	16,666	—	642

Note: The figures above are derived from Table 1 of our paper. For example, the average number of spindles per composite mill is obtained by dividing the total number of spindles in composite mills by the number of composite mills, i e, 12590000/282 = 44645, and so on.

tion is that against these cost advantages one must weigh in the transportation costs of raw cotton and finished goods. Let us examine raw material transport. This depends on the spatial pattern and quality of cotton crop. (In the last few years, Punjab and Haryana have emerged as the largest cotton producing states.) There is, therefore, no clear-cut disadvantage to a particular area. For transportation of finished products, the market being the whole of India, if anything, the older surplus producer states will have a higher transportation cost. Further, what we had mentioned were differences in important cost factors. Incidentally, we assure Tulpule that the figures of wages mentioned by us are based on actual wages paid during the period April-June 1987.

Further, Tulpule raises the question as to how smaller capacities in the 'new' states can affect these larger capacities in a significant way. India is one market. With such large cost differences, it is inevitable that industry will shift to more profitable location and would decline in 'high cost' centres. We were trying to trace the roots of structural relocation which has started happening and warn that the 'older' states can ignore this reality only at their own peril. Such locational shifts start slowly and unless they are noted and counteracted with policy prescriptions, they become irreversible.

Another observation by Tulpule about the data on finances presented in Table 21 is misplaced. The observation reads: "In Table 21 Anubhai presents a picture of the finances of textile mills and the picture is none-too-rosy. But for private sector mills alone the picture is not quite as gloomy, for a large part of the gloom is contributed by the public sector mills." This data is based on IFC studies made by ATIRA over years and are expressed as converted into Rs '000 per equivalent loom. This sample was not collected sector-wise, i e, public and private. In fact, we understand that very few public sector mills participated in the IFC studies during those years and therefore the observation of Tulpule would not stand. In any case, these are trend data and show orders of magnitude and general direction.

Let us also react to a few other observations which relate to facts. Discussing modernisation and the dangers of pursuing it with an eye on the export market, Tulpule observes, "import of textile machinery is on OGL and is resulting in a net outgo of over Rs 500 crore per year in the name of modernisation". We are not clear about the source of this information. In any case, textile machinery import is not on OGL except for very few machines not manufactured within the country and, secondly, machinery imports are nowhere near the Rs 500 crore mentioned by him. In fact, they are as under for the latest year for which we have detailed information:

Import of Textile Machineries, Components and Accessories

(Rs crore)

	1984-85	1985-86
Cotton textile sector—machinery	10	13
Parts and accessories (presumably by the machinery building industry of India)	8	9
	18	22
Man-made fibre and filament industry	52	123
Other textile industry (wool, jute, etc)	21	19
Total	91	164

Source: Director General of Commercial Intelligence and Statistics, Government of India.

In Tulpule's opinion, the view that the industry should be made internationally competitive (as recommended by the Expert Committee in 1985) so as to provide a boost to exports lacks a sense of proportion and is somewhat frivolous. He, therefore, dubs it as "fetish for exports". He rejects the export potential of Indian industry *vis-a-vis* other countries like Pakistan, Hong Kong, Taiwan and Korea by (i) questioning the export statistics cited by us in Table 24; (ii) raising doubts about export statistics and yarn production statistics of Pakistan as per the ICMF *Handbook of Textile Statistics* (not cited by us); and (iii) feeling apprehensi that our decentralised sector would be star ed of yarn, if yarn export is allowed witho limits.

We fail to understand on what basis finds the data in Table 24 cited by us to b improbable. We give a further break-up the data (relating to India and Pakistan) clear up his disbelief (Table C). Tulpule the gives a curious twist to the argument b discrediting the data cited by himself an observing "how much weight should on give to these figures in diagnosing our pro blems and prescribing remedies?" Firstl this is not the data cited by us or relied upo by us. Secondly, even this data (which ar quite authentic) are not properly interprete by him.

The reported production of woven cotto cloth in Pakistan refers to production in th organised mill sector not including the pro duction of the decentralised sector, while ex ports of cloth includes cloth made both i the mill sector and decentralised sector. I appears that in Pakistan the producion o cloth in the decentralised sector is about 8 to 10 times that of the organised sector.

Further, Tulpule questions data about yarn production of Pakistan by stating that India's installed spindleage is over five times that of Pakistan, but its yarn production is shown to be only a little over 2.5 times that of Pakistan. This can be so because of several factors, such as, (1) higher utilisation, (2) coarser count, (3) better productivity, and (4) higher technology (more rotors compared to ring frames. The ICMF *Handbook* shows this to be so.)

After this shadow boxing with data, Tulpule asks what would have happened if unlimited yarn exports had been permitted and concludes by saying "would there have been a better example of making a fetish of exports?" Why should we assume that exports of yarn means lower domestic availability? Is production capacity inflexible? Do we not want growth? What constrains it? Had yarn exports been allowed, there would have been higher capacity utilisation, growth in spinning capacity, improvement in quality

Table B: Profitability of Composite and Spinning Mills

	Composite Mills				Spinning Mills			
	1987-88	1986-87	1985-86	1984-85	1987-88	1986-87	1985-86	1984-85
(1) No of mills	86	91	91	121	122	108	108	131
(2) No of mills with								
(A) Negative return	62	44	44	76	42	41	26	56
Per cent of total mills	72.1	48.3	48.3	62.8	34.4	37.9	24.1	42.8
Average return on employed capital of such mills in per cent	−22.9	−21.2	−14.0	−21.2	−9.1	−8.6	−8.4	−12.9
(B) Positive return	24	47	47	45	80	67	82	75
Per cent of total mills	27.9	51.7	51.7	37.2	65.6	62.1	75.9	57.2
Average return on employed capital of such mills in per cent	6.5	8.9	9.2	7.4	8.9	9.8	9.5	8.2
(3) Per cent of production value—								
(a) Contribution	44.5	48.0	44.7	41.3	38.0	39.5	36.4	33.9
(b) Cash profit before interest	−2.1	3.2	3.8	−0.7	9.0	8.0	8.5	5.0
(c) Cash profit after interest	−9.2	−2.2	−1.3	−6.8	3.5	2.3	3.2	−0.1
(d) Gross profit	−5.3	0.2	1.0	−3.8	3.9	3.6	3.8	−0.3
(e) Net profit before tax	−10.0	−3.4	−2.3	−6.8	−1.0	−0.9	−0.3	−3.1
(f) Net profit after tax	−10.0	−3.5	−2.4	−6.8	−1.3	−1.1	−0.4	−3.2

Notes: Employed capital = Total assets − carried forward losses; gross profit = profit after depreciation but before interest; and cash profit = profit before depreciation.

TABLE C (Thousand tons)

Items	India			Pakistan		
	1982	1983	1984	1982	1983	1984
Cotton						
Mill consumption	1260.7	1408.4	1485.7	506.3	524.0	501.5
Foreign trade						
Imports: Yarn	0.0	0.0	0.0	0.1	0.0	0.0
Fabrics	0.3	0.6	0.6	0.0	—	—
Clothing	0.0	0.0	0.0	0.1	0.0	0.1
Other manufactures	0.2	0.5	0.5	0.2	0.0	0.0
Total (actual weight)	0.5	1.2	1.2	0.4	0.1	0.1
Total (fibre equivalent)	0.5	1.4	1.4	0.4	0.1	0.2
Exports: Yarn	6.4	6.8	9.0	137.7	103.3	127.2
Fabrics	45.0	52.1	67.7	95.2	101.9	100.2
Clothing	43.1	57.3	68.8	21.7	32.9	26.9
Other manufactures	31.7	26.4	30.3	60.9	53.4	52.6
Total (actual weight)	126.2	142.7	175.8	315.5	291.5	306.9
Total (fibre equivalent)	148.8	167.9	206.6	365.5	338.2	355.3
Balance (fibre equivalent)	−148.2	−166.5	−205.2	−365.1	−338.1	−355.1
Available for home use	1112.5	1241.9	1280.5	141.2	186.0	146.4

Source: *World Apparel Fibre Consumption Survey, 1987*, Food and Agricultural Organisation, Rome.

and productivity induced by international competition, higher exchange earnings and higher employment. What is wrong with exports?

We also lay a great deal of stress on making our industry internationally competitive. We feel that without a hard-headed look at our costs, and pressures to be efficient even the cause of our domestic consumers will not be served. Too much sheltering has generated a high cost, 'static' culture and ill serves our consumers price-wise or quality-wise. One way to change this culture is to generate pressure to be internationally competitive and to adjust our industry and its structure to become efficient and vibrant. No exhortations will help. How to make the industry internationally competitive? Whether it will be through the latest and most automatic machines or through short-run customised labour-intensive technology will depend on the relative factor prices, labour laws and the relative quality levels acceptable in the international markets. No a priori judgments can be made about choice of technology nor can any conclusion be valid for all products and for all times.

Tulpule has made a sweeping generalisation that by adopting the latest technology (which itself is questionable and not supported by facts) the industry has made a wrong choice of technology and has as a result become sick. We do not find any evidence to support such a conclusion anywhere in his article. It requires a much more rigorous and complex analysis to reach such a conclusion taking various factor prices, technologies and products into account. However, if he means that in cases where modernisation is attempted without fully relating it to the kind of products to be manufactured and developing an economic justification for the same it could lead to disastrous result, I am in agreement with him.

Tulpule imputes a certain desire or motive in our discussion regarding retrenchment of labour in Bombay without bearing the cost of rationalisation. We meant this as a statement of fact rather than any desire or preference on our part. In fact, we were among the first to advocate a scheme to soften the blow of closure on the workers. We would not be presumptuous if we claim that the seed of the Textile Rehabilitation Fund was shown by us alongwith V L Mote in a presentation made by us at the Indian Institute of Management, Ahmedabad, in 1984.

The other issue raised by Tulpule is questioning profit as a yardstick for a socially desirable economic activity. Who determines what is socially desirable? Which products of what quality are desirable? Who should produce them? How should it be provided and by what combination of factors? These are the questions which must be answered. These are more fundamental questions of political economy and fall beyond the scope of our paper. The changes going on in USSR and China and witnessed in many other countries where market forces have been again given freer play point to a set of answers which are different from what Tulpule implies.

We could not agree more with Tulpule on the point that there is gross over-capacity and that some of this is unviable and that trade unions instead of opposing all closures should work for orderly closures and protection of workers' interest as much as possible. This is what we have always advocated. In fact, one of the purposes of writing the article was to make the unions aware of the larger factors leading to restructuring so that they can adjust their policies to optimise long-term employment and more orderly movement of labour.

Surprisingly, despite these different perceptions of data and some economic positions, we are happy to note that Tulpule recommends remedies which are very close to ours, except for some differences with regard to the importance of exports, modernisation and some other policy interventions. On fiscal reliefs, he goes far beyond duty reduction advocated by us and makes out a case even for a subsidy.

મેરા ભારત મહાન

जवाहरलाल नेहरू
जन्मशती

JAWAHARLAL NEHRU
CENTENARY

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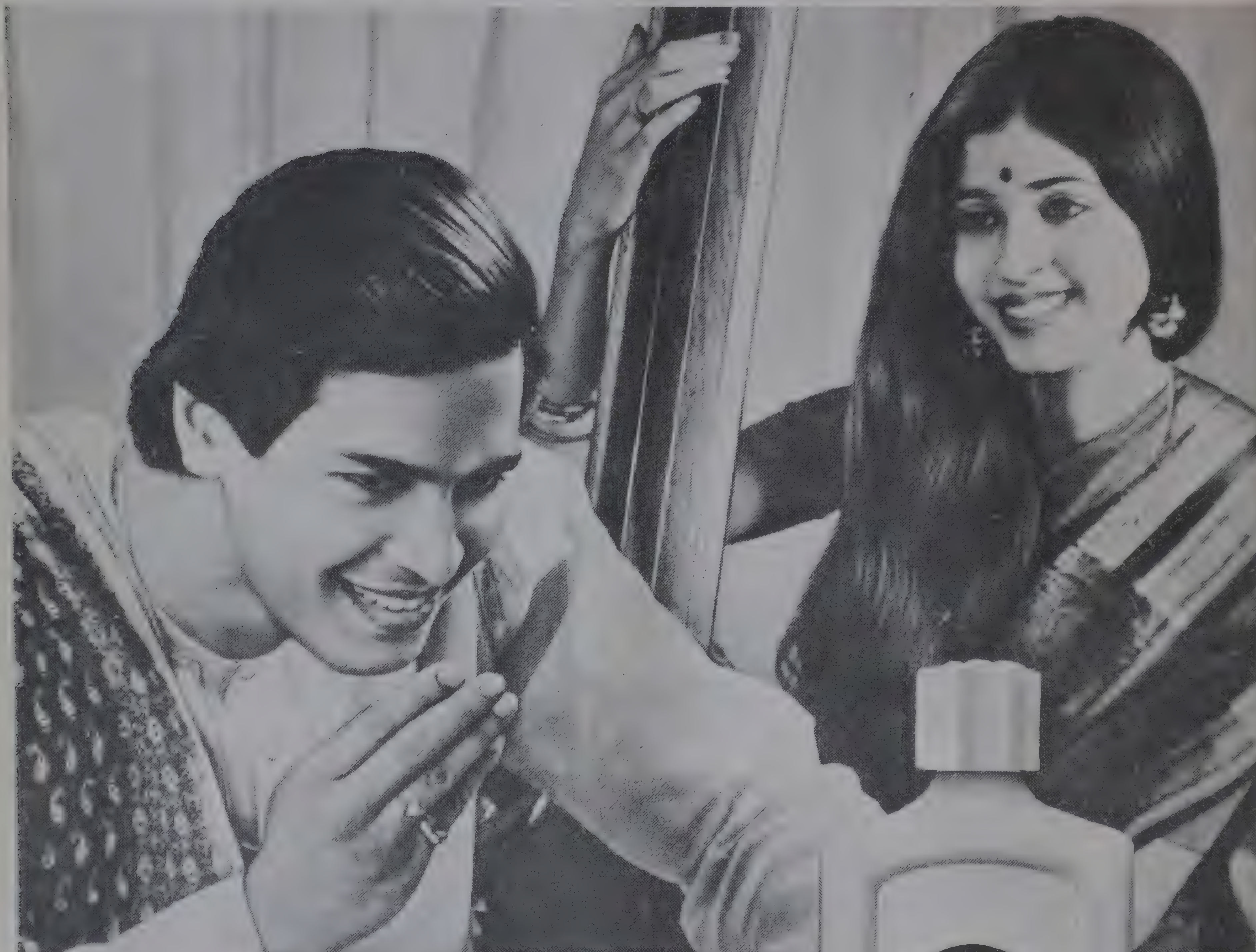

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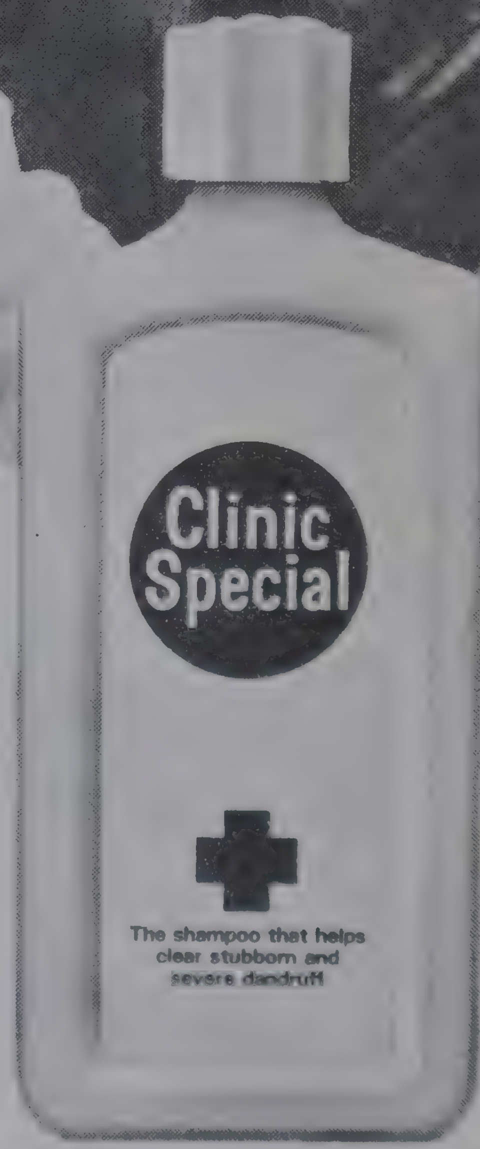

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Food Subsidies: Costs and Benefits

The rural and urban poor in Andhra Pradesh have gained some Rs 240 per year per household from the rice rationing policy, but it is a temporary, tenuous gain. The subsidy may later be cut as budgetary constraints begin to bite. And even if the subsidy and ration are not reduced, the next crisis could come from the physical supply side. 1597

Subsidising food is a widely prevalent policy in most developing countries. Its form and dimension, however, varies across countries depending upon the mix of political, social and economic factors. Accordingly, the benefits and costs of specific food subsidy programmes policy differ significantly. The experience gained from different variants of food subsidy programmes can be of much help to policy-makers in developing countries in assessing and modifying their own food subsidy schemes with a view to making them more cost-effective. A review article. 1584

Crisis of Planning

The ever increasing inequality, uneven regional growth, vast and growing unemployment and large areas of the economy sinking deeper into the quagmire of non-development are all evidence of the deepening crisis of economic planning in India. The planning exercises for the Eighth Plan now under way show the same naive unawareness of vital, and long neglected, theoretical and empirical aspects of developmental planning. 1591

Government and Society

Objective circumstances in a country change much faster than the ability of its system of governance to adapt to them. What are the major changes that have taken place in India? What modifications do these call for in the country's system of governance? And what implications do these have for the civil services? 1577

The Jammu and Kashmir Panchayati Raj Bill, passed by the state legislature, betrays basic lack of trust in the people. The process of devolution envisaged under the bill is matched at every level by the extension of bureaucratic authority. 1567

Lost Land

In spite of laws prohibiting transfer of land from the tribals to non-tribals, tribals in Andhra Pradesh have been rapidly losing their lands. This process will now be accelerated by the decision of the Andhra Pradesh government, supported by all the political parties in the state assembly, to allow free transfer of land by non-tribals in the Agency Tracts. 1571

Facing the wrath of the naxalites in the rural areas, Telugu Desam Party activists are now urging chief minister Rama Rao to put an end to the killings of suspected naxalites in false 'encounters' and to punish police personnel guilty of committing atrocities on the people. 1570

Stockbrokers' Opera

Participation by the general investing public in the stock markets has of late declined to modest proportions. Instead, a relatively small number of stock-brokers enjoying the patronage of the financial institutions have been accounting for the bulk of the business transacted in the markets. 1558

Green Europe

Europe has a new political colour: Green. The one clear trend in the June elections to the European Parliament was the growing support for the green parties all over Europe. 1575

Out of Step?

Those who have been talking of the crumbling of socialism in China have totally misunderstood the import of recent developments there. It is not socialism versus democracy; the students in Beijing were demanding greater democracy within socialism. 1563

Are the social and political institutions of communist societies falling out of step with the enormous technological changes that have revolutionised production techniques and with the vast advances in the means of mass communication and information networks? 1566

Exploitation and Efficiency

IN a letter to the editor (May 13) Ashok Rudra writes that he does not expect me to read his writings. May I begin by warning him that I do, usually very carefully and often with envy.

In his letter Rudra claims that Chapter 4 of his book (*Indian Agricultural Economics*, Allied Publishers, 1982) is a critique of Mellor and that Rudra "did not have anything of [his] own to say in that chapter about markets being efficient or otherwise". Far from being the case of my not reading Rudra, the above remark suggests that Rudra does not read Rudra. One does not have to go very deep into the chapter for it is evident from its title, 'Myth of Money-Lending Efficiency', that Rudra *does* have something to say about efficiency. He begins by pointing out how bourgeois myth-makers have tried to demonstrate efficiency even in the institution of moneylending. And then he goes on to demolish such myths by systematically establishing the various 'aberrations' that occur in rural credit markets, from market fragmentation to the rejection of the concept of *rate* of interest. All this is done with such finesse that to have him suddenly turn around and claim that he has not done so is not just fallacious but extraordinarily modest.

What I was taking him up on in my *EPW* paper (Special Number, 1988, pp 2309-12) was anyway not the occurrence of efficiency or inefficiency in credit markets but a matter of implication which is widely misunderstood and I was claiming—as I still do—that Rudra also misunderstands it.

On the matter of efficiency my position is very close to that of Rudra. I have not read the paper by Mellor which Rudra attacks but, going by Rudra's interpretation of it, I have no sympathy for Mellor's case.

The analytical point that I was making in my *EPW* paper is that from the fact that a market is efficient we cannot deduce it to be competitive. In fact (and this is the paradoxical part) the most exploitative markets are also efficient. Thus while traditional monopoly or monopoly is inefficient, extortionate monopoly with interlinkage results in efficient outcomes. This seemingly abstract result has a very important implication. It means that we cannot simultaneously claim that a market exhibits (1) extreme exploitation and (2) inefficiency. Given that many economists in India describe rural markets as characterised by both extreme exploitation and inefficiency, here is a theoretical result which tries to make them reconsider their description.

Regarding the value-neutrality of 'Pareto Optimality', on reflection I feel I was wrong in suggesting that most economists use the expression 'Pareto Optimal' as pure description. I still feel that they ought to for it *is* pure description. Moreover, most careful theorists do use it in a value-neutral way. Rudra is right when he argues that Amartya Sen having to lecture to people that a state may be Pareto Optimal but thoroughly undesirable suggests that there are economists who misunderstand the status of 'Pareto Optimality'. But the same example shows that there are economists, like Amartya Sen, who do not.

KAUSHIK BASU

Delhi.

Need Naxalites Not Respect the Civil Liberties of People?

I HAVE gone through the article 'Law and Order on Lease' by K Balagopal (June 17), with keen interest. I endorse the spirit of the article. At the same time, Balagopal has not been able to hide his pro-extremist bias and his contempt for political parties other than extremists.

As a champion of the civil liberties movement, Balagopal is not only expected to be above petty party politics but also appear to be so, if his organisation were to have credibility. He writes "...killing of poor people in the name of curbing extremism has long been legitimised in the state and *even those who are otherwise democratic do not protest much about it*" (emphasis added). He draws attention to how some 180 naxalites have been killed after NTR's assuming power and how very few people have spoken out against this. Why has such a situation come about? Should not responsible leaders like Balagopal ponder over the issue?

Gradually the extremists, especially the People War Group, is exposing itself as nothing but a bunch of anti-socials in the garb of a 'revolutionary ideology'. Otherwise how can one explain their kidnapping people and their resort to blackmailing? For example, one mandal praja parishad president, Malharrao, a young TDP man known for his pro-poor attitude was kidnapped and through this PWG blackmailed the government to release two of their arrested comrades. After the stipulated time Malharrao was brutally murdered. What does it show? PWG does not care to respect 'the right to live' of innocent people. Is it not a clear-cut case of an attack on civil liberties by the PWG? One cannot go on fighting for the civil liberties of those who do not have even an iota of respect for the civil liberties of others. No doubt, the government at times under the pretext of curbing extremists is harassing innocent people. But then the naxalites are doing the same thing. So people are justifiably becoming indifferent to the false encounters, etc.

I don't know how Balagopal can support even indirectly the murder of D Chenchuramaiah, a relative of the chief minister, at Karamchedu. Otherwise how can he write, "... The murder has undoubtedly given a *much needed shock* to the landed gentry..." (emphasis added). One cannot have two different sets of civil liberties, one for ordinary people and another for the extremists.

A P VITTAL

Secretary,
Andhra Pradesh Civil Liberties Association,
Vijayawada.

ECONOMIC AND POLITICAL WEEKLY

Costly Stubbornness

IT would be naive to believe that the World Bank's gesture of extending the deadline for expediting the Narmada project rehabilitation schemes will really compel the Indian government to move in that direction. Nor will it make for substantial changes in the policy on the project. For it is not as if the implementation of the rehabilitation schemes has suffered from time constraints. At best the Bank's gesture of first announcing the withholding of the loan instalment and then of magnanimously allowing more time, should be read for what it is—a recognition of the growing popular movement against the project.

The fact of the matter is that the almost every aspect of the project has come in for heavy criticism from experts. The cost estimates of the project are now reckoned to have been a gross underestimate, especially given the overrun on time schedules. Moreover, financial allocations other than the World Bank's $ 450 million grant and the promised Japanese grant of $ 150 million have reportedly been hard to come by both in the states and at the centre. The much-publicised claim that the project will make water shortages a "thing of the past" in Gujarat has been shown to be totally false. For instance, 81 per cent of the talukas in Saurashtra and more than half of those in Kutch will not receive any water from the project. Nor will more than 67 per cent of the drought prone and arid regions of the state. As for environmental considerations, it has now come to light that the department of environment had in its first report drawn attention to the astronomical environmental cost of the project and had called for its postponement until more detailed analysis could be conducted. The Sardar Sarovar Project will submerge almost 14,000 hectares of forest land and much of the wild life in it and there are as yet no reliable studies on the impact of the dam on the ecology of the Narmada river.

The issue which has been the central focus of the movement is that of relief and rehabilitation. Almost none of the objectives of the policy laid down by the Narmada Control Authority have been fulfilled. The social and health conditions of the minuscule numbers of Narmada oustees who have been rehabilitated is deteriorating according to several independent surveys. The oustees are as per policy to be relocated in village units. This too has been violated for lack of availability of adequate land in one place. More importantly, the entire rehabilitation policy is based on what appears to be an underestimate of the numbers who will be ousted by the scheme because the government's figures are based on the 1981 Census. Moreover, they have not taken into account those who have already been ousted from dam sites on which construction has already begun. For all these reasons the rehabilitation scheme is unimplementable which, incidentally, is the opinion expressed by the rehabilitation expert and anthropologist for the World Bank.

It is not, therefore, as if the government of India has been unaware of the problems with the project. The project authorities and the governments concerned have dealt with the queries and the demands of the mass movement in what has now come to be the typical manner in which the establishment counters protests of this sort. They have suppressed information—reports of technical and environmental experts and even the proceedings of the Narmada Control Authority, accused mass activists of being in the pay of 'foreign powers', and brushed aside every criticism and query. In the circumstance seeking to put pressure on the Indian government via the World Bank is only of limited significance in the long run. The government may be forced in this particular instance to make some accommodations to suit the World Bank, but these will remain *ad hoc* and temporary measures which will have little impact on the government's long-term policy on large scale 'development' projects, whether they be multipurpose projects such as this one or nuclear power projects.

While obviously the threat of withholding aid may yield results, the more important line of action lies in persuading the government to create channels through which such projects are subject to the scrutiny of the people who are affected and of independent technical experts. One such would be the instituting of a proper public inquiry, as has often been done in Britain on major projects. There is, of course, the danger that such a forum may get distorted to such an extent as to become a mere gesture—as in fact has happened in case of the first-ever public inquiry in India on a technical subject affecting large populations, the Supreme Court-directed inquiry on estrogen-progesterone drug. On the other hand, however, the growing movements around these issues everywhere have created a climate for pressing for a properly constituted forum of discussion. One such recent example was the seminar on Kaiga last year organised by the Karnataka government under pressure from anti-nuclear activists in the state and elsewhere. Quite obviously such demands can only be made in the context of mass mobilisation and action.

ADULT EDUCATION

Not for Workers

THE ministry of human resources development has suddenly woken up. A two-day conference of the Central Advisory Board of Education in Delhi recently deliberated, among other things, on the failure of the adult literacy programme to take off. The union minister, Shiv Shankar, blamed the board, which is the top decision-making body for education, for the tardy progress. But neither the minister's harangue nor the discussions at the conference could throw any light on the basic reasons for the failure. Following the minister's advice to galvanise the implementation of the programme, the usual formula-ridden decisions were adopted adding to the list of similar resolutions that have been accumulating for the last four decades.

It is indeed strange how in spite of past reviews of the functioning of adult education schemes—some of which had pinpointed the basic flaws in the system, and had recommended alternative modes of functioning—little has been done so far to correct the system. A study group was set up in February 1966 under the auspices of the Department of Adult Education, National Council of Educational Research and Training, which made several recommendations for polyvalent adult education for workers. Some 40-odd Shramik Vidyapeeths are operating in different parts of the country with the objective of providing polyvalent education. The main target is the large population of first generation migrants working in different sectors in the urban and industrial areas, who form a lower level as compared with the skilled workers in the organised sector. These Vidyapeeths are expected to formulate adult education schemes that would integrate general education and awareness with skill training so that their social and vocational needs are inter-related.

Some years ago an official review of the functioning of these Vidyapeeths was undertaken. The review by the Prayag Mehta Committee revealed that the Vidyapeeths had been under official pressure for increasing the number of schemes (obviously to impress ministers constantly demanding target-oriented performances, oblivious of the quality of the content), as a result of which there had been a steep jump in the number of various schemes in practically all the Vidyapeeths. But in the process, the original purpose of polyvalent education had been diluted. Instead of catering to the multifarious needs of the deprived, neglected, migrant and other categories of organised and unorganised urban workers, the schemes had been formulated in such a way as to benefit the middle classes. For instance, the Vidyapeeths claimed a rise in the number of women beneficiaries to demonstrate that they were reaching the underprivileged. But who were these women? It was found that most of them came from middle class families and were attracted to traditional domestic skills like cutting and sewing, embroidery, food preservation which were being taught in the Vidyapeeths. Unorganised women workers or women from such families were largely left out of these skill training courses.

It was also found out that employers in the organised sector did not release workers for the educational programmes, while the unorganised sector workers as well as scheduled caste and scheduled tribe people did not seem to be attracted towards the Vidyapeeth schemes. The apathy of the latter is quite understandable. The Shramik Vidyapeeth operating in the Rourkela steel plant area for instance, is quite often faced with the question from these people: "What is the benefit of any education or skill training, if we are not provided with finance or resources for self-employment or without an assurance for a job?" If the development agencies and government organisations do not supplement the educational efforts with adequate resources and infrastructure for the Vidyapeeth-trained workers, a competitive game of numbers with each Vidyapeeth showing a quantitative increase in schemes leads nowhere.

The quantitative fixation of the Vidyapeeths is a direct result of the quantitative orientation of the Directorate of Adult Education and other departments of the ministry of human resources which remain contented as long as the number of programmes and beneficiaries can be shown to have increased from year to year, unmindful of the quality of the programmes and the class of the beneficiaries.

FOODGRAINS

Not Pure Economics

EVEN though foodgrains production in 1988-89 was a record 170 million tonnes, the poor management of the food economy this year is reason for some degree of distress and alarm. A reduced proportion of procurement in and following a year of high output is reflective of poor management when viewed against the low level of stock of foodgrains (9.48 million tonnes) as on January 1 this year.

The stocks of foodgrains with the central and state governments at the beginning of the year during the last four years were 25.21 million tonnes (1986), 23.63 million tonnes (1987), 14.14 million tonnes (1988) and 9.48 million tonnes (1989). The level as on June 30 this year was 9.4 million tonnes. This should be viewed against the March 1984 decision of the government to maintain a buffer stock of 10 million tonnes. This buffer stock would be over and above the operational stocks, which would range between 6.5 million tonnes on April 1 and 11.4 million tonnes on July 1.

The reduced procurement in 1987-88 of 13.42 million tonnes in a year of low foodgrains production (138.41 million tonnes), coupled with a high level of demand led to depletion of stocks which was, to some extent, kept in check by imports. Low procurement this year would create an alarming price situation in the coming months, especially the period October to January. The government seems to be buttressing speculative purchases by the private trade which expects rising prices in the coming months. But it is an election year and given a situation of poor procurement and low stocks, the union food and civil supplies ministry may well decide to import substantial quantities of both wheat and rice.

This brings us to allegations of discrimination in the distribution of foodgrains to non-Congress governed states. As it is, the central government has reduced the rice quota of most states after a review of the available stocks in the central pool. Recently, Sukh Ram, the union minister of state for food and civil supplies, told an all-party delegation of West Bengal MLAs that the state government should purchase rice from the open market and then subsidise the cost through the public distribution system (PDS).

This delegation also drew attention to the substandard quality of rice supplied by the Food Corporation for distribution through the PDS. Incidentally, a recent COPU report (52nd Report, *Food Corporation of India: Despatches of Substandard Wheat*) flayed the FCI for its "wanton disregard of norms of quality control" in the despatch of foodgrains stored in its godowns to various destinations.

So all these issues are not matters of pure economics but of political economy.

LETHAL CHEMICALS

Case for Export Curbs

THE government of India's attitude to the entire issue of the export of dual-use chemicals to Iraq from an Indian firm, while it follows the same track as the nation's policy on global disarmament, is one of a rather miffed child being reprimanded. Its arguments are at best specious. The fact that time and again India's stand on disarmament and its "abhorrence of these [chemical] weapons" and its "commitment to their elimination" has been reaffirmed in various international fora does not necessarily mean that India has not been guilty of exporting what it calls dual-use chemicals knowing fully well that these could be and are in fact, used for the manufacture of poison gas. That it has been doing so for quite some time is quite obvious from the fact that an embassy spokesperson in the US stated in defence of the export that "the problem of precursor chemicals has been brought to our notice very recently. . . .there is no well-established international regime to take care of such chemicals."

The fact of the matter is that international controls on chemical weapons are nowhere near as stringent as they ought to be. One reason for this is, of course, the fact that the

issue of chemical weapons and their ban has, in the context of the far more important issue of nuclear arms, been neglected. In recent years, however, the issue has come up for more serious discussion, most recently at Paris where India is reported to have played a "positive and constructive role". The other reason is that because of the very nature of chemical weapons it is far more difficult to implement stringent control measures for their production or proliferation. Thus, for instance, a country which agrees not to acquire or produce chemical weapons or export them could with impunity produce and export intermediates which in any case may be of use in other products. The manufacture of chemical weapons does not require sophisticated processes nor intermediates which are exclusive to their manufacture.

However, the concern that has been expressed in the west that India may emerge as the "new battleground in efforts to prevent the stockpiling of chemical weapons" in West Asia cannot be shrugged off. Since the Bhopal disaster the fact that there are few controls on the manufacture and storage of chemicals has become well known. Reportedly chemicals far more hazardous than MIC are being widely manufactured, stored and transported with few safety precautions being taken. Export rules for chemicals are hardly framed to take into account their hazardous nature or whether they may be used as precursors for chemical weapons.

In the circumstances, for India to take affront at the suggestion that the manufacture of some of these chemicals should be banned can hardly be justified. While it is true that the precursors are multi-use chemicals which are necessary for the manufacture of a range of products, it is also true that substitutes which may or may not involve a change in the process of manufacture are available for at least some of these. The substitution may no doubt present numerous problems particularly for third world countries which may then have to depend on western industry to 'modernise'. Even so to take the view that because of this such a ban would be 'discriminatory' makes India's stand against chemical weapons rather a farce. What is urgently needed is a review of the controls on the manufacture and export of hazardous chemicals as a whole so that the 'dual-use' chemicals can at least be properly listed.

TELECOMMUNICATIONS

All Round Dependence

THE functioning of the Telecom Commission headed by Sam Pitroda can at best be viewed as a managerial change within the system. This might sound a bit pessimistic, for the creation of fresh institutions with considerable executive powers holds out the promise of an overhaul of sub-systems. If one were to hold the latter position and believe that individuals can bring about structural changes, then one would expect a transition, over a period of time, from a position of technological dependence to technological self-reliance. But such an optimistic view seems unwarranted, indeed, naive. For after all, even after 40 years our industry still has to seek a foreign collaboration to produce the simplest of terminals, the telephone, as we go from the rotary dial type to the push button one. And even these are being supplied by the collaborators on a SKD/CKD basis which means that the Indian units merely assemble them before supply to the Mahanagar Telephone Nigams. The foreign collaborators for these instruments are transnational corporations like Siemens, ITT and Ericsson. Their Indian links include some of the leading business houses and state electronic corporations. There will be a substantial import content in the instruments till indigenous production of components gets established.

Sam Pitroda has recently ruled out foreign collaboration in establishing the second digital electronic switching system factory. The first was set up by ITI at Mankapur based on technology imported from CIT Alcatel of France. This unit went on stream in 1985-86 but capacity utilisation hovers around break even point with a large component of CKD/SKD imports. Pitroda expects C-DOT's MAX technology to be commercialised soon which looks like a difficult proposition. The uncertainty in commercialisation of this 'infant' technology would probably mean more imports of digital switching systems, according to some critics. But equipment policy is now determined by the Telecom Commission which is headed by Pitroda.

The focus of the debate has been on main electronic switching systems but even if one takes telephone instruments, PBXs or cables, the scenario is one of foreign collaborations and imports. For instance, Jeumont Schneider (France) and Oki (Japan) and their Indian licencees are said to be making it difficult for C- DOT PBXs at the customer end. The manufacturers of the C-DOT version are facing stiff competition from the Indian business groups who have tied up with the MNCs.

Even though domestic production capacities for the manufacture (assembly) of telecom equipment is being established it is surprising that integrated circuits (ICs), an item that accounts for a significant proportion of equipment costs, is still almost totally imported. And this notwithstanding the fact that the public sector firm Semiconductors has been around for quite some time. Then why are almost all ICs still imported?

SOUTH AFRICA

An Ideology in Crisis

WITH the recent changes in its leadership, South Africa's ruling National Party has assumed a new political stance, veering a from its erstwhile obduracy on the aparth issue to a cautious and, perhaps, delibera ambiguous position on constitutio reform to accommodate the black majo within the country's political process. Th is certainly no reason to believe that subst tive changes are on the immediate agen given the regime's penchant for duplic Talk of reform may, therefore, be rheto more than anything else. That, however not sufficient reason to dismiss it as incon quential. Rhetoric it presumably is, bu certain significance attaches to it, for it rhetoric of a different order and, more i portantly, one that emanates from a ruli party that is likely to retain power in the f thcoming September elections.

The National Party's long tenure in offi surviving the crises of the 70s and the 8 has much to do with its political pragmatis that has enabled it, chameleon like, change its complexion according to t situation. If its current rhetoric is one mo instance of its astute reading of the whit dominated electorate then it would refle divisions among the whites on the issue apartheid in its current form. Indeed, t reaction to the five-year action plan f reform suggested by the party's federal co gress appears to confirm the fact of such division. The party's two-page documen employing the typical circumlocutory idio of apartheid, speaks of preserving grou rights, separate community recreation an white veto. Minus the verbal dressing, simply means the perpetuation of racial div sion. The crucial difference, however, is th call for negotiations with the blacks, thoug remaining silent about what precisely is t be negotiated. While the African Nation Congress' rejection of the plan was only t be expected and for obvious reasons, i savaging by the liberal Democratic Party an by the right and ultra-right parties, like th official opposition, the Conservative Part and the Herstigte Nasionale Party, flow fro diametrically opposed motives, the forme condemning it for prolonging raci discrimination, while the latter see it as step towards white surrender.

The National Party is quite obviousl treading the middle path calling for negotia tions with the blacks without conceding an of their preliminary demands while at th same time preserving group rights and whit veto, in an attempt to conciliate these tw divergent tendencies. There are other indica tions too that the racist ideology has lost it old capacity to unify the whites. Th attempts of the atavistic Conservativ Party-held town councils to reintroduc 'petty apartheid'—entry restriction i municipal properties such as toilets, park benches, cinemas and the like—were severel criticised by whites in such areas, not th least of the reasons being the crippling effects of a black boycott of white commercial establishments. While this division among whites is certainly promising, stiff

opposition to reforms is likely from the entrenched and brutal military and bureaucratic quarters which grew in power under Botha and which today plays a leading role in South African politics. However, with mounting international pressure their capacity to stall reform moves may be substantially vitiated.

While the ANC, too, is beginning to move towards negotiations with the regime, it has rejected the plan since minority veto is a part of the package. Negotiations which exclude the ANC will have little legitimacy—a fact that Pretoria is probably aware of. Consequently, bringing the ANC to the negotiating table would require a further climb down by the government.

BUSINESS

STOCK MARKET

No Decline in Public Participation

SPECTACULAR recovery from the May-end lows carrying the BSE and *Financial Express* equity price indices (Bombay and all-India) to new all-time highs about the beginning of July—*Economic Times* indices kept below their previous highs—and a sizeable retreat thereafter would be quite an appropriate description of the stock market's overall performance during the past six weeks or so. Between May-end and July 4-5, the BSE sensitive index rose by 15.5 per cent and the national index by 11.3 per cent, showing a rise of 2 per cent and 0.75 per cent over their respective April highs. During the same period, the *Financial Express* equity price index for Bombay recorded a rise of 14.2 per cent and the all-India index was 12.9 per cent up, improving upon their April highs by 1.4 per cent and 2.3 per cent respectively.

Consistent buying by financial institutions—UTI, LIC, GIC and mutual funds— and investors, highly reassuring corporate news, government's decision to privatise hitherto completely public domain such as power generation, telecom equipment, oil drilling, road and bridge construction and satisfactory progress of the south-west monsoon holding out hope of accelerated economic tempo—all these factors contributed in varying measures to the renewed upsurge in the market.

In view of the sharp upswing which took it into new high ground it was natural for the market to take a pause to allow technical forces to have their play. The rise was steep enough to lure mutual funds to convert some of their holdings into cash for reinvestment at a more opportune time. Institutional selling was a green signal for bear speculators and they were quick to act. The decline in prices uncovered many weak bull positions. Within just four trading sessions, that is by July 11, the BSE sensitive and national indices retraced 39.2 per cent and 35.2 per cent respectively of the ground gained in the preceding upswing. The retracing by the *Financial Express* index for Bombay was 32.9 per cent and that by the all-India index 36.1 per cent. How far the reactionary trend might go is anybody's guess. In the preceding corrective phase during May the BSE sensitive and national indices had retraced 59 per cent and 49.3 per cent respectively of the rise in the immediately preceding January-April bull phase.

Talking to a cross-section of the stock exchange fraternity about the state of the market has been an interesting experience. All kinds of views have been expressed. It would be of interest to take note of what market men have to say. The commonly held view is that all the important moves—up or down—are initiated by the purchases and sales by institutional investors followed up later by professional speculators and the general trading public. Only a relatively small number of stockbrokers enjoy the patronage of financial institutions and these brokers, accounting for a large proportion of the total business transacted in the market, fully exploit their position for personal gains, legitimate as well as illegitimate. Participation by the general investing public has of late declined to modest proportions.

Mutual funds buy and sell more frequently than UTI to take advantage of the wide swings in equity prices. It is said that UTI rarely figures as a major seller and, not unoften, its purchases are carried out at the instance of the union finance ministry—not necessarily to perform rescue operation. Occasional intervention by institutional investors is said to have given rise to unpredictable price fluctuations.

There is no way of preventing influential and resourceful brokers enjoying institutional patronage from abusing their position. The same point can also be made in regard to insider trading. Inquiries with informed sources indicate that, contrary to the popular notion, the volume of business put through on the exchange is by no means concentrated in a few hands. Top 50 brokers in Bombay are said to account for just a third of the total turnover (inclusive of institutional business). This means that the business is fairly diffused.

The view expressed by several market men about the decline in participation by the general investing public cannot bear close scrutiny. Apart from the fairly high level of turnover in non- specified scrips, the impressive response to new isssues of equity shares and debentures, especially convertible debentures, is a good measure of growing investor interest in the capital market. The equity boom has diverted investors' attention from the secondary market to the primary market where shares are offered at par or at a modest premium and this is certainly a welcome development.

A study of the pattern of ownership and the size of holdings of new issues listed on the Bombay stock exchange in May 1989 shows that individuals constitute the backbone of the new issue investment accounting for two-thirds of the total new isssues while the foreign contributions accounted for about 12 per cent and institutional contributions accounted for the rest. Distribution-wise, the proportion of holdings in the range of Rs zero to 10,000 was 99.4 per cent in numbers accounting for 32.1 per cent in the amount of new issues. The holdings of above Rs 1 lakh accounting for less than 1 per cent in numbers were responsible for 65.2 per cent in terms of the amount of new issues. This contribution came mainly from institutions and promoters.

The growing presence of institutional investors in the market—secondary as well as primary—has no doubt emerged as an important factor to reckon with in assessing the outlook for equities. But there is no getting away from the fact that despite occasional speculative excesses and grave errors of optimism and pessimism, there is a distinctly discernible rhythm in market movements. Short-term fluctuations have little to do with the fundamental factors and these are influenced essentially by the mercurial trading sentiment and technical considerations.

The decline in equity price indices during June-July, mid-November to early January and more recently in May represents healthy technical corrections in the primary upward trend which has been in evidence since the end of March 1988. The point has been made by some technical analysts that unlike in the earlier corrective phases when the market subsequently pushed its way into new high ground leaving the previous peak way behind, the market this time has staged a quick retreat after registering only marginal improvement over its April high. This is being interpreted to indicate that the bull market has lost its momentum.

While the journey at the high altitudes

in an hitherto unexplored territory can prove to be quite tough, it would be rash to jump to the conclusion that the bull market has run its full course when all the economic and market fundamentals are still very favourable. Only the other day the UTI chief Pherwani listed as many as 21 factors favourable from the viewpoint of the stock market. Very broadly, these factors could be categorised as falling under improved economic fundamentals, government commitment to promote healthy capital market and enhanced confidence in government policies towards liberalisation and deregulation. The biggest bull factor is that the UTI has emerged as the largest institutional investor in the capital market and its chairman is highly optimistic about the outlook for equities.

With both government and financial institutions facing resources crunch, the capital market will be required to play a crucial role in mobilising household savings for financing corporate sector's expanding requirements. The growing trend towards financialisation of household savings will facilitate the task of resource mobilisation which in turn will ensure increasing flow of investible funds seeking deployment in the primary as well as secondary market. The demand-supply equation for good growth equity shares has already undergone a phenomenal change over the past few years. Imagine UTI investment in equity shares going up from Rs 370.75 crore in 1985-86 to Rs 2262.60 crore in 1988-89. Add to this investment by mutual funds.

SHIPPING

Fleet Growth May Suffer

ACCORDING to the revised projections made by the working group on shipping, the shipping sector will require Rs 12,000 crore for acquiring 9 million dead weight tonnage (dwt) during the Eighth Plan period. The major portion of these funds will have to be provided in foreign exchange for import of ships.

The working group has pointed out that the Seventh Plan will end up with a capacity of 5.8 million tonnes against the target of 7.5 million tonnes. The main reason for the shortfall in the Seventh Plan target is the prolonged recession faced by the industry and the consequent paucity of resources. There was also a massive scrapping of old ships amounting to two million tonnes. The group has estimated that during the Eighth Plan at least 1.5 million dwt will have to be scrapped.

It is pointed out that the recommended acquisition of nine million tonnes is essential if hiring of foreign liners on a large-scale is to be checked during the next plan period. The user ministries have raised their projections significantly. For instance, the petroleum ministry has stated that during the plan period much larger quantities of crude will have to be imported. The crude imports are expected to increase from the present level of 17 million tonnes to 32 million tonnes by the end of the Eighth Plan. The power sector has projected that during the Eighth Plan period, at least 15 million tonnes of coal will have to be imported for the super thermal stations coming up in the southern region. Moreover even the coal mined in the Orissa coal belt will have to be moved through the coastal routes since the railways have expressed their inability to carry the same. The railway capacity on the southern route is already saturated. The commerce ministry has projected a 12 per cent annual growth rate for exports during the plan period. This alone will call for larger acquisition to enable the domestic shipping companies to meet their export commitment.

Given the country's requirements, the working group's recommendation to acquire nine million dwt during the Eighth Plan period is not very ambitious. However, the tight foreign exchange situation facing the country is likely to hit hard the country's ship acquisition programme. This is all the more so because the prices of ships have more than doubled since 1987 and the rupee has depreciated against the US dollar by over 25 per cent. In fact the country has lost a good opportunity to augment its fleet when the ship prices had touched rock bottom levels.

With a view to conserving foreign exchange, the government is taking a fresh look at the formula evolved by the Shipping Credit and Investment Company of India (SCICI) for financing the shipping companies. Under the present formula, 40 per cent of the total package is provided as foreign currency loan, another 40 per cent in the form of rupee loan. The balance 20 per cent is to be brought by companies and promoters as minimum contribution. The SCICI has cautioned the government that any attempt to limit the flow of foreign exchange to shipping industry would further hit the plan target of acquisition of ships. As it is, the target already appears beyond reach because of the increase in the prices of ships.

The SCICI has pointed out that investment in ship acquisition generates foreign exchange earnings or saving of foreign exchange outgo without any gestation period. The payback period for foreign exchange invested for acquiring of ships is very short, ranging from two to four years, depending on the class of vessel acquired, the price level and the pattern of financing.

TWENTY YEARS AGO

EPW, Special Number July 1969

The budget has so far been practically the only financial instrument of planning. Budgetary appropriations have been almost the sole constituent of what have gone by the name of annual plans. Nationalisation of major private banks invests government with another potent and far more positive instrument for mobilisation and reallocation of resources... Take the baffling problems of concentration of economic power and development of backward regions within states. About 600 and odd credit accounts at present receive approximately two-thirds of total bank credit. Without in any manner starving these accounts of genuine requirements of working as well as growth capital, their actual requirements can be scrutinised more closely to prevent them from pre-empting credit from others as also to relate their credit requirements to their ability to raise larger internal resources. It might even be possible to impose stiffer margins against their advances, to regulate their inventories and to prevent the more speculative among them from such activities as cornering of other companies' shares with their or banks' money. The development of backward regions brooks no delay. The nationalised banking structure cannot draw up the physical plans for this purpose; it can only assess their economic feasibility, advise on the scheduling of programmes and provide part of the funds required. This is not a matter concerning industry—or agriculture and small industry—alone. It requires the taking of a total view of the local situation and potential, inclusive of trade, transport and education... It is no doubt tempting to make sectoral allocations the corner-stone of credit planning at the national level: so much for agriculture, large industry, small industry, irrigation, power, and so on. While aggregations of this sort are necessary for the plan arithmetic and for reconciliation of conflicting claims on available resources, playing about with aggregates alone would invite repetition of the mishaps that have bedevilled planning in the past. There must, first, be a stock of projects with established feasibility; their priorities *inter se* must be clearly stated and articulated in terms of their inter-dependence at various levels of achievement. Their credit requirements can then be added up, chopped and pared into consistency with overall targets. Work on credit estimates, therefore, has to start from both ends.

ITC

Better Margins

ITC's trading results for the 9-month period reflect significant improvement in performance in all its businesses. Overall turnover has been Rs 355 crore against Rs 371 crore in the preceding 12 months and gross profit is Rs 53 crore against Rs 51.86 crore showing enhancement of profit margins. Net profit is Rs 29.20 crore against Rs 24.79 crore. Equity dividend has been stepped up 5 points to 40 per cent and is covered 2.20 times by earnings as against 2.14 times previously. The board has also recommended issue of bonus shares on a one-for-one basis by capitalising a portion of free reserves.

The total inflow in foreign exchange of Rs 56.13 crore represents 16 per cent of the company's net sales. It covers the company's foreign exchange outflow nearly five times, foreign exchange outflows during this period being Rs 11.30 crore. After taking into account Rs 66.4 crore generated by serviced hotels in the Welcomgroup chain and Rs 6.70 crore representing company's promotional and marketing efforts to export products of the small scale sector, the grand total of foreign exchange generated by the company aggregates Rs 69.47 crore, a growth of 32 per cent over the previous year.

Demand for the company's leading brands of cigarettes continued to be strong. The company stepped up investment in extensions and in R and D to ensure that the right quality and types of tobacco are grown to sustain the export and domestic requirements. An effluent treatment plant was commissioned at Saharanpur factory in UP using water hyacinth as the prime purification agent.

In the hotels business, Welcomgroup registered a 20 per cent growth in turnover despite increased competition. Work is apace at the Welcomgroup Nedous hotel in Srinagar to restore the property to its historical and architectural charm before the scheduled opening in October. Construction of the hotel in Jaipur is expected to commence soon. Plans have been finalised for the expansion of the Welcomgroup Mughal Sheraton by another 65 rooms, and the Welcomgroup Windsor Manor Sheraton by 100 rooms to achieve economies of scale in the fast growing markets of Agra and Bangalore respectively. Negotiations are in their final stages to take on lease the Ritz Hotel in Calcutta. A memorandum of understanding has been signed with the authorities to open an Indian restaurant in Odessa, USSR.

Agri businesses continue to make rapid progress. Two major products have been launched, that is, different varieties of oilseeds under the brand name of Adarsh in Andhra Pradesh and Sundrop cooking oils in the cities of Visakhapatnam, Madras, Hyderabad, Bangalore and Calcutta.

Sales of packaging products registered an increase of 33 per cent in the turnover of the general trade business. The marketing of the bulk liquid packaging system has met with encouraging response from the edible oil, fruit juice/concentrates and lubricating oil markets.

The company's export of unmanufactured tobacco at Rs 15.45 crore has shown an improvement over the previous period. Export realisations have been keeping pace with inflation. The government's decision to offer flue-cured virginia tobacco a cash compensatory support of 5 per cent from November 1988 is a welcome step.

Exports of extractions and other agri products have shown promise with a turnover of Rs 4.77 crore in the 9-month period. The company achieved strong growth in its software export business with gross billings in hard currencies exceeding Rs 1 crore. To expand this business, the company is exploring the feasibility of setting up a software development centre in India with ability to access the customers' computers abroad through data communication links. Sustained marketing efforts in the US, Europe and Japan have resulted in export earnings of Rs 9.25 crore from sales of high quality hand-woven carpets and marine products. The company exported music records and cassettes to the Soviet Union. Orders for export of cigarette filters valued at Rs 3 crore have been received. The agency services have enabled exports of Rs 6.70 crore from over 200 small-scale industrial units, resulting in a commission of Rs 37 lakh in foreign exchange.

At the behest of the government of Punjab, the company was invited to consider the revival of Punjab Anand Batteries (PAB), a sick company. The board proposes to make an investment of Rs 119 lakh by subscribing for 11.90 lakh shares of Rs 10 each at par in the capital of PAB under a scheme of rehabilitation approved by the BIFR. This investment when made will amount to 50 per cent of the equity capital of PAB.

Commenting on the taxation and excise issues, the chairman J N Sapru has reiterated that the company has always been a responsible corporate citizen and has never evaded payment of any taxes.

The Week's Companies

(Rs Lakh)

		ITC		VST Industries		CIMMCO	
		Latest Year 31-3-89*	Last Year 30-6-88	Latest Year 31-3-89**	Last Year 30-9-87	Latest Year 31-12-88**	Last Year 30-6-87
Paid-up Capital		3317	3317	603	603	317	317
Reserves		15947	14482	3033	1200	1364	1401
Borrowings		16996	13518	1687	1542	1965	2095
of which Term Borrowings		3974	4003	37	75	857	1073
Gross, fixed assets		25507	24655	4495	1817	3568	3165
Net fixed assets		17455	16754	2798	843	2318	2324
Investments		1025	4728	933	981	13	13
Current liabilities		13318	12042	1859	1766	1281	1457
Current assets		31100	21897	3451	3287	4977	3961
Stocks		14352	12300	2015	1944	2194	1606
Book debts		3624	3404	619	660	1257	1264
Net sales		35537	37102	10158	6254	17540	9523
Other income		899	999	318	263	301	242
Raw material costs		16806	15675	5495	3451	4627	2364
Wages		3814	5182	1578	842	2702	1561
Interest		1494	2010	347	295	1029	603
Gross profit (+)/loss (−)		5300	5186	831	663	335	136
Depreciation provision		579	473	194	140	211	133
Tax Provision		1801	2234	155	243	25	1
Net profit (+)/loss(−)		2920	2479	482	280	99	2
Investment allowance reserve		—	—	—	—	22	1
Transfer to reserves		1593	1318	181	105	30	—
Dividend							
Amount	P	—	—	—	—	—	—
	E	1327	1161	301	173	47	24
Rate (per cent)	P	—	—	—	—	—	—
	E	40	35	50	29	15	7.50
Cover (times)		2.20	2.14	1.60	1.60	2.11	0.08
Ratios (per cent)							
Gross profit/sales		14.91	13.97	8.18	10.60	1.91	1.43
Net profit/capital employed		15.15	13.93	24.29	15.53	10.29	0.22
Inventories/sales		40.66	33.15	9.18	15.68	12.50	16.86
Wages/sales		10.73	10.96	15.53	13.46	15.40	16.39

* 9 months; ** 18 months.

The excise issue is still to be resolved and he has assured the shareholders that the company will continue to do all that is possible to resolve this matter expeditiously and satisfactorily.

VST INDUSTRIES

Modernisation Project

VST INDUSTRIES has completed on schedule the first phase of the modernisation project of the primary and secondary manufacturing departments, involving an estimated capital investment of about Rs 6 crore. The company is now equipped with contemporary tobacco processing technology. The modernisation of the cigarette-making and packing facilities is now under progress. As a result of the strengthening of distribution and investment in product upgradation, the position of the company's brands has improved as compared to the earlier part of the year, when sales volumes were under pressure as a consequence of the excise taxation system based on cigarette length introduced from March 1987. Volume trends are now encouraging.

The company has shown a better performance during the 18-month period ended March 31 last with sales of Rs 101.58 crore against Rs 62.54 crore in the preceding 12 months and a gross profit of Rs 8.31 crore against Rs 6.63 crore. It may be noted that the profit figure has been arrived at after providing Rs 2.46 crore paid to the excise authorities as a result of adjudication orders passed in relation to earlier periods. This explains the deterioration of profit margins. Net profit is Rs 4.82 crore against Rs 2.80 crore previously. The directors have recommended a total dividend of 50 per cent, as against 29 per cent paid for 1986-87. The enhanced distribution is covered 1.60 times, as in the previous year. The directors have also proposed issue of bonus shares in the ratio of three shares for every five shares held.

CIMMCO

Improved Working Results

CIMMCO, formerly Central India Machinery Manufacturing Company, has shown improved working results for the 18-month period ended March 31 last. It has earned a gross profit of Rs 3.35 crore against Rs 1.36 crore in the preceding 12 months following sales of Rs 175.40 crore against Rs 95.23 crore. These figures show a fair increase in profit margins. Net profit has increased to Rs 99 lakh from a base Rs 2 lakh of last year. The directors have doubled the dividend to 15 per cent which is covered 2.11 times by earnings; last year's distribution was made almost wholly from past earnings.

The textile machinery division's performance has been satisfactory. Apart from manufacturing traditional weaving machinery, it manufactures the well-known Dornier shuttleless weaving machines. The traditional automatic looms have also been modernised by installing a Rapier system for weft insertion, which whilst almost doubling the productivity of the looms, also improve the quality of the fabrics considerably. The Dornier shuttleless weaving machine can find a larger market in India, but for the government's policy of allowing imports of similar new and even second-hand machines.

Performance at the wagon division (and the heavy engineering division) was affected due to a go-slow resorted to by workers for a considerable period to press for their demands for increased wages. Matters have since been resolved and production is expected to reach higher levels this year. It is intended to update the manufacturing facilities to achieve these ends. The division continues to maintain its lead in special wagons required for specific needs such as for bulk material handling, LPG and for defence. The execution of orders by the heavy engineering division increased in the later part of the year and this trend is expected to be maintained. With the backing of a strong marketing and engineering team, new product lines are continuously being added and sizeable orders have been secured in the chemicals and steel plant sectors. The company is awaiting government approval for setting up a joint venture for manufacturing heavy fabricated valves in association with Zimmermann and Jansen of West Germany. The steel foundry and shuttle divisions continued to perform satisfactorily. The forging division discontinued its arrangements for job processing.

Xpro India, which had afforded the company a field of diversification into plastics processing, greatly improved its overall performance by doubling its annualised turnover. The performance of Cimmco International, a recognised trading house and a division of the company, has been commendable. Its exports exceeded Rs 50 crore compared to Rs 17 crore in the previous year. Further intensive efforts are continuing by entering new markets and, where found feasible, by setting up captive export based manufacturing units. One such unit to manufacture shoe uppers is already being set up at Noida in UP. This will go into production before the end of the current year. The company proposes to participate as a joint venture partner in a project for pineapple processing and export in Vietnam.

IN THE CAPITAL MARKET

BEE Electronic Machines

BEE ELECTRONIC MACHINES, manufacturing plain-paper copiers under the brand name of BEE-CANON, is entering the capital market with an issue of 12 lakh equity shares of Rs 10 each at a premium of Rs 10 per share. The company, known for its quality products, is promoted by K K Bharghava, chairman of Video Electronics, manufacturing CROWN TV sets. The collaborators, CANON of Japan, need no introduction; they are the world number 1 in cameras and plain-paper copiers. BEE Electronics Machines, an existing dividend paying company, has its plants at Tarapur, SEEPZ, and Dahanu Road, all in Maharashtra. The company has marketing arrangements with Remington Rand India, Dynarox Electronics and Chougule Industries. The company exports around 40 per cent of its production. Soon the company will undertake an expansion programme worth Rs 2.4 crore to double its installed capacity from 3,000 copier machines per annum to 6,000 copier machines per annum and to upgrade the technology to impart features like both sides copying, double colour facility, etc. In the near future it may enter the FAX manufacturing line also. The company has come out with the public issue to finance these projects. The company's share capital is Rs 170 lakh (after accounting for the 12:1 bonus issue prior to this public issue) with a revenue of Rs 300 lakh. The book value and EPS are Rs 27 and Rs 8.5, respectively. The projected turnover for 1989-90 is Rs 30 crore which is likely to ensure an EPS of Rs 6 on the enhanced capital. Comparing these figures with Modi Xerox, the giant in this sector, BEE Electronics scores a very high rating for its small equity base, higher earnings and high book value. However competition is heating up in this sector as seen by the recent advertisement wars between HCL and Modi Xerox. The issue opens on July 24.

Knitting Industry in Tamil Nadu

The article 'Dynamics of Capitalist Labour Process: Knitting Industry in Tamil Nadu' (*EPW*, June 17) is part of my research work being pursued under the supervision of Professor A M Shah in the Department of Sociology, Delhi University, Delhi.

—C Krishnaswami

Idle Thoughts on Idle Laws

Arun Ghosh

OVER the years, in diverse capacities in the union government, I have had occasions to amuse myself by penning lampoons on various facets of administration, during long, desultory conferences with endless meaningless speeches made by all and sundry. The following piece, written in March 1981, is reproduced here in response to many letters I have received on the piece appearing in the Annual Number of the *EPW*, on the history of economic thought. My apologies, in advance, to those who dislike frivolity.

I

The law provides that you may deem
Anything to be what it is not.
It is a simple matter it would seem
To sanctify a lot of rot.

II

Pity the poor 'undertaking'
In the MRTP Act,
It is not a legal unit, making
A fiction of an established fact.

III

Yet that is what the law doth say
But the Sachar Committee sayeth more
'Claims' are goods, in law you may
Deem shares as goods, as a legal lore.

IV

But why shouldn't shares be goods, forsooth,
If 'claims' can be bought and sold?
If bearer bonds be legal tender
And not illegal gains to hold?

V

The law's an ass, you think, but no,
The arms of the law are poised to strike
The poor, the weak, the unletter'd dolt
For whom it has a fierce dislike.

VI

The MRTP Act, behold,
Contains not wealth nor 'concentration',
Restrictive trade it cannot hold
Except in people's imagination.

VII

But how, you ask, yet it is easy,
Approval doors have golden keys,
There is yet room for the sleazy,
The crook, the knave, the busy bees.

VIII

The lawyers also serve and wait
Until a battered client appears,
It's never too early nor too late
If you have the cash you have no fear.

IX

The prize to him who can buy his peace,
The prize to him with an open purse,
To him who knows the going rate,
To him with funds to disburse.

X

Long live the vagueness of the law,
Long live the Company Law Board,
The lawyer can always find a flaw,
For those with cash, ahoy, all aboard!

XI

Long live the legal mind that can
Weave a magic spell around the law,
MRTP notwithstanding—
The consumer's in the hoarder's jaw.

XII

In fact, MRTP helps
By holding up all projects, schemes;
Investors, please invest abroad,
Inflation's on, have pleasant dreams.

XIII

He liveth best who cheateth best,
And he cheateth best who cheateth all,
Fork out the cut, and be blest,
And life for you can be a ball.

XIV

But pray, dear reader, have no fear,
Confusion may in the short run spread,
But milk and honey for all would flow
In the longer run, when we're all dead.

* * *

For the more serious minded readers of the *EPW*, here are some Idle Musings on Not-so-Idle Events.

The history of human civilisation has been a tortuous one; mankind has never steadily developed linearly or otherwise. In fact, the growth of mankind has not followed any pattern; many advanced civilisations have been known to perish (and to disappear from the face of the earth) under the assault of barbarians. The Incas, the Aztecs, the Mayas of Latin America, the Sumerians and the Egyptians of the Middle East, the ancient Chinese, the ancient Indians in Mohenjo Daro, Harappa, Hampi and elsewhere, their civilisations have all vanished, some under attack from more virile barbarians, some from other causes—as, for instance, lack of water owing to shifting river beds—not fully explained by recorded history.

So it is with the world today. On the one side, witness the fantastic growth of science and technology such that the progress of humankind (in these directions) during the last fifty years may be said to have surpassed the totality of human progress ever since the dawn of civilisation. On the other hand, witness the development of society, of human relations, of social, political and economic organisation of the human kind, and more than three quarters of the world may be said even as of now to have barely emerged from the Dark Ages. Some countries which had supposedly thrown off the yokes of past bondage (of one section of the population to another), have apparently developed new forms of social oppression.

The events in China in the recent past have been bewildering, to say the least. I am neither a China expert nor a China watcher. But no one can deny the social and economic transformation achieved by China in the forty years since 1949—a transformation of which the Chinese as a people can be proud, a transformation which we in India have certainly not been able to achieve. But then, we as a people have an infinite capacity to fool ourselves, a trait which has direct relevance to the media reaction in India on recent events in China.

Doubtless, the recent events in China have been tragic. One does not quite know the origins of the recent troubles. It would appear from a distance that there was too precipitate a move in China towards Gorbachev's *perestroika* without Gorbachev's *glasnost*; perhaps a socialist economy with a highly centralised production planning regime requires *glasnost*—greater awareness, greater political maturity all round—before it can successfully tackle the problem of economic restructuring. The incentives system of a capitalist economy cannot be suddenly introduced under socialist production relations, without a lot of forethought, planning and deliberation, in fact without general understanding and consensus on their implications, and therefore on the degree and manner of their introduction. This is perhaps one reason for the slow progress of *perestroika* in the USSR.

It is also possible that in China today there are some differences in the perception of the urban and the rural sections of the population in regard to future developments; the PLA is known to be rural-based, whereas the Beijing students in Tiananmen Square represented a growing urban desire for greater 'socialist democracy', which calls for internal political discussion and debate. Anyhow, the position in China is not clear, nor why the mandarins of the Chinese Communist Party—led by Deng Xiaoping and Li Peng—decided on a crackdown on the student demonstrators, since there is no evidence that the students agitation in Beijing was of the nature of an "anti Revolution" movement; it was, it seems from a

distance, essentially a demand for greater *glasnost* of the Gorbachev variety, which is not necessarily antithetical to socialism.

Whatever has been happening in China is not easily understood. In a way, the demand of the students for greater democratisation comes at a level of socio-economic development where the Chinese people have already pulled themselves up from centuries of darkness and degradation. The Chinese people have, in a period of barely forty years, put starvation, rank inequality and human degradation behind them. The demand of the Beijing students for greater democratisation of their polity in this background marks a qualitatively different type of development from the mere grant of political suffrage and voting rights to large chunks of totally deprived people in, say, India. But this demand for democratisation in China does *not*, I think, harbinger the end of socialism in China; it only presages a higher, finer form of socialism. This is where some of the newspaper comments on the significance of the recent events in China appear to be bizarre. The 20th century is *not* likely to mark both the beginning and the end of socialism, but merely the beginning; indeed, Marxian thought envisages the "withering away of the state" which implies essentially the withering away of the state as a repressive agency. This demand is not likely to die in Tiananmen Square, but to resurface and to gain acceptance as time goes on; only, it will not spell the end of socialism in China.

The really tragic part of the story is that in some sense, every regime which feels itself beleaguered appears to react violently. There is, in essence, no good reason why a socialist country should be afraid of a popular movement. This is where the tragedy, the problem of vested interests begins to arise. One hopes the problem would resolve itself in China soon. Anyhow, in this sense the developments in China—the repression that has occurred—is a backward step for the history of socialism generally and for China in particular.

But then, those of us in India who have been talking of the crumbling of socialism in China appear to have totally misunderstood the import of the recent developments in China. It is not socialism versus democracy; the students in Beijing have been demanding greater democracy within socialism. Anyhow, how much of real democracy have we got in India? Are we all clear as to what democracy means? That it means much more than mere adult political suffrage? Do we have to go back to textbooks on political science to inform our respected media men that India is not really a democracy in substance, but only in mere form? I hardly need elaborate on this point.

But let that pass. I am today not discussing the problem, the problems, of India that is *Bharat*. My concern today is with the tragic events of the last few days in China.

It is possible that the recent events in China are likely to make the task of Comrade Gorbachev more difficult; the example of too rapid a move for *perestroika* in a neighbouring socialist country is there for all to see. Add to that the reported victory of Solidarity (over the Party candidates) in the recent Polish elections, and with Solidarity's almost open allegiance to the Pope, one does not quite know how precisely the Eastern European countries would start reshaping their production relations, production priorities and social relations. However, looking at the problem somewhat diabolically, to the extent that recent events may weaken China, Comrade Gorbachev may cheerfully cut down on the USSR defence expenditure; certainly, Vietnam may have lesser danger from Chinese support of the Khmer Rouge in Cambodia; and China may be more willing to accept at face value Gorbachev's offer of a USSR-China *detente* on their border and in Mongolia. On the other hand, in the matter of *perestroika* at home, Gorbachev's opponents—in particular, Ligachev and his supporters—may well get a shot in the arm from the example of the Chinese experience with restructuring, and with the limited introduction of a market-oriented system within a socialist economy.

Would the recent tragic events presage a change in China's foreign policy? There is a distinct danger of that happening. The recent thaw in regard to Tibet may get frozen; and the ruling elite in China may even lose interest in pursuing *detente* with India, for they have many more pressing problems to worry about.

So far, the official Indian reaction to recent events in China, has been quite correct; we are not concerned with the internal problems of a sovereign nation. That approach is but to be expected. What, however, is bothersome is the barely concealed glee in the writings of quite a few leading Indian journalists, that another bulwark of socialism is now crumbling. First, it should be understood that socialism is *not* crumbling in China. One does not have to support the action of the PLA (or one division of it, for ostensibly another refused to roll down tanks on peaceful demonstrators). But one need not also conclude that the students' agitation in Tiananmen Square was anti-socialism, for the students were ostensibly agitating for greater internal democracy within the socialist system. It is not as if the students have been agitating for a faster switch-over to a market-oriented production system. In fact, to the extent that Comrade Deng Xiaoping has been attempting to force on the Chinese economy the introduction of market signals and production oriented to meeting market demand in a socialist economy, he is trying to suddenly impose on the Chinese people a South Korean or Singaporean type of dictatorial market system. A change of this sort requires a great deal of deliberation and careful planning;

in fact, market signals are to act only as a corrective to faulty planning. Otherwise, one would move on to a system akin to market fascism.

It is interesting in this connection to note that the capitalist system does *not* have to depend on democracy. The most successful capitalistic producers in the world—pace South Korea and Singapore—have not been shining examples of democracy. On the other hand, socialism envisages, in the final analysis, the highest form of democracy.

Where does all this lead us in India? One has to remember in this context the basic differences between some of the successful political democracies of the west—all developed countries—and the over-populated, poor countries of the south (with a steadily growing population), all of which face unemployment, low productivity, low output, low savings, low capital formation and inadequate capital equipment per worker. And many of these countries, pursuing the capitalist mode of production, are supposed to be political democracies. But are these countries democracies in the true sense of the word? Does the growth rate, the living conditions of the people, justify the acceptance of the social, political and economic system of these countries? And the success stories among the Newly Industrialising Countries (NICs) of the south, viz, South Korea, Taiwan, Singapore et al, are they, any of them, really democratic countries? South Korea has been having democratic stirrings lately, and its growth rate has fallen sharply as a result.

What, then, is the rationale for our media men hailing the recent events in China as harbingers of the decline of socialism and of the ultimate superiority of the capitalist mode of production? Apart from a few isolated examples, has the capitalist mode of production resulted in the greater welfare of all peoples? Was the example of China's socialist development between 1949 and 1989 any the less spectacular and praiseworthy?

Should we not, in the event, seek to emulate some of the social, political and economic reforms that led to China's spectacular growth between 1949 and 1989? Land reform is one of the basic reforms in that context, to which we have paid lip service so far. Greater egalitarianism, and employment for all, is another. But these call for political and social changes. Are we ready for them? Would we, as a people, be worse off if we were to vote for such a system?

We do not know what is really going on in China. One is certainly saddened by the recent developments there. But let us hold our horses before we pass any judgment. And who are we to pass judgment anyway? Is our own economy, our polity today such that we can be proud of it?

POTOMAC MUSINGS

History Unmade

Deena Khatkhate

With these headlines and datelines galore on mass protests in the communist world, you now see the communists in the capitalist world making a bee-line for exits. For them getting on in the world is the political equivalent of getting out of the world they have known before.

THE events have been unfolding in communist China with the ferocity of a typhoon. Is history being made, we may credulously ask. No, history is being unmade. First a trickle, then a flood, that swamped the human landscape of China. Students leaving their cloistered, suffocating campuses mustered in strength in Tiananmen square, but unlike their forebears in the era of red guards, they did not destroy the homes, make a bonfire of books, mutilate the bodies either of their elders or their peers. They stirred up the spirits of their countrymen, roused their conscience, impregnated their inner urges with a new message. But like the red guards of yore, they shook up the apparatchiks with 'fat bottoms'—that is the only graphic phrase of Mao Zedong that they mouthed approvingly. They left poor Marx far behind, even Hegel, but echoed Nietzsche's philosophical dictum that "God is dead, god remains dead, and we have killed him."

Certainly god was alive before—the god that monitored the progress of the fight against oppression and social inequity during the Long March could not have remained dead. What is true is that someone killed the god. Who could that be? Not the students of today who have heard about the Long March only through their leaders. Perhaps none would ever know. In the godless world of China, the students have coined a new slogan. "Law and democracy, not food and security." We neophytes in the art of living and politicking cannot figure out the language, much less grasp its hidden message. Communism, we thought gives you security and food which the depraved of the world clamour for. But who can understand what communism is? It is like mathematics, as Bertrand Russell said long ago, "A subject in which we never know what we are talking about nor whether what we are saying is true". The generation of Chinese students after the marauding red guards of the 1960 invaded their seats of learning may have not have known what mathematics is all about, but they certainly understood its language and mysteries. They may have told themselves that they "have been with their people where to its misfortune their people were". They braved the army unleashed by Deng and Peng Li and almost co-opted it in their quest for a consciousness of freedom.

But who is their hero? Aristotle? Plato? Rousseau? Jefferson? Abraham Lincoln? No. It is Mikhail Gorbachev until recently a cog in the mighty Russian apparatus. But why Gorbachev, who is a toddling babe in this game of democracy? Gorbachev is a member of their family, their fraternity and what he says has a certain air of *de ja vu*. He is facing the same problems which the students want their leaders to face. You liberalised the economy, you may have increased output but who is enjoying the fruits of this liberalisation? They are telling the puffed-up leaders, if leaders they can be called, that economic liberalisation without political reforms, giving them voice in determining their future, is hypocrisy without limitation. Gorbachev sensed it, by assaulting first the citadel of power. He may have figured out that by providing outlets to the inner frustrations of his people bottled-up over the last seventy years, he would take the heat off their grievances. Consciousness of freedom is for them more precious than consumption of goods. The students may have reckoned that if they want to learn, they should learn from someone like them, facing problems the like of which they face. Friends in adversity are true friends. The Chinese leaders did not discover this truth perhaps because they could not get over their addiction to the world of Confucius, inscrutable, enigmatic and devious.

And yet the enigma of arrivals and departures of the rebellions across the communist world leave one cold. A few years ago it was Yugoslavia, and now a long queue—Hungary, Poland, China and finally the original crusader, Russia. What has gone sour? Did they take a detour to the communist millennium by skipping the stage of full-blown capitalism? Like a traveller on a train who is overcarried, these communist states may be retracting to the stage they skipped. The Russia of Lenin was a country of incipient capitalism; in the Marxian lexicon, there was no flowering of capitalism which could be a springboard for a leap to communism as a tranquil station in social evolution. Chinese society on the eve of the communist revolution was feudal and leaders like Mao were patri-familial, bossy, authoritarian. Many of the production relations may have been ill-synchronised with the evolving social relationships in new societies. It is somewhat curious if not inexplicable that the two countries which so far have been immune to the revolutionary brouhaha are East Germany and Czechoslovakia, both of which had well-advanced capitalist mode of production before turning communist. Could it be then that capitalism has remained a forbidden fruit for the generations born in communist societies, so that at the first symptom of

overt opposition, the whole superstructure of communism comes crashing down?

Or else could it be that the social and political institutions of communist societies were not in congruence with the enormous technological innovations that revolutionised the techniques of production, information network, mass communication, negating the impact of the instruments of power wielded by the communist state? If you know what goes on across your frontiers, you crane your neck to see how you stand in relation to the one beyond. Fred Hirst apparently outwitted the mighty Karl Marx. Man as much aspires for 'positional goods'—what he is in relation to others—as for material goods. It is this informational revolution that probably hastened the demise of a communist state with all its appealing egalitarian gospel. And yet Marx lives amidst the ruination of his empire. His vision that the mode of production determines the social and political relations remains valid. Only that the nature of those political and social relations and institutions eluded the lesser leaders of the communist states. In an age when, and in a world where, the technological frontiers are advancing so much and so fast, there ought to be a matching progress in the design and concept of social and political engineering if both production conditions and social relations that surround them have to move in step.

Yes, democracy has outsmarted communism as a way of life but not for what Toynbee divined some thirty years ago. In a great divide between the monolithic communist society and the pluralistic democracy, Toynbee presaged in terms of his idiom of challenge and response, that the communist society would succumb not to the consciousness of freedom or to the insatiability of man's unlimited wants, but to the undefined virtues of Christianity. "The relationship of the other spiritual forces of our time would be the only effective response to aggression, and would be decisive in creating the future of our civilisation." But the challenge that the communist states faced is not a challenge posed by religions so much as by the libertarian instinct of man.

With these headlines and datelines galore on mass protests in the communist world, you now see the communists in the capitalist world making a bee-line for exits. For them getting on in the world is the political equivalent of getting out of the world they have known before. Here comes a leader of the Italian Communist Party, Achille Occhetto dead set to change the image of a communist in the western eyes. Visiting United States to ingratiate himself with its politicians, he has been saying that his party and he are about to banish the word "communist" from their party. He did not mince words: "Our party is not a member of a patrician political-ideological camp. It is not part of the so-called communist camp. On the contrary, I maintain that there is no longer a real communist movement and the traditions we represent are our own. We want democracy, no longer as a means to achieve socialism but to achieve democracy as a universal end in itself."

In this great metamorphosis of a communist, Occhetto is not alone. The fever is catching. And yet what Gorbachev and Zhao and Occhetto are saying through the roar of the Chinese students is not new to many in India. The same clarion call was given by an Indian who was a member of the Second International, a comrade of Lenin and first a comrade of Mao and then his adversary, Manavendra Roy. At the end of his long journey, forlorn and forgotten, he lived in lonely splendour ruminating that "Man is and should be a measure of everything."

J and K Panchayati Raj Bill
A Critique

Balraj Puri

The Jammu and Kashmir Panchayati Raj Bill passed by the state legislature not only falls considerably short of the measure of devolution that is proposed under the 64th Amendment of the Constitution for the rest of the country, the process of devolution is matched by extension of bureaucratic authority at every level. Lack of trust in the people is the only plausible explanation for the type of law the state has passed.

THE Jammu and Kashmir Panchayati Raj Bill was passed by both houses of the state legislature barely a month and a half before the prime minister of India introduced the Constitution (64th Amendment) Bill in parliament on May 15 on the same subject. The latter bill authorises the state legislatures to enact laws about panchayati raj institutions while giving constitutional sanctions to their powers and functions. Even after the passage of the central bill, the states need to pass their own laws. As on account of Article 370 of the Constitution, the central bill does not apply to the state of Jammu and Kashmir, it had in any case to pass its own law without having to conform to the new constitutional provisions on panchayati raj.

Moreover, the peculiar multi-ethnic, multi-linguistic and multi-religious character of the state necessitated variation from the uniform panchayati raj pattern being proposed for the rest of the country. The thrust of the case for panchayati raj elsewhere, for instance, is on devolution of power and providing a sense of participation to the people; in Jammu and Kashmir state, it has all along also been conceived as an instrument of accommodating its wider diversities.

How far does the law of the state meet its peculiar needs and how does it compare with the proposed national pattern in its devolutionary content?

The Background

References to the panchayati raj system are found in the policy statements of the political parties and leaders of the freedom movement in Jammu as well as Kashmir. It, for instance, finds a prominent mention in the *New Kashmir*, the political manifesto adopted in 1944 by the National Conference, which spearheaded the freedom movement in the Kashmir Valley. Article 45 of the document defines people's panchayat as organs of the state power in districts, tehsils and villages. Its activities cover "maintenance of state order, observance of laws and the protection of the rights of citizens, local economic and cultural development and civil defence.

As the National Conference was essentially a movement of regional nationalism of Kashmir valley for which it demanded the right of self-determination, separate from the rest of the state, its manifesto did not adequately deal with the inter-regional problems. But after Sheikh Abdullah's return to power in 1975, following his accord with the government of India, need was felt to take cognizance of the existing realities and redraft the manifesto accordingly. The task was assigned to the present writer whose draft was unanimously adopted by the National Conference in 1976. It declared: "In order to respect regional personalities and accommodate their respective needs and sentiments, the party... proposes to reorganise the internal constitutional set-up of the state which would provide regional autonomy and further decentralise political power through appropriate institutional arrangements at the district, block and village levels."

It is obvious that this concept of decentralisation was directly related to its integrating role and covered all levels from region to village. For devolution of power at various levels alone could give assurance and sense of belonging to various ethnic and religious communities in a state which has a unique chain of wheels within wheels, i e, a Muslim majority state within a Hindu majority country, a Hindu majority region within a Muslim majority state, Muslim majority districts within Hindu majority region, Hindu majority blocks within Muslim majority districts and Muslim majority villages within Hindu majority blocks.

In recognition of these realities, the J and K State Poeple's Convention, convened and presided over by Sheikh Abdullah and attended by almost the entire political spectrum of the Kashmir Valley, unanimously adopted, on October 8, 1969, a five-tier constitutional set up for the state which aimed at "widest possible decentralisation of power of regional, district, block and panchayat levels, without jeoparadising the integrity of the state".

On the eve of his return to power, Abdullah sought the co-operation of the representatives of Jammu and Ladakh at a convention in Srinagar in August 1974 on the basis of the decentralised polity adopted at the People's Convention. When he became chief minister of the state in February 1975, he repeatedly declared his intention to appoint a commission of experts to work out details of the five-tier constitution. Somehow, he never implemented his declarations.

One of the first announcements of his son, Farooq Abdullah, after resumption of power in November 1986 was to appoint a five-member commission headed by the present writer to implement the assurance of his father. The terms of reference of the proposed commission, as conveyed to me as its chairman designate, were as follows:

> With a view to strengthening the unity of the state and its secular basis, improving inter-regional relations, ensuring sense of participating and equitable share in power and development to all sections of the people, the commission is required to make recommendations for:
>
> (1) appropriate measure of regional autonomy and further devolution of power to lowest unit of administration; and
>
> (2) any other measures to remove tensions and irritations between the regions.

While Farooq Abdullah, too, eventually wriggled out of his commitment to appoint the commission, it is clear that the entire debate on decentralisation of power in Jammu and Kashmir state kept its integrating role in focus and gave equal importance to all the four tiers within the state. The focus of the debate on panchayati raj in the rest of the country has mainly been on its democratising role but there too it has been regarded as a federal continuum, i e, part of the process of transfer of power from centre to states and lower tiers.

Threat to Regional Identity

The terms used since the Balwantrai Committee recommended it in 1959 signify much more than the system of village panchayats which was traditionally in vogue in India. It is a logical extension of the federal system of the centre-state relations, under the Constitution, to units within the state. Judged by this criterion, the J and K Panchayati Raj Act of 1989 does not satisfy the spirit of panchayati

raj. For, contrary to all declarations of Sheikh Abdullah, his son Farooq Abdullah and their party, National Conference, the regional tier is conspicuous by its absence in the new law.

Just as leaders of many states have expressed apprehensions that the central law on panchayati raj might erode the identity of the state and thus undermine the principle of federalism, similarly people in the regions, particularly in Jammu and Ladakh, can genuinely fear that the panchayati raj law of the state might undermine their regional identity and thus lead to centralisation of power. As in a state like Jammu and Kashmir regional identifies are the main cementing force among various communities, their erosion would automatically force communal alignments on the people and weaken the secular basis of the state.

The J and K panchayati raj enactment thus does not serve the interest of integration as the concept was supposed to do. As far as its devolutionary role is concerned, it would also be found wanting as compared to the pattern of panchayati raj envisaged in the Constitution (64th Amendment) Bill.

In giving prominence to the district, the state law would seem to conform to the proposed national law. In fact constitution of the statutory district planning and development board, as a part of the panchayati raj, is a new innovation in the state. For though the district boards do exist in the state, they have no statutory authority. The previous law, Village Panchayat Act of 1958 (which was last amended in 1973), merely provided for two tiers, i e, village and block. However, while the Constitution (64th Amendment) Bill in parliament provides for direct elections to panchayati institutions at all levels, not a single member of the district board, under the state law, shall be directly elected. Its chairman shall be nominated by the government. Other members include chairmen of the block development councils, town area committees and municipal council in the district and MLAs and MPs would be ex-officio members of the district board. Though they are elected, it is well known that voters often choose different parties at local, state and national levels as the issues are different at these levels. Members of the assembly and parliament, in their capacity as members of the district boards, cannot therefore be said to represent the wishes of the people. In many states where MLAs and MPs are members of the district boards, they have no voting rights. But under the J and K law, they shall have these rights also.

Executive Authority with Officials

Further, the executive authority of the district boards, in the state law, entirely rests with the government officers. For according to the law, the district development commissioner shall be the chief executive of the district board and shall be assisted by the district level heads of departments in discharge of their functions as such.

At the block level also, unlike the central bill, the state law does not provide for direct election of any member. It shall comprise of sarpanches of halqa panchayats and chairman of the marketing society within the jurisdiction of the block. The provision for election of the chairman of the block council by an electoral college of sarpanches and panches of the panchayats in that block was added at the final stage of passage of the bill in the assembly. The original draft had provided, like the central bill, for direct election of the office-bearers of the block development council. The draft which had provided for a directly elected secretary was further modified in the assembly to make the block development officer ex-officio secretary thus bringing the block development council also under the influence of the government. The government shall also have power, under the law as passed, to nominate two members to give representation to women, scheduled castes or any other class. The central bill provides for 33 per cent reservation for women and, according to the population ratio, for the scheduled castes but it does not provide for any nomination at any level. The state law provides for nomination but not reservation. Further the term other class is so vague that it can be used by the state government to nominate any person on the block council to represent it.

It is only at the halqa panchayat level where all members shall be directly elected. But even at this level, a government employee, i e, the village level worker, shall be the member-secretary who shall thus ensure government presence at the base of the panchayati raj system. Moreover, the government shall have the power to nominate two members on the halqa panchayat on the same pattern as it does on the block council. There shall be no reservation for women and scheduled castes. Their representatives shall be nominated by the state government in as arbitrary a manner as it may like.

One more flaw in the state law with regard to the functions of the halqa panchayat is that its members have not been made accountable to the people after they are elected. There is no provision for a gram sabha which could act as a sort of assembly for the panchayat and could meet once or twice in a year to pass the budget and to exercise some control on the working of the panchayat, including the right to pass a vote of no-confidence in it or any of its members and elect new members in their place.

In Karnataka, for instance, the gram sabha is the lowest tier of the panchayati raj comprising all voters of the zilla parishad in a village. It meets at least twice a year to discuss, *inter alia*, implementation of development programmes, proposals for new programmes for development, building up of a 'land army', programme of education and such other matters as may be prescribed.

The issue of supercession of panchayati raj institutions has been agitating votaries of panchayati raj for a long time. One of the major objectives of the 64th Amendment to the Constitution, according to the prime minister, is to prevent "sickness of unending suspensions and dissolutions" of panchayati raj institutions. The J and K state law empowers the government to supercede panchayats for incompetence or default subject to two conditions: (a) a show cause notice shall be served, and (b) period of supercession shall not exceed six months.

The repeated act of 1958 also provided for show cause notice and a provision that "the government may any time within six months establish another panchayat in place of the superceded or the dissolved panchayat". But this did not prevent the government from not holding fresh elections to the panchayats till 1989 which were dissolved in 1984.

Perhaps the use of the word 'shall' instead of 'may' in the present law might make a difference. But unlike the central bill, the state law has not made a corresponding amendment in its constitution to make it constitutionally mandatory for fresh elections to the panchayats within six months.

Further, as provision for supercession of the panchayats by the state governments is analogus to the power of the union government to dismiss the state governments under Article 356 of the Constitution, it should have been obligatory on the part of the state government to submit any act of supercession of a panchayat to the state assembly for its approval in the manner in which the union government is required, under the Constitution, to seek approval of parliament for any action taken by it under Article 356; so that if the power of supercession is misused, members of the assembly get an opportunity to expose and criticise it.

Financial Provisions

A pre-requisite of the success of the panchayati raj system is its financial viability and autonomy. The Karnataka law on the subject, for instance, allocates Rs 10 per person per year residing in the area of the mandal panchayat. Out of this 25 per cent shall be paid by the government to the zilla parishad. Another important feature of the Karnataka act is the provision of the finance commission for the zilla parishads to be set up by the government which would ensure objective allocation of resources. The 64th Amendment to the Constitution also provides for appointment of a finance commission by the state governments to make recommen-

dations for (a) determination of the taxes, duties, tolls and fees which may be assigned to panchayats, (b) distribution between the state and panchayats of the net proceeds of taxes, duties, etc, and (c) determination of grant-in-aid to the panchayats by the states. In UP panchayats have an assured source of income through the allocation of land revenue to them.

The J and K law neither fixes minimum amount of grant-in-aid by the state to the panchayats nor provides for any autonomous machinery for objective allocation of funds. The panchayats have no assured source of income either. The law, therefore, does not ensure financial viability and autonomy of the panchayats and leaves enough financial power in the hands of the state government which it could use arbitrarily to influence the working of the panchayats.

Panchayati adalat is another important feature of the new panchayati raj law of the state. For the modern system of justice is not only very expensive and time-consuming but it is also virtually inaccessible to a vast majority of the rural and far off areas. Panchayati adalats have been used in many states to supplement the formal judicial system by reviving and legitimising the traditional system of justice.

The provision for panchayati adalat in the J and K law should, therefore, be welcome. One should, in fact, like its scope to be widened to include subjects like untouchability, pollution and other crimes against community interest. But it is equally important to protect freedom of conscience and right of dissent of individuals against community prejudices and superstitions.

However, by empowering the state government to nominate members of the panchayati adalat and to remove its chairman or any member, the new law takes away the independence of the institution of justice at the grassroots level. It amounts to supplementing the judicial system and the traditional system of justice, both supposed to be independent of the executive, by a third sector of justice controlled by the state government.

There may be cases of misconduct by the chairman or members of the panchayati adalats which may require their removal. But the power to take action against them should be entrusted to an appropriate judicial authority so that the panchayati adalats become an informal extension of the judicial system and remain immune from the bureaucratic influences. Similarly the authority to appoint members of the panchayati adalat should also not vest with the government. Either the halqa panchayats or a judicial body should have the power to do so.

The new state law has raised a controversey by depriving displaced persons who migrated from Pakistan in 1947 to Jammu and have since settled there of right to vote in panchayats to which they were entitled under the Act of 1958. The ruling alliance might hope to get some political mileage in Kashmir by their disenfranchisement. But as the number of such displaced persons is an insignificant part of the total electorate, their limited participation in self-government at local level in a block or two cannot have any impact on the state politics. The state could, therefore, afford to take a more humanitarian view of the matter and retain the elementary right of these unfortunate persons.

The Jammu and Kashmir Panchayati Raj Act does not accept the jurisdiction of the union Election Commission "for superintendence, direction and control of the conduct of elections in the state" nor that of the comptroller and auditor general of India "for the audit of the accounts of the panchayats" as the 64th Amendment to the Constitution proposes to do for other states of the country.

The autonomy of the panchayati raj system in J and K state from the federal institutions like Election Commission and CAG may not be an unmixed gain in view of the not-so-proud record of either fair elections or of an incorruptible administration of the state. Moreover, the law of the state not only falls considerably short of the measure of devolution that is proposed under 64th Amendment to the Constitution for the rest of the country, the process of devolution is matched by extension of the bureaucratic authority at every level.

Whatever be the case of the opposition to a central initiative for panchayati raj legislation, the J and K government of which the Congress Party is a coalition partner, has used its independent legislation, to which it is entitled under Article 370 of the Constitution, to circumvent constitutional provisions that would restrict bureaucratic control over the panchayati raj institutions elsewhere.

The state is not only independent of the federal institutions like the Election Commission and CAG, it has also not made any amendment in its own constitution corresponding to the 64th Amendment in the Indian Constitution. Such an amendment would not have compromised autonomy of the state but would have protected the interests of the panchayati institutions against bureaucratic encroachments by, say, making re-election of superceded panchayats constitutionally mandatory and reserving a list of subjects in the Constitution for exclusive management by the panchayats.

Vicious Circle

Lack of trust in the people seems to be the only plausible explanation for the type of law the state has passed. Without trying to read motives into the intentions of the ruling parties, the distrust could possibly be attributed to the fact that the peop[le] of a sensitive border state are suppose[d] to be more susceptible to communal an[d] secessionist appeals from across th[e] border. Further, it may be argued tha[t] recognition of regional identities migh[t] threaten the unity of the state.

The second argument is, in fac[t] directed against the identity an[d] autonomy of the states within India an[d] its federal constitution. Enough empirica[l] evidence supplements theoretica[l] arguments to conclusively prove tha[t] federalism ensures unity better than [a] unitary system in non-homogeneou[s] societies. A unitary constitution in [a] diverse state like Jammu and Kashmi[r] within a federal country is in any case a[n] anomalous situation and a source of mos[t] the tensions and problems in one of the most curcial states of the Indian republic.

As far as the first argument is concerned, distrust of the people and regimentation of the sytem are not the best means to wean them away from communal and secessionist propaganda. Distrust, in any case, begets distrust. However, while decentralisation is an essential mesure to promote democratisation and integration, it is not a sufficient condition for them.

In a system that lacks other democratic pre-requsites like democratic temper of the leaders and the people and that lacks other democratic institutions like a balanced and healthy party system, independent judiciary, free press and neutral and competent administration, grievance redressal machinery, fair and free elections and an egalitarian economy, mere decentralisation of institutions sans power would only sharpen instruments of regimentation and tyranny. Likewise, a society that is riven with ethnic and communal tensions would hardly be able to get full advantage of the integrating role of decentralisation and federalism and would be tempted to seek stability in further centralisation.

Whether lack of decentralisation is the cause of decline of democracy and rise of communal and regional tensions in J and K state or undemocratic trends and tensions are the outcome of a unitary constitution imposed on a vastly heterogeneous state and concentration of power are issues of wider debate. But where else could one make a beginning to break the vicious circle, where cause is the effect and effect is also the cause, except by innovating institutional reforms and trusting the people by giving them a genuine sense of involvement and participation. That would require a conceptually different approach, than that of the present state law on panchayati raj, adoption of a federal constitution for the state, withdrawal of some authority of the state government from institutions of panchayati raj and a measure of self-denial on the part of the ruling political leadership.

NTR and the Naxalites

M Shatrugna

Now it is Telugu Desam Party activists, vulnerable to the wrath of the naxalites in the rural areas, who have been urging Rama Rao to put an end to the killing of suspected naxalites in false 'encounters' and to punish law-breaking police personnel guilty of committing atrocities on the people.

THE 30-day 'ceasefire' announced by NTR for the naxalites to surrender their arms and take advantage of government 'rehabilitation' measures skirts the main issue raised by the People's War Group before the killing of the Tadicherla Mandal praja parishad president Malhar Rao on June 10. Malhar Rao was kidnapped by the People's War Group as a reprisal against the arrest of two of their members, Gopineni Ilaiah, area commander of north Telengana region and Rayamallu, an activist, three weeks ago in Hyderabad. The police had not only denied the arrest but as if to prove their bona fides, announced a reward of Rs 10,000 to anyone giving the whereabouts of the two missing persons. According to the PWG, the two were arrested by the police on May 18 near Navrang cinema in the city with the connivance of an ex-naxalite, Chatrapati Sivaji, acting as informer. Subsequently Sivaji was killed by the PWG. The PWG had given four days' time for the police to produce the two activists in public or face reprisals. After the deadline, Malhar Rao's dead body was found on the outskirts of his village on June 10.

During the intervening period, all the bigwigs of the TDP in the district had made unsuccessful attempts to convince NTR of the serious consequences that would follow failure to meet the PWG demand. An adamant NTR not only chided party leaders but also said that the TDP members' threat to leave the party would be of no consequence. The TDP activists who had to face the wrath of the naxalites in the rural areas further requested NTR to stop false encounters and punish law-breaking police personnel. The government's familiar story that the two PWG members had not been arrested (or, more likely, killed in fake encounters) was not believed by anyone as gruesome fake encounter killing of suspected naxalites have become a common feature in the last four years after the Kondapur incident in Kareemnagar in which five naxalites were done to death in fake encounters.

The prevalence of the Disturbed Areas Act in most of the Telengana districts where even a petty police official can arrest and take action against anyone suspected to be 'dangerous', the indiscriminate use of TADA even against innocent persons, the witch-hunt of dissident intellectuals, foistering of false cases and near prohibition of even closed-door political meetings where common people participate do not give much credence to the police theory that they had no knowledge of the whereabouts of the two PWG members. When Malhar Rao's killing sent shock waves down the spine of the TDP leaders and cadres, a visibly shaken NTR, after dilly-dallying for four days, called a meeting to discuss the challenge posed by the PWG.

The five-point strategy set out by NTR after the two-day meet comprised: (1) avoidance of any police or government action directed at the naxalites for 30 days, (2) surrender of arms by naxalites, (3) streamlining of the police administration by keeping a tab on police personnel indulging in 'excesses', (4) a rehabilitation programme to draw naxalites into the 'mainstream', and (5) referring of all 'naxalite' cases to courts. To round off the measures, NTR announced that a five-person committee to be called Zilla Praja Rakshana Sanghams would be established to take note, investigate and report on violence committed by the naxalites and the 'excesses' of the police in the districts, implicitly admitting that there was 'indiscipline' in the police ranks. While the non-official committee is free to take up cases it deems fit, the state government could also request the Sanghams to undertake investigation and report to the government for necessary action. The details of the Sanghams' functions are yet to be worked out, though it appears that they would function somewhat like vigilance committees.

The two-day meeting itself was a one-sided affair with no representative of the naxalite groups being invited to participate in the discussions. Even the so-called representation of the civil rights groups was limited either to non-active and infirm leaders or individuals peripherally associated with civil rights organisations. Their inclusion was thus more like a ritual than a sincere effort to involve civil libertarians in the confabulations. Even recognised political parties (both the 'friendly' and the not-so-friendly ones to TDP) did not seem to have considered the two-day meet a serious affair. No senior leader from any of the parties (barring M Omkar of MCPI) bothered to attend the meeting. It appears that the meeting was called more to extricate NTR from the mess he had got into than to deal with the 'naxalite menace'. As if to balance the 'generous' concessions offered by NTR, the government on the same day released the GO relating to the much talked of 'greyhounds', a crack force of the state police. According to the GO, the 'greyhounds' numbering 886 police personnel drawn from the Andhra Pradesh Armed Special Police (APASP) would be posted in the 'naxalite infested' areas to tackle the 'extremist violence'. A sum of Rs 9.5 crore had been released to meet the expenditure of the greyhounds. The crack force consists of one DIG (Head), one SP, one additional SP, 23 DSPs, 23 inspectors, 70 SIs, 165 head constables and 595 constables. As an incentive for joining the force, 25 per cent of salary would be paid extra. Additionally, each greyhound would be entitled to Rs 231 per month towards ration and laundry expenses and Rs 2,000 per year as uniform allowance. A 'non-officer' killed in action would be entitled to a compensation of Rs 2 lakh. The compensation for an officer is far more attractive, Rs 5 lakh. The greyhound squad would have its own administrative set-up and support services. The squad would be supplied with seven 5-tonne vehicles, 7 mini buses, 7 diesel jeeps, 7 cars, 7 motor cycles and 7 trucks. A specially raised dog squad, an exclusive medical staff and a separate communication network would assist the squad.

How effective is the five-point NTR strategy to 'restore peace' in the state? Stopping of fake encounters, scrapping of the Disturbed Areas Act and TADA, allowing mass meetings without official obstruction, withdrawal of farcical conspiracy cases, respect for civil and democratic rights have been some of the long-standing demands of the political activists and democrats in the state. NTR's much tom-tommed two-day meet failed to discuss, let alone accept, these demands. Thus the two-day meet was bound to be a failure. Exactly the same thing had happened within 12 hours of NTR's 'ceasefire'. The PWG in the early hours of June 14 had burnt down the Ditchpalli RDO office in Kareemnagar as their demand for the release of Iliah and Rayamallu had not been met. A few hours later they unsuccessfully mined a road near Byranpalli in Nizamabad district over which a police party had just passed. After an hour-long exchange of fire with the police, the activists retreated into the nearby forest. They also called for a bundh in the four districts of Kareemnagar, Nizamabad, Warangal and Adilabad on June 15 as a protest against price rise in essential commodities and fake encounters.

Tribal Land Alienation in Andhra Pradesh

T Prabhakar Reddy

In spite of laws prohibiting the transfer of land from the tribals to non-tribals, tribals in Andhra Pradesh have been rapidly losing their lands. Results of a survey of three villages.

SCHEDULED TRIBES (STs), now accounting for about 8 per cent of the Indian population, are one of the principal categories of the 'backward classes', or the historically disadvantaged bottom groups of Indian society. For protecting and promoting their interests, and for bringing them into mainstream society, the Directive Principles of the Indian Constitution have laid down thus:

> The state shall promote with special care the educational and economic interests of the weaker sections of the people, and in particular of the scheduled castes and the Scheduled Tribes, and shall protect them from social injustice and all forms of exploitation.

In keeping with these directives the Constitution has several provisions such as for the appointment of a minister-in-charge for tribal welfare (Article 164); for the administration of scheduled and tribal areas (Article 244); for grants from the union government to the states for the welfare of STs, and for raising the level of administration of scheduled areas (Article 275); for protection and promotion of the claims of STs to services and posts (Article 335); and for the control of the union government over the administration of scheduled areas and the welfare of STs (Article 339).

Of these, the provisions for the prevention of tribal land alienation are by far the most important. Their importance should be only too obvious from the fact that land is the only resource of the tribals, especially in the tribal/scheduled areas. Despite the fact that these provisions have been on the statute for about four decades now, tribal land alienation continues unabated.

This is true of Andhra Pradesh also, where the STs account for about 5 per cent of the total population. Here virtually all the STs (85 per cent) depend on land for their livelihood. While about 36 per cent of them are engaged as cultivators, about 49 per cent are agricultural labourers.[1] The methods of cultivation used by the tribals are mostly primitive (*podu* or shifting cultivation), with the result that the yield is very low. While there have been governmental attempts at educating them about the effective use of land through anti-*podu* committees and so on, these have not brought about any substantial change.

Of the ST agricultural labourers about 50 per cent are landless. The STs constitute the single largest group among the landless agricultural labourers in the Agency Tracts. Under the land reforms schemes surplus lands acquired through the imposition of ceiling on agricultural holdings are expected to be assigned to the landless agricultural labourers. While assigning these lands in these areas preference is expected to be given to STs. But considerable land has still not been acquired, leave alone its redistribution to the landless.

Despite the various land reform measures, exploitative sharecropping is still the order of the day. In the absence of any record of tenancy, in most cases sharecroppers have to face a lot of hardship in obtaining institutional credit and in holding on to their land. Since the bulk of the sharecroppers belong to the STs in the Agency Tracts their formal recognition, official recording and the conferment of legal rights of occupancy and purchase of ownership on easy terms will go a long way towards the socio-economic development of this community.

It is against the above background that the Andhra Pradesh chief minister N T Rama Rao's retrograde announcement of January 24, 1989 repealing Regulation 1 of 1970 has to be received with a lot of alarm. This regulation had prohibited transfer of lands in the Agency Tracts to anyone except a tribal. On August 13, 1979 his predecessor had also deprived the tribals of their rights by passing an executive order for exempting non-tribals occupying up to 5 acres of wet land or 10 acres of dry land in the scheduled areas from the purview of Regulation 1 of 1970. The opposition parties in the state were given three options by Rama Rao: (1) repealing the law, (2) redrawing the list of agency areas eliminating villages where not a single tribal lives, and (3) buying at market rate the land in the hands of non-tribal landlords so that they could go and settle down elsewhere.[2] But strangely, those parties, in particular the CPI, CPI(M), Janata, and Congress also betrayed the tribals by supporting th chief minister's decision.

The reaction of the Tribal Adviso Council, a body headed by the minist for tribal welfare, was in the nature of th fence eating the crop. It also endorsed th decision unanimously, buckling dow under political pressures. Subsequentl the governor who has otherwise a pen chant for picking holes in the actions o the Telugu Desam government has als ratified the repeal regulation.

As in the rest of the country, there no dearth of laws against tribal lan alienation in Andhra Pradesh. Thes legislations provide for stringent punish ment to the defaulters and also for restora tion of the alienated lands to the origina owners.

In fact the earliest law dates to 183 when the British administration enacte a legislation concerning the separation o agency areas from the other areas. Late it had passed the law in the form of th Agency Tract Interest and Land Transfe Act in 1917 with a view to protecting th lands of tribals and regulating the rate of interest in the Madras Presidency. Sec tion 4 of this act laid down:

> Notwithstanding any rule of law or enact ment to the contrary, any transfer of im movable property situated in the Agency Tracts by a member of a hill tribe shall be absolutely null and void unless made in favour of another member of a hill tribe, or with the previous consent in writing of the agent or any other prescribed officer.[3]

In 1935 the government of India passed an act giving more powers to the governor in the governance of scheduled areas. In 1959 after the formation of the now-unified Andhra Pradesh, the state government enacted a comprehensive legislation, the Scheduled Areas Land Transfer Regulation. It is more effective in covering the issues regarding any transfer of land in the tribal areas than the act of 1917. It also included provisions such as restoration of property to the transferer and exemption of tribal property from attachment, etc. But these legislations did not stop the

NOTICE

It is hereby notified for the information of the public that **RAMGANGA FERTILIZERS LTD** proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under Sub-Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969 for approval to the establishment of new undertaking/unit/division. Brief particulars of the proposal are as under:-

1. Name and Address of the Applicant : **RAMGANGA FERTILIZERS LTD**
   2, Western Avenue
   Maharani Bagh,
   New Delhi - 110 065

2. Capital Structure of the applicant organisation :

	Equity (Rs. in lakh)	Preference
a) Authorised	300.00	–
b) Issued and Subscribed	220.50	–
c) Paid up	220.34	–

3. Management structure of the applicant organisation indicating the names of directors including managing director/wholetime director and manager, if any : The Company is managed by the Board of Directors consisting of

Shri. U.S. Bhartia	–	Chairman
Shri. H.S. Bhartia	–	Vice-Chairman
Shri. G.D. Tandon	–	Director
Shri. Maheshwar Prasad	–	Director
Shri. Harshvardhan	–	Director
Shri. A.S. Bhartia	–	Director
Shri. Dushyant A. Dave	–	Director
Shri. Naresh Saluja	–	Director

4. Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division : A Division
5. Location of the new undertaking/unit/division : Gajraula, Moradabad Distt, U.P.
6. Capital structure of the proposed undertaking : As mentioned in Sr. No. 2
7. In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate:
   (i) Names of the goods/articles and proposed licensed capacity : Nitrochloro benzenes— 10,000 MTA; Concentrated Nitric Acid— 15,000 MTA
   (ii) Estimated annual turnover : Rs. 40.5 crores
8. In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover, etc. : Not Applicable
9. Cost of project : Rs. 12 crores
10. Scheme of Finance, indicating the amounts to be raised from each source :

	Rs. Lakhs
Internal Accruals	80
Public Issue	320
Foreign Currency Loan	200
Loans from Banks other than Financial Institutions	125
Rupee Loan from Financial Institutions	475
Total	1200

Any person interested in the matter may make a representation in quadruplicate, to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi within 14 days of publication of this notice, intimating his views on the proposal and indicating nature of his interest therein.

FOR **RAMGANGA FERTILIZERS LTD**

Sd/-
(ANAND ARYA)
PRESIDENT

Dated this 15th day of July 1989

TABLE: LAND OWNERSHIP OF TRIBAL AND NON-TRIBAL HOUSEHOLDS

(*Households in numbers, area in acres; percentage in brackets*)

Village and District	Households			Area Owned					
				1978			1988		
	Tribals	Non-Tribals	Total	Tribals	Non-Tribals	Total	Tribals	Non-Tribals	Total
Narnour (Adilabad)	29	9	38	236	27	263	54	209	263
	(76.3)	(23.7)	(100.0)	(89.7)	(10.2)	(100.0)	(20.6)	(79.4)	(100.0)
Boyagutta (Khammam)	26	11	37	131	21	152	65	87	152
	(70.2)	(29.8)	(100.0)	(86.1)	(13.8)	(100.0)	(42.7)	(57.2)	(100.0)
Royyur (Warrangal)	19	7	26	157	32	189	44	145	189
	(73.0)	(26.9)	(100.0)	(83.0)	(16.9)	(100.0)	(23.3)	(76.7)	(100.0)

Source: Tabulated from the field-data.

passing of lands from tribals to the non-tribals. Having recognised the activity of grabbing of lands by the non-tribals the officials did not help the tribals in retaining their lands. Gradually, outsiders who came from other districts captured a substantial amount of the tribal lands, and thereby accelerated the process of land alienation.

The land transfers from tribals to non-tribals is a result of exploitation arising from moneylending operations at an exorbitant rate of interest; and from dubious dealings in the course of trade. The non-tribal moneylenders, mostly upper caste people, who have migrated from other districts generally take a written statement while advancing the loan saying that, if the borrower fails to repay the loan within the stipulated time, he has to dispose of his land to the moneylender only. He has no choice of selling the land to others at the prevailing market rate. This kind of conditional sale deeds are common in the tribal areas of Andhra Pradesh.[4] Inadequate institutional rural credit among the tribal population is one of the important reasons for this state of exploitation. Lack of education is another. The literacy rate of the tribals in Andhra Pradesh is just 8 per cent as against the state average of 30 per cent.

Land alienation in a predominantly agrarian economy characterised by highly skewed distribution of land and adverse land-man ratio aggravates the inequalities in terms of income and wealth. This is more so in the Agency Tracts where the lands are passing into the hands of large landowners. In course of time the process of land alienation has increased and the owners of land (tribals) have become tenants and agricultural labourers. In the result, there has been a major change in their occupational distribution with a sharp rise in the number of agricultural labourers. Their living itself is a serious problem, devoid of minimum facilities such as food, shelter, clothing, etc. The condition of the tribals in the state is pathetic and they are being continuously exploited and neglected by the non-tribals and the government. It is disquieting that in spite of the necessary legislative measures taken by the state the dispossession of tribal lands is still taking place.

With a view to understanding the nature and magnitude of land alienation a random survey of tribal and non-tribal households was conducted in three villages. The results are presented below.

In Narnour village tribal households accounting for 76 per cent of the sample households had owned as much as 90 per cent of the total land owned in 1978. But their land ownership has declined to 21 per cent in 1988, while the land owned by the non-tribals has increased correspondingly (see table). Similarly, in the village of Boyagutta 70 per cent of the tribal households of the sample had owned 86 per cent of the total land in 1978. But it has come down to 43 per cent in 1988. In the village of Royyur tribal households, 73 per cent of the total sample, saw their share of land ownership decline from 83 per cent to 23 per cent.

The various methods used by non-tribals for circumventing the laws for acquiring tribals' lands are as follows: (a) 'benami' transfers; (b) transfer to non-tribals in the form of lease or mortgage; (c) transfers in the name of concubines, and tribal servants who may work as bonded labourers; (d) marital alliance with a tribal lady for the sake of transfer of tribal land in her name; (e) transfer of tribal land in the name of tribals adopted fictitiously; (f) transfer of actual possession of land without any record, in lieu of loan; and (g) encroachment of tribal land by force.

Thus there has been a sharp decline in land ownership of tribal households and a corresponding increase in that of non-tribal households. Most of the tribal households have become landless, and survive only as agricultural labourers and tenants. Hence the prevalence of discontent among the tribes. The main cause of discontent is land alienation. Devoid of land, the only resource with which earlier they earned the little income for their sustenance, political unrest is on the rise in the tribal areas. In this context, it would be pertinent to recall the incident of police firing in Indervelli village in Adilabad district on April 20, 1981 in which 13 tribals were officially reported to have been killed.

The genesis of the problem is the indebtedness of STs which forces them to approach the moneylenders and traders. In the process, they are exploited by the latter resulting in dispossession of their lands. In order to correct this the Andhra Pradesh (Scheduled Areas) Moneylenders Regulation restricts moneylending in scheduled areas and under the Debt Relief regulation all debts of tribals not governed by this Regulation were declared null and void. Despite the various provisions of these legislations the tribals could not break out of the clutches of moneylenders.

By repealing the Regulation 1 of 1970, land transfers to non-tribals will continue in the agency areas and tribals will be alienated further from their land. In the result, tribals will be deprived of the benefits of protective laws and special schemes for their development.

Notes

[I acknowledge with thanks the benefit of useful discussions with P Radhakrishnan.]

1 Government of India: *Report of the Commissioner for Scheduled Castes and Scheduled Tribes*, 1979-80 and 1980-81 (Twenty-Seventh Report), pp 323-24.

2 R J Rajendra Prasad, 'Tribal Land: Lost Chance', *The Hindu*, February 3, 1989.

3 N Subba Reddy, 'Depriving Tribals of Land: Andhra Move to Amend Land Transfer Laws', *Economic and Political Weekly*, July 16, 1988, p 1458.

4 T Prabhakar Reddy, *Functioning of the Rural Credit Market in Karimnagar District*, unpublished MPhil thesis submitted to the University of Hyderabad, 1987, p 73.

IPKF in Sri Lanka: Superpower Compulsions

A Correspondent

India's decision to stay on in Sri Lanka makes eminent sense when viewed in the perspective of the presumed regional role that this country has prescribed for itself.

IT is no use getting indignant over the refusal of prime minister Rajiv Gandhi to concede to the demand of the Sri Lanka president Premadasa for the withdrawal of the Indian Peace Keeping Force (IPKF) from the island by July 29, the second anniversary of its arrival on the island. President Premadasa is too shrewd a politician not to know the Indian prime minister's domestic compulsions as well as the even more pressing compulsions of living up to the 'image' presented in recent highly publicised reports in the western press about India's achievement of the status of a regional superpower.

There is no denying the sense of immense gratification in Delhi about these 'certificates' on the growing strength of India. Indeed, India's intervention in Maldives and Sri Lanka have substantially contributed to this 'image' of a regional superpower to whose benevolent care the stability of the region could be (and according to some, ought to be) entrusted—though, of course, there are also some apprehensions about the potential of this benevolent regional superpower which would need some watching. Such a combination of admiration and watchful wariness is exactly the kind of 'image' that eminently gratifies the establishment and its apologists in Delhi and other metropolitan areas.

So, India is now having its own version of the Monroe Doctrine, with freedom to intervene in the countries of the region—which, with the recent demonstrated success in IRBM technology, is not going to be confined only to south Asia. Only cantankerous malcontents would point out that none of the stated arguments for not complying with the request of the Sri Lankan president are convincing; on the contrary, India's decision to stay on makes eminent sense when viewed in the perspective of the presumed regional role that this country has prescribed for itself.

The costs of such persistence in the Sri Lanka misadventure are, however, going to be very high. The IPKF was sent to Sri Lanka on the invitation of the Sri Lankan government, to assist that government in maintaining and protecting the territorial integrity of Sri Lanka and also to ensure that the Tamil-speaking minority in the nrth and the est would enjoy a measure of regional autonomy—something incidentally that the Sri Lankan government too was anxious to grant. Having gone there on the request of the Sri Lankan government, one would have thought a request by the same government for withdrawal of these forces should have been enough, especially since the stated objectives of the governments of India and Sri Lanka were the same. Indeed, the request for withdrawal of the IPKF should have been grabbed since it is becoming clear that this country has got into an impossible situation and the rank and file of the IPKF, for no fault of theirs, have simply been led to slaughter in that uniformly hostile environment.

But no: it now transpires that the IPKF was sent to Sri Lanka not to safeguard the territorial integrity of Sri Lanka, then as now under attack by Tamil chauvinists, but in order to protect Tamil lives. Going by this logic, since people speaking one or other of the Indian languages and ethnically similar to Indians live in every other part of south Asia (and even farther beyond), would India send troops whenever and wherever any of these communities is perceived by India to be imperilled? If India can send troops to save Tamil lives in Sri Lanka (and decide to stay put even if the group in order to save which India sent its troops are now demanding that India should leave) should it not also send troops to save Bengalis in Bangladesh, Nepalis in Nepal, or Urdu, Punjabi and Sindhi speakers (all Indian languages included in the eighth schedule to the constitution) in Pakistan?

Some even more pressing domestic compulsions appear to have influenced Delhi's decision to stay put in Sri Lanka. It is now clear that elections to the Lok Sabha will be held almost certainly on October 31, the anniversary of Indira Gandhi's assassination—a day and an occasion ready-made to rouse the worst chauvinistic passions among the people, especially the Hindu majority. Further, this majority which has now been almost wholly appropriated by the communalists in the context of the Ram Janambhoomi-Babri Masjid controversy, has to be wooed back to the Congress(I) fold.

The memories of India's military triumph under Indira Gandhi against the only country against which winning a war matters to the overwhelming majority of Indians—Pakistan—are now only a historical memory; few of the 'youth' so assiduously being wooed by the Congress(I) have any memory of those days whose political mileage was anyway fully secured in 1972.

Since then, it has been a decline; India has not had any notable military victory or even an opportunity to show its military muscle. Siachen has been a stalemate, Maldives was a walkover and the benevolent intervention in Sri Lanka which it was thought would be roses, roses all the way, has now degenerated into a nightmarish quagmire, with mounting casualties. The IPKF is now formally described in Sri Lanka as an occupation army which president Premadasa has threatened to confine to the barracks if it does not leave by July 29.

Indeed, the initial mistake was in getting involved at all either, as publicly stated, in order to preserve the territorial integrity of Sri Lanka or, as it is now being revealed, to protect Tamil lives. For both the Sinhalas and the Tamils are under the influence of two of the most chauvinistic outfits; and India's own tender concern, the Tamils of Sri Lanka, are split into factions each more hostile to the majority Sinhala people.

Over and above all, there is no mistaking the strategic objective of each and every Tamil group in Sri Lanka: the destruction of Sri Lanka as a political and geographical entity, sustaining different communities united by bonds of history and geography.

Straightforward self-interest should have persuaded India not to encourage such a band of potential Pol Pots in Sri Lanka bearing different initials and acronyms against their names, for the ethnic and linguistic mix in India is far more explosive than in Sri Lanka. But then, can a regional superpower pass up such temptations to play god in its own backyard?

Everything in Sri Lanka now points to a developing scenario where increased intervention, at vastly increased human and material cost, is inevitable, and is probably also being actively planned. To counter the threatened confining of the Indian troops to their barracks after July 29, the union government's alter ego Subrahmaniam Swamy has adviced the EPRLF administration in the north to unilaterally declare independence on that day. There is no reason to think that Varadaraja Perumal will not oblige, just as there is no reason to think that Prabhakaran would not have obliged had be been in the same predicament (and possessing the same tactical advantages) as Varadarajan. Thereafter, if the 'prime minister' of 'Eelam' were to seek Indian assistance to defend the 'independence' and 'territorial integrity' of 'Eelam', would more troops be sent to form a permanent presence in the north? Can a regional superpower worry overmuch if Sri Lanka were to go to the United Nations, or boycott SAARC meetings? The TV serial on Ramayana has anyway prepared the Indian public for a full-scale invasion of sinful Lanka by the righteous forces of Sri Rama. And at a pinch, on the platform of patriotism and great nation chauvinism, most of the opposition parties too may be persuaded to join forces.

Green Blues in Europe

Michael Jacobs

The June elections to the European Parliament confirmed that Green politics is now firmly on the European map. We may be witnessing the beginning of a new trend: the replacement of True Blue by a new combination of Green and Red.

EUROPE has a new political colour: Green. In June's elections to the European Parliament one clear trend emerged throughout the continent: support for Green parties is increasing. Raising their vote to between 6 per cent and 15 per cent of the poll, the Greens have upped the number of their so-called 'Rainbow coalition' seats from 20 to 34. With the combined Socialist parties also winning extra seats, and the Communists just about holding theirs, the new Parliament has a Left-Green majority, albeit a slender one, for the first time in its history.

The elections confirm that Green politics is now firmly on the European map. Perhaps surprisingly, the oldest-established Green party, in West Germany, made only a modest gain, from 8.2 per cent to 8.4 per cent, winning one extra seat. But in Belgium Green support rose to 14 per cent, in France to 10.5 per cent, resulting in representation (with nine seats) for the first time, and in Italy it trebled to 6.2 per cent, and six seats.

The most remarkable result, however, was in Britain. From being the smallest Green Party in Europe, the British Greens have rocketed to being the largest. Their share of the vote rose from literally nowhere—last time around, in 1984, they did not even stand in the majority of seats—to an astonishing 14.9 per cent. This average hides, in fact, still more sensational regional results. Across the more prosperous South of England, the party won a consistent 19 per cent or more of the vote, and in six constituencies it actually came second. To put this into perspective: just two years ago, in the general election, the Greens scored 0.6 per cent.

Unfortunately for them, however, the British electoral system of first-past-the post means that the Greens have won no seats in the European Parliament. Labour now has the majority of British MEPs, scoring a morale-boosting 40 per cent of the vote and inflicting on Margaret Thatcher her first ever electoral defeat. The increased Labour and Green votes came not just from the Tories but from the centrist Democrats (ex-Liberals and Social Democrats) whose vote collapsed to 6 per cent.

It would be wrong to read *too* much into the increased Green vote. The European Community's constitution gives the Parliament little power: most policies are initiated by the unelected Commission, with decisions being made by national governments in the Council of Ministers. This makes the European elections a perfect opportunity for protest voting. Moreover the turnout is low—an average of 61 per cent (in Britain, just 37 per cent), so the poll is not necessarily an indicator of national election opinion.

Nor does the result necessarily demonstrate support for the full range of Green Party policies. In Britain, for example, these include unilateral nuclear disarmament (a policy whose alleged unpopularity is currently leading the Labour Party to abandon it), a 'basic income' scheme guaranteeing all citizens a tax-free weekly income from cradle to grave, and the break-up of the nation state into a federation of European regions. It is quite likely that many voters were not aware of these policies at all—itself unsurprising given the negligible coverage given to the Greens by the media.

Environment, the Key Issue

Rather, people were voting for the Greens' stand on the environment. This, however, *is* significant, and it is a portent of a genuine tansformation of politics in Europe. The environment is becoming the key issue of the 1990s, and the voters have (typically) recognised it before the politicians.

In the last few years Europe has been hit by a succession of environmental disasters. The nuclear accident at Chernobyl in the Soviet Union in 1985 sent fallout all across the continent: many governments are still compensating farmers whose livestock is too radioactive to be sold. Acid rain has destroyed a third of Germany's ancient Black Forest and huge areas of Scandinavia, and there are now few parts of western Europe unaffected. A huge chemical spillage in the Rhine last year exposed widespread river pollution, while the contamination of the North Sea by industrial waste dumping suddenly came to public attention when thousands of dead seals were washed up on its coasts. The Mediterranean has for a decade been fighting to retain its sea life. The episode last year of the Karin 'B', a cargo ship carrying Italian toxic waste which was shunted from port to port around Europe being refused entry epitomised the chaos which now passes for industrial waste disposal. The disgraceful attempts to offload such material on to poor African countries has only been halted by assiduous journalistic expose.

Meanwhile, of course, as everywhere else in the world, European public opinion has been alerted to the risks of the greenhouse effect, the depletion of the ozone layer, the destruction of tropical rainforest and other global issues.

It is not only the elections which indicate the extent of public concern about the environment. Throughout Europe—not just in the west but also in the eastern half of the continent, particularly in Hungary and Poland—membership of environmental pressure groups has soared in recent years. In Britain Friends of the Earth and Greenpeace are experiencing annual growth rates of 20 per cent, while in Denmark there are said to be more members of environmental bodies than there are people, since so many citizens belong to more than one. It is hardly possible to pick up a newspaper or magazine or watch television anywhere in Europe without encountering an environmental topic. The latest phenomenon is 'Green advertising', in which large multinational corporations take out full-page press ads to publicise their concern for the environment. The companies are, of course, usually the worst environmental offenders: oil and chemical firms predominate, with British Nuclear Fuels the latest addition.

Perhaps the most interesting development is the growth of 'Green consumerism'. Supermarkets now vie to stock the most environment-conscious products: not just organic and additive-free foods but 'ozone-friendly' (CFC-free) aerosols, recycled toilet rolls and stationery, biodegradable detergents, non-polluting batteries, and so on. Germany now has a special 'Blue Angel' symbol for certified ecologically-acceptable products and similar schemes are in preparation elsewhere. In Britain 1988 saw the publication of *The Green Consumer Guide*, detailing how the Green-minded consumer can use the power of his or her purse to protect the environment ('from shampoo to champagne'): it went straight to the top of the best-seller list.

If astute manufacturers and advertisers are riding the crest of the new wave of Green consciousness, the conventional political parties are paddling along somewhere behind. The Green parties, of course, have been trying the surf for some time. The German Greens were the first to gain parliamentary representation, in 1983, and they have since been joined by Green parties in Switzerland, Austria, Sweden, Finland, Luxembourg, Belgium and Italy. Greens have local representation in many other countries as well, including France and Britain.

One of the most important consequences of this is that Greenness has now swept across all the other parties too. Fearing a loss of votes, all shades of the political spectrum have suddenly declared themselves to be Green. On the Left this has been part of a general shift towards the 'social movements' (women's, peace and ecological) of the last decade. The German Social Democrats (SPD) have probably advanced the furthest, incorporating genuinely Green policies on the environment and other issues (such as

the shorter working week and improved women's rights) into their programme. Indeed in two German states the SPD and the Greens have formed coalition governments.

Conservatives' New-Found Green Enthusiasm

But Green awareness has also penetrated the Right. This was demonstrated most astonishingly by Margaret Thatcher's now celebrated speech to the British Royal Society last September, in which she declared that protection of the environment was now the foremost challenge facing the world, and committed her government to both national and international action in support of it. The prime minister's statement was the more astonishing because Britain under her leadership has had the worst environmental record of any country in Europe. It was, as someone observed, the most remarkable conversion to a cause since Paul hit the road to Damascus.

But however much the Conservatives, throughout Europe, attempt to sell their new-found Green enthusiasm to the public, the advent of the environment as a major issue surely spells an end to the free market politics on which Margaret Thatcher and her allies have stood for the last decade. Put simply, the free market is the *cause* of many of the world's most urgent ecological problems, and their solution is only feasible if the imperatives of the market are overridden.

That untrammelled market forces cannot guarantee environmental protection is not simply evident from their palpable failure to do so up to now. The very structure of (unregulated) markets, in which 'external' costs, such as those imposed on the environment, are not paid for by either producers or consumers, makes ecological degradation inevitable. To take an example much troubling Europe at the moment: it is not car manufacturers, nor car drivers, who bear the cost of lead and other polluting gases from vehicle emissions, it is the children whose brains are damaged, and the future generations who will have to live with the warmer climate and reduced protection against the sun which the emissions (in part) cause. So long as the environment is regarded, as the free market regards it, as a free sink into which the economy's wastes can be poured, its survival must be in jeopardy.

Of course, the introduction of regulations protecting the environment by law—such as the new vehicle emission standards agreed by the European Parliament—does not mean the end of capitalism. Profit-making companies have long been used to regulation of their activities. But it does mean that governments and corporations will increasingly find themselves on opposite sides. Scientific evidence and public opinion will force governments to impose new controls, while companies fiercely resist the inevitable rise in costs (as the motor manufacturers have done for years over exhaust pollution). For Conservative parties such as those in Britain, which have prided themselves on freeing industry from bureaucracy and state interference in the market, this conflict will not be easily mediated.

It will not be a question, either, of the odd new law here or there. The proliferation of ecological problems in the last few years has demonstrated the inalienable truth that all economic activity is founded on environmental wealth. Ultimately all resources come from the environment and all wastes—the end-products of the economy—return there. (Indeed, since matter-energy cannot be created or destroyed, the two quantities are identical.) If the economy is to be made *sustainable*, we have to make sure that we do not deplete resources faster than we can regenerate them or find new ones, nor emit greater quantities or concentrations of waste than the biosphere can safely absorb. This means that not just a few major polluting or resource-using industries but *all* economic activity must be constrained and regulated according to ecological principles.

This message has not yet percolated through to the priests of the free market, but there can be little doubt that it will. Already West Germany and Scandinavia are examining the feasibility of environmental taxation—attempting to 'internalise' external environmental costs by levying taxes on scarce resources. A carbon energy tax, for example, is being proposed as the most effective means of stimulating energy conservation (and power generation from renewable sources) to reduce the greenhouse effect. Several European countries already tax certain forms of waste disposal, and the possibility of wider intervention in the price system to control pollution is under investigation.

Need for Ecological Planning

What is clear is that, whether the mechanism used to achieve it is regulation or taxation, industrial economies will have increasingly to be *ecologically planned*, with targets being set for resource use and waste disposal, and firms compelled to stay within environmental limits. This is not exactly the free market ideal which has motivated western economic policy over the last ten years.

Moreover, such planning will have to be done on an international scale, since so many environmental problems are global in extent. This is not so utopian as it might appear: examples such as the 'Club of 30' agreement to reduce acid rain emissions in Europe and the Montreal Protocol limiting worldwide CFC production already exist. It is clear that an international target for greenhouse gas emissions must follow soon.

The growing need for 'ecological planning' therefore poses an enormous challenge to the European Community, as the only genuinely law-making transnational body in the world. Currently the issue dominating the agenda of the twelve member countries is the introduction of the Single Market—the abolition of all frontier controls on trade at the end of 1992. But the vision of a continent-wide free market, in which huge corporations trade, relocate and employ workers without national restrictions, is coming under increasing criticism. Already the socialist president of the European Commission, Jacques Delors, has put forward proposals for a 'Social Charter' guaranteeing minimum rights for workers and social welfare provision across the Community. Now, as the results of the European elections are assimilated, the calls for a similar 'Environmental Charter' will surely grow.

The 1990s are therefore likely to see a different type of politics from the one that has dominated the last decade. As markets are increasingly regulated according to both social and ecological imperatives, the momentum of Thatcherite conservatism may finally have been exhausted. Margaret Thatcher is already isolated as the only European leader who rejects the Social Charter (she has called it 'Marxist') and who opposes the loss of national sovereignty implied by international legislation on environmental and other issues. Even the Conservative governments of Germany and Holland have recognised that protecting the environment requires new and urgent measures. Indeed, the Dutch government has just fallen on this issue, the Christian Democrats' Liberal coalition partners having rejected proposed new taxes to reduce vehicle emissions.

But as the European elections have shown, voters seem increasingly unconvinced by the environmental claims of even the moderate Right. What we may therefore be witnessing is the beginning of a new trend: the replacement of True Blue by a new combination of Green and Red.

Changeful Society and Changeless Governance

Nirmal Mukarji

With non-Congressism on the rise in the states and the possibility of a non-Congress alternative even at the centre in the air, the civil service will have to learn to be more independent in the political sense. The need for such independence will be all the more if democratic self-governance is extended to the sub-state levels.

OBJECTIVE circumstances in a country change much faster than the ability of its system of governance to adapt to them. What are the major changes that have taken place in India? What modifications do these call for in the country's system of governance? And what implications do these have for the civil service?

I

Foremost among the changes in objective circumstances are demographic changes. From about 350 million at independence, India's population has gone up to over 800 million and is projected to cross the billion mark at the turn of the century. The age pyramid remains as flat as ever, which means that in absolute numbers the young comprise much more than half the total population. People are moving into the cities in larger numbers owing to a combination of pull and push factors. Urban population was about 60 million at independence, rose to 160 million in 1981 and is projected to be 360 million in the year 2001. More than a third of all Indians will be living in cities when that 'glorious' twenty-first century dawns, as against a sixth when we became independent. Economists, planners and the intelligentsia generally view these changes with alarm. There is no question that there is genuine cause for concern. Much, though not all, of the alarm stems from a view that large numbers of people, especially when many of them are young and often aggressively demanding, constitute a liability. If people were to be thought of as human resource and therefore a potential asset, the alarm bells might be less clangorous. Liability or asset, the sheer magnitude of the numbers places a question mark on whether a largely static system of governance can cope with the rapidly expanding demographic reality.

Next are the changes brought about by political development. The central legislature we started with, which also doubled as the Constituent Assembly, was elected in 1946 on restricted franchise. The size of the electorate then in the whole of undivided India, excluding the princely states, was 35 million. Then came Article 326 which provided for universal adult suffrage, perhaps the most impactful clause of the Constitution. As a result the electorate for the first general election of 1952 jumped five-fold to 173 million. The figure became 364 million in the last general election of 1984. With the voting age lowered to 18, it will exceed 450 million for the next general election. The change from restricted to universal franchise thus meant moving from elite to mass politics in terms of numbers. If the masses had remained politically quiescent this would have made little difference. But frequent and regular elections served as schools of political education, steadily raising the level of political consciousness. The successful overthrow of entrenched regimes in several states and even at the centre had the effect of accelerating the process of politicisation. While literacy crawled from 16.7 per cent in 1951 to 36.2 per cent in 1981, political education leapt ahead. Given India's powerful oral tradition, the written word was not needed for political issues to be discussed at tea shops across the country with earthy wisdom.

Changes wrought by economic development are a mixed bag. On the one hand, the country has become nearly self-sufficient in foodgrains. The threat of widespread famine has gone and in fact the possibility has opened up for food security measures to be undertaken here and there, like the provision of subsidised rice to the poor in Andhra Pradesh. Indian industry now produces a wide range of products. Infrastructural areas like power, transport and irrigation have registered good progress, thanks mainly to the public sector. On the other hand, the overall growth rate of the economy until the end of the 1970s averaged a mere 3.7 per cent per annum, which having regard to population increase meant only 1.5 per cent per capita. In the 1980s, growth is claimed to have gone past this 'Hindu rate', as the late Raj Krishna called it, and touched 5 per cent. But much of the increase is accounted for by 'drone' items of the service sector like the bureaucracy and defence. More disturbing is the spread of economic benefits. The top 20 per cent take nearly half of the gross national product, against which the bottom 20 per cent are left with only 7 per ce[nt]. Economic development has created glari[ng] disparity between the rich and the poor. T[he] poor are not only those defined as such f[or] official purposes but in fact all those oth[er] than the rich, i e, four-fifths of the popul[a]tion, i e, 650 million people today.

The picture that emerges from the[se] dimensions of change is one of a vast a[nd] growing population advancing rapidly [in] political consciousness but being ma[de] increasingly aware that the fruits [of] economic growth, meagre as they are, are n[ot] for them but for a chosen few. There a[re] numerous signals that the imbalance be[t]ween expectations and satisfactions, [a] familiar enough phenomenon in mo[dern] societies, is driving individuals and grou[ps] outside the system of governance into a[n] extra-constitutional polity. We need to thin[k] whether and how the system can be give[n] more stretch and flexibility to cope wit[h] discontent. But before coming to that tw[o] of the major changes in the political aren[a] need to be noted.

The more significant is the decline of th[e] once-great Congress Party. In a sense th[e] decline started when Congress came int[o] office, for power began to corrupt. By th[e] time the Nehru era ended the rot had se[t] in, creating in its wake room for non-Congressism to arise. This was of thre[e] types; Left fronts, self-respect movement[s] like the DMK and Lohia-inspired oppositio[n] unity moves to ensure one-to-one electora[l] contests. The result of this emergent non-Congressism was that, in the 1967 genera[l] election, Congress was ousted from powe[r] in eight states. This became a turning point. On the one hand, democracy received a sho[t] in the arm because alternatives to Congres[s] were seen to be a possibility. On the other, a shocked Congress unleashed a formidabl[e] backlash. First, most of the newly forme[d] non-Congress governments were swept aside. Next, since the states had proved to be vulnerable for Congress, extraordinar[y] measures were adopted to centralise power. On the party side, there was a split with the faction in power adopting the 'fuhrer' model, doing away with intra-party elections. On the government side, huge para-military forces were created. The reach of the Intelligence Bureau was extended right across the country and especially to states which persisted with non-Congressism. President's rule began to be imposed more frequently. Economic management and planning were so conducted as to make states increasingly dependent on the centre. Captains of industry, czars of science and technology and indeed all those most favoured by the pattern of development went along happily. The political and economic 'haves' thus made common cause to make the government of the country more centralised than Nehru or anyone else had ever visualised. This was a far cry from the federal democracy the country had opted for.

Correspondingly significant is the rise of countervailing forces. If the benefits of economic development went largely to the top 20 per cent, the gains of political development quietly accrued to the rest of the people. Elite groups corrupted the electoral system to keep themselves in and the masses out. However, when centralisation reached its apex in the Emergency, the masses voted the offending regime out at the first opportunity. They did the same to the successor regime when that failed them. Congress wrongly interpreted this as a mandate for renewed centralisation and paid for this by losing state after state in a series of elections. Non-Congress elements in the states joined hands to demand that the federal structure of the Constitution, overshadowed for long by the command system of the Congress, be restored and strengthened. Federal reform thus came on the national agenda. Meanwhile, the Left Front in West Bengal innovated a bold programme of land reform coupled with vitalisation of panchayats. For the first time since independence, the masses in that state felt the glow of freedom through active participation in panchayat self-governance. What distinguished West Bengal's panchayats from earlier versions was that they were openly political in character. Karnataka and Andhra Pradesh, which too had non-Congress governments, also transformed their panchayats into politically elected units of self-government. The concept of panchayat governments pioneered by these states caught the imagination of the country. Decentralisation below the state level through devolution of political power to panchayat governments thus became an important adjunct of the movement for federal reform.

II

This analysis of changing circumstances points to the need for federal reform and for decentralisation below the state level. Since federal reform in the present context is a euphemism for decentralisation from the centre to the states, the single agenda that stands out is decentralisation.

The critical element in this is finance, because functions accumulate where there is money regardless of constitutional lists. Therefore, when thinking of decentralisation, there will have to be a new financial regime as between the centre, the states and sub-state levels. Obviously the centre must be left with enough for its basic needs. At the same time, the states and sub-state levels, not being in a position to raise on their own the resources for *their* basic needs, must receive assured funds from the centre in sufficient measure and without strings to make purposeful self-government at these levels possible. So far, Finance Commissions have followed a tax-by-tax approach. A new regime which would ensure finality, avoid recriminations and be simple to operate would be for the Constitution to provide for a fixed percentage out of the centre's aggregate resources to go to the states and out of that a fixed sub-percentage to be passed on to sub-state levels. The prime minister was right when he told parliament that untied grants make for local level planning. The opposite is also true, namely that tied grants cripple local initiative, especially if they squeeze out untied grants, for where there are strings there can only be puppets at the other end. Consequently centrally sponsored schemes, the latest in an expanding array being the Jawahar Rozgar Yojana, are essentially antithetical to the idea of decentralised democracy. Constitutionally guaranteed free-of-strings devolutions to state and sub-state levels would lessen the scope for the centre to play centrally sponsored games and correspondingly strengthen democratic governance at these lower levels.

An equally critical element is planning. So far planning has been thought of as inevitably involving centralisation. In a federal polity we need to think of planning as 'national' rather than 'central', and find a way to federalise it. The command system by which Congress ruled during the first two decades after independence could not but infect the Planning Commission. Instead of adopting the democratic route of seeking consensus on major policy issues, it took to imposing its growth models and investment budgets on the states. It was able to do so because it secured control over the distribution of plan funds. Discretionary plan devolutions have been rising against assured non-plan devolutions via Finance Commissions, the present ratio between the two being about 40:60. Planning clearly requir[es] a measure of discipline, but in a democrat[ic] context this should come more from conse[nsus] than from financial coercion. Over-involv[e]ment in preparing investment plans h[as] resulted in the neglect of policy plannin[g]. Vital matters like the oppression inflicted o[n] the poor and the decline of mediatory inst[i]tutions such as the police and the courts a[re] treated by the commission as outside its pu[r]view. Issues like South Asian regional co-operation or the balance between defen[ce] and development are excluded becau[se] foreign policy and defence are regarded a[s] holy cows. Even in the 'included' area, no[t] enough thought goes into problems like ma[ss] poverty, regional backwardness, environ[]mental decay and the criminal neglect o[f] women and children. In a new plannin[g] regime, the Planning Commission woul[d] need to pay more attention to major polic[y] questions and allow investment planning t[o] be decentralised within a framework of na[]tionally accepted policies.

Thirdly, there will have to be a new regim[e] in the districts. We simply cannot go on flog[]ging the 'district officer' system any longe[r]. Today's district officer has been saddled wit[h] far too much to do and as a result is unabl[e] to do anything effectively enough. Agains[t] this, the political awakening of the peopl[e] has led them to expect far more than th[e] system can deliver. The answer surely lies i[n] letting the people run their own affair[s] through elected district governments. If such governments are not to go the way of pan[]chayati raj institutions (PRIs) they mus[t]

ossess characteristics the lack of which led the failure of those bodies. For one, these overnments must be recognised as political ntities, with political parties openly consting elections. For another, they must look fter the totality of district governance, with e district bureaucracy coming squarely nder them. Dividing the task of governance etween regulatory and developmental funcons is artificial and untenable. Further, the ate of district governments must not be left o the tender mercies of state governments. lections must statutorily be held at regular ntervals under the overall supervision of the lection Commission. Supersessions should e barred, for there is no justification for iving state governments a handle to remove nconvenient district governments. Lastly, istrict governments must be nested in the ederal idea, forming a third tier of the poliy. The third tier would subsume self-governing nits at sub-district levels right down to *gram abhas*. The introduction of a third tier must ot, however, squeeze the intermediate seond tier or be seen as attempting to do so.

Fourthly, there will have to be a new egime for urban government, having regard o the fact that urban areas will hold a third f the nation in a mere decade or so from ow. The governance of these areas can be onsidered at two levels. The Asoka Mehta Committee drew attention to the fact that mall and medium towns had stagnaed for decades while the bigger towns had rown steadily bigger. It ascribed the henomenon to the former not having eveloped functional linkages with their ural hinterlands. However, with increased commercialisation of agriculture an urbanural continuum was growing. The committee advocated linking rural areas with urban focal points under the umbrella of PRIs. There is good sense in this line of thought. Consequently, at one level, small and medium towns should be integrated with district governments through some form of federal linkage. The term medium town would have to be interpreted flexibly to include most district headquarter towns considering that they are very much a part of the urban-rural continuum. At another level, the metropolitan and really big cities will need to be treated differently. For they present a major problem of governance, not adequately recognised as such till now because of the persisting impression that India is mainly rural. The National Commission on Urbanisation classified urban areas into cities and towns, the former having population more than one lakh and the latter less. Elsewhere it suggested a two-tier administration for cities with population over 5 lakhs. At yet another place it listed 40 cities which would be more than a million strong in 2001. A practical approach might be to make a beginning with, say, half of these 40 in the matter of installing specialised city governance. Possibly, some initial lessons could be learnt from Calcutta and Howrah which have broken out of the pervasive Bombay corporation model and innovated a mayor-in-council system.

New regimes for finance and planning as well as for district and urban governance would constitute a four-pillar minimum needs programme to bring about needed changes in the system of governance. The four must be viewed as an integrated package. Picking out just one of them, such as district governance, would be like trying to lift a *charpai* by a single leg. This, in fact, is the major defect of the Constitution (64th Amendment) Bill for panchayats. A 65th bill for the urban areas would not cure the defect since the first two agenda items, i e, new regimes for finance and planning involving decentralisation from the centre downwards, would remain untouched.

III

What implications would such a reform package have for the civil service? For our purpose, the civil service means mainly the all-India services but also all Class I services of the centre and the states. The constituents of the civil service so defined have their differences with each other over career issues but are nevertheless a recognisable category, if only because they occupy the commanding heights of the administrative machinery and are for that reason the most influential group within the bureaucracy. The attitude of members of the civil service has been conditioned by two factors. For one thing, they have throughout functioned in a centralised and centralising system of governance,

New Delhi being the prime focus of centralisation but also the state capitals. Secondly, they largely come from urban backgrounds and their educational attainments class them as English-speaking. Somehow the chemistry of this second factor operates to make civil servants generally comfortable with centralism. Thus, exceptions apart, district officers are eager to complete their stints in the field and get to the state secretariats. Those serving in the states, at least a considerable proportion of them, want to get to the centre. The more enterprising of those who succeed in this immediately begin working to get to what for them is the centre of all centres, namely, the World Bank or one of the many UN agencies.

The thrust of the suggested minimum needs reform is in the opposite direction, its essence being downward democratic decentralisation—3Ds—towards more 'vernacular' governance. Therefore, the first implication of the package, if it ever comes about, would be that the civil service would need to do an about-turn in its attitude. Would it be able or willing to do so? We can all entertain our respective doubts. Bureaucracies do have inertia built into them and are resistant to change. But the Indian bureaucracy has shown that it is viscous enough to fit into new political moulds. This was proved when power was transferred from British to Indian hands in 1947, though it must be admitted that the newness of the native mould was more on paper than in fact. It was also proved in the states whenever power was transferred from Congress to stable non-Congress parties. But none of these involved structural change for the civil service. The crucial obstacle for a change in attitude is, in fact, the way the civil service is structured, the highest jobs being at the centre or in state capitals and the lowest in the districts. Successive pay commissions have reinforced this structure rather than change it, because preserving 'relativities' has been their guiding principle. This writer once met a German civil servant who, after having done a term as cabinet secretary to the federal government, had chosen to be a city manager of one of the major cities, presumably carrying his emoluments with him. We need a new kind of pay commission which would free itself from the bind of relativities and allow room for structural changes to take place. The civil service must have enough flexibilty to reverse direction and flow more easily into new moulds of people-oriented governance.

Quantitatively, the civil service and the bureaucracy generally of which it is a part are increasingly viewed as costing the country more than they are worth. Decentralised governance could easily result in the creation of more posts. But should this necessarily mean expansion of an already oversize and largely parasitic bureaucracy? Should genuine decentralisation not mean visibly slimmer central and state secretariats and departmental headquarters? Much praise has been deservedly showered on West Bengal and Karnataka for their panchayat governments, but Calcutta and Bangalore remain as populated by bureaucrats as before. If logic favours smaller bureaucracies at decentralising points, whether at the centre or in the states, could those found surplus to the requirements of New Delhi and the state capitals not be redeployed in the decentralised units of governance?

Qualitatively, at each level of what effectively would be a multi-tiered federation, the civil service would have to subordinate itself to a democratically elected government and yet maintain its independence. Subordinating one's self may present some ego problems here and there but is otherwise easier done than maintaining independence. It sounds trite but is true that an independent civil service is vital for a healthy democracy, especially so in a multi-tiered arrangement. There is a familiar connotation of independence according to which an independent civil servant is one who is fearless in thought, word and deed. Independence in this sense goes with integrity, for the fearless one cannot afford to have anything to hide. Basically independence has to be rooted in values and principles. That being so, there has to be a willingness to face consequences, such as not getting plums or, worse, being harassed in sundry ways. The ultimate contingency of leaving government employment if necessary has also to be faced with equanimity. All of which is not to say that an independent civil servant must wage a running war with elected representatives of the people. On the contrary he must learn to work harmoniously with his political masters without fatally compromising his independence. Happily, there are still many such independent civil servants. But the hard fact is that their number is decreasing. Corruption and collusion with dark forces are taking their toll. If decline is not to turn into decay, it is for the civil service as an institution to rise against these forces while there is still time.

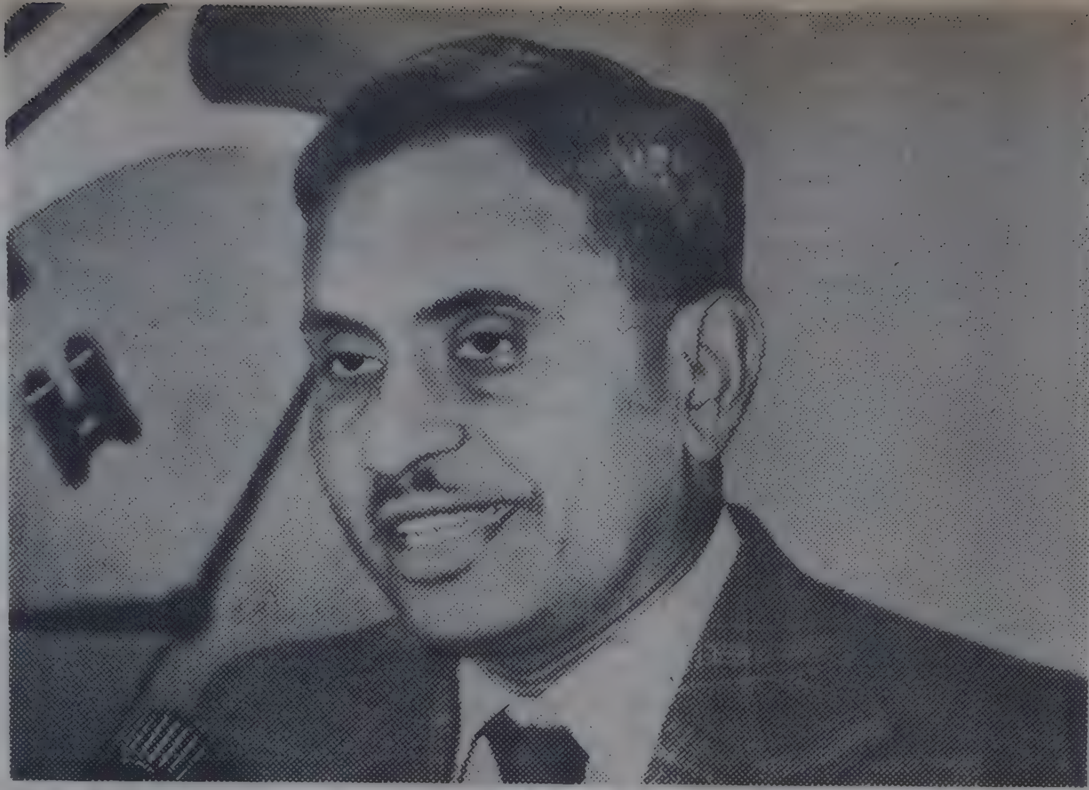
There is the other connotation of independence. A BBC interviewer once put the following question to this writer: To what extent has the civil service retained its independence? The reply given was that the independence of the civil service was a concept relevant to democratic systems in which governments came and went but the civil service was expected to serve successor governments as faithfully as it did the predecessors. That it was pointed out, was the British usage of the word 'independence'. In India, since there was no democracy during British rule, there was no question of the civil service having been independent in this sense. Therefore, the issue was not how far the civil service had *retained* its independence, since it never had any, but how far it had been able to *become* independent in the new democratic context of free India. The difficulty we had had to contend with was that Congress had remained in power at the centre almost all the time since we became a democracy and the civil service thus had not had opportunities to adjust to changes of government.

We have far to go in regard to this kind of independence. Sadly, starting with the Emergency, the trend has been in a negative direction. The distinction between the government and the ruling party is tending to get blurred, at the centre as well as in most of the states. The responsibility for this lies primarily with political leaders. But the civil service has also been lending a hand. Only the other day a noted journalist, Tavleen Singh, reported her experience at a "truly high-power dinner" organised by the joint secretary, external publicity, one Aftab Seth. It was attended by a "dazzling array of senior bureaucrats", including the cabinet secretary, the principal secretary to the prime minister, the finance secretary, the I and B Secretary and "sundry high-powered joint secretaries". One of the questions that aroused much discussion related to the advent of the political bureaucrat, that is one who openly supports the ruling party and not just the government. Somehow it seemed to the journalist that the older lot were less susceptible to this tendency.

The implication that all were susceptible, the younger lot only more so, is indeed disturbing.

There is a discernible tendency in the civil service to treat the Congress as the natural ruling party. The mischief was done during the early decades when the only rule was Congress rule. A cosy relationship came into being during this period between Congress rulers and the civil service. Congressmen came to think of civil servants as servitors of Congress power and civil servants, by and large, came to regard Congress rule as naturally ordained. Circumstances have changed since then, for there is no state where Congress has not been dislodged from power at some time or the other, and that applies to the centre too. But mindsets tend to ignore facts. Consequently Congressmen, especially those at the centre, continue to find it difficult to accept the idea of an independent civil service. Civil servants on their part find it equally difficult to graduate out of their tilt towards Congress. It has taken three elections to make the West Bengal civil service begin to accept the inevitability of non-Congress rule in that state. The leadership of the Janata in Karnataka and the Telugu Desam in Andhra Pradesh were convinced that there were elements in their respective civil services which had Congress proclivities and for that reason could not be trusted. New-to-power political parties are over-sensitive about such issues. But their suspicions about the civil service in these instances were not entirely without foundation.

With non-Congressism on the rise in the states and the possibility of a non-Congress alternative even at the centre in the air, the civil service will have to learn to be more independent in the political sense. The need for such independence will be all the more if democratic self-governance is extended to sub-state levels.



Shri P.S. Rama Mohan Rao I.P.S. *Chairman, Hyderabad Allwyn Limited*

WATCHWORDS FOR GROWTH: DIVERSIFY. INNOVATE. AND ADD VALUE.

On behalf of the Board of Directors and on my own behalf, I extend to all of you a very warm and cordial welcome to this 46th Annual General Meeting of your Company. As you may be aware, I assumed charge as the Chairman of the Company only in February this year. This is an assignment which I feel genuinely happy to fulfil with your goodwill and support.

The Directors' Report and the Audited Accounts for the seventeen month period ended 31 December, 1988, together with Auditors' Report have been with you for some time now. May I therefore, with your permission, take them as read.

Growth maintained. 15% dividend declared

Your Company kept up its momentum of growth during the year 1987-88 also. The gross revenue increased from Rs. 108.20 crores in 1986-87 to Rs. 192.48 crores in 1987-88, thereby registering an improvement of more than 25% on an annualised basis. Correspondingly, there was a jump of more than 30% in the operating results from Rs. 11.95 crores in 1986-87 to Rs. 22.09 crores in 1987-88. The net profit (after depreciation and interest) for the period under review amounted to Rs. 4.47 crores as against Rs. 3.46 crores for the year 1986-87. Keeping in view the heavy investments being made for modernisation and expansion of capacity, your Directors have, however, recommended that the dividend may be limited to 15% for the extended period of 17 months. The Company has been continuously making profits for the last one decade and paying a reasonable dividend to its shareholders. Thus, it has come a long way from 1969 when, at the time of the Government of Andhra Pradesh taking over its management, the turnover was just Rs. 5.14 crores.

The operating results in 1987-88 have to be viewed in the background of the various adverse circumstances like power cuts, foreign exchange rate fluctuations and the higher burden of depreciation and debt service on account of the new plant and machinery installed, not to speak of the sharpening competition in the market place.

Nevertheless, the performance of your Company provides encouraging proof of what Public Sector can achieve, given the right mix of Government policy, management practices and employee attitudes.

C H A I

Delivered at the 46th An
Hyderabad Allwyn Lim
at 10.00

Comprehensive modernisa programme underway

In a consumer durable industry like product quality and customer satisfaction have become crucial t gaining and sustaining the compe edge. The liberalisation of industria licensing policy in the country has transformed what was a seller's ma into a buyer's market and whetted appetite of the customer for Qualit Value and Service. **And in an era o technological change and obsolescence, constant product innovation and value addition are for survival in the market place.** No important than all these factors is t economy of scale in production in to keep the competitive edge.

All these considerations have impe your Company to embark upon a comprehensive programme of modernisation of machinery, expa of capacity and strengthening of t marketing organisation. The salien features of this effort consist of:

a) Modernisation of the existing production facilities at Hyderab a cost of Rs. 12 crores.

b) Doubling the capacity for prod of compressors at Hyderabad, c cost of Rs. 18 crores.

c) Installation of a new and mode refrigerator plant with a capaci 1.25 lakh units per annum at Nandalur in Cuddapah District fulfilment of Government's Polic encouraging dispersal of indust into backward areas. This facilit estimated to cost about Rs. 25 c

d) Provision of balancing equipme the Watch Plant at Patancheru cost of Rs. 20 crores, to attain th capacity production of 2 millior watches per annum. Besides reducing the import content of watches to the unavoidable minimum.

To finance these projects partly, yo Company has raised additional e

General Meeting of held on Friday, 30th June, 1989 at Hyderabad.

apital of over Rs. 10 crores through ghts shares of Rs. 10/- each, floated at a emium of Rs. 2/- per share. I must avail his opportunity to thank all of you for aking the issue a success.

etter service and better roducts

ll these projects which are expected to e commissioned before the end of 1989 vill no doubt improve the Company's trengths in the market place. But, it eeds to be reaffirmed here that these trengths will be of little avail unless there s a matching effort at improving customer service and in assessing and esponding to quickly changing consumer tastes and preferences. owards this end, an exercise has also een initiated at revamping and trengthening the marketing organisation besides **investing more esources of mind and money in esearch and development. Your Company's aim will be to constantly set the trend for product innovation and value addition.**

In this context, I must also affirm that the track record of your Company is something one can be legitimately proud of. **Every single innovation feature in the domestic refrigerators has been pioneered by your Company starting from the roll bond freezer and ending with colour models. On the Watch front also, your Company has lived up to its promise and reputation in this regard by introducing, for the first time in the country, Polyamide Watches which are rugged, light and relatively inexpensive.** We are heartened by the public response to this new product.

Growth through diversification

No industry can survive without orderly and rational growth. In the policy matrix of the Indian economy, diversification is by now well recognised as an **essential component of growth. With the policy of broad banding of goods for the purpose of industrial licensing, the need has arisen to become more alert and sensitive to opportunities for diversification, even if in related fields.**

Your Company, will therefore, explore all possibilities for diversifying its product mix even while making every effort to quickly bring the capacities, already added, to full utilisation on a stable basis. As it is, the Company's product portfolio is so wide ranging as to encompass refrigerators, bottle coolers, deep-freezers, air-conditioners, watches, furniture, industrial sewing machines and bus and truck bodies. On the initiative of the State Government, the Company proposes to go into the manufacture of agricultural implements, for which a subsidiary company in partnership with State Agro Industries Corporation and the AP Agricultural University is to be incorporated.

People – our invaluable asset

It is axiomatic that an organisation can only be as good as the Quality of its people. With more than 11,000 employees on its rolls, your Company could not afford to be insensitive to their needs and aspirations. The employees are equally conscious of the reality that their well being and future are organically inter-twined with the prosperity and growth of the Company. The outcome of this happy synthesis of attitudes has been the continuously cordial and warm relationship between the management and employees, right from 1969, characterised by the absence of any strikes or lockouts. The contribution of the recognised employees' union to this ideal state of affairs merits public acknowledgement.

Higher productivity through creativity

Productivity through people has become one of the commandments for industrial excellence. Your Company is fully alive to the implications of this principle in terms of adapting and updating human skills at production in step with the revolutionary changes in technology. Productivity can also be improved through unleashing the creative capabilities of human beings and providing a climate of self motivation and control. Quality Circles are by now widely recognised and accepted, all over the world, as an effective channel for the creative energies of workers. Your **Company has been actively encouraging the formation and functioning of Quality Circles whose number has now exceeded 50. It is a matter of great pride and immense satisfaction that one of the Quality Circles of your Company has been adjudged as the best at the National Convention held recently in Bangalore** under the auspices of the Confederation of Engineering Industry. Apart from Quality Circles, it is the earnest wish of the Company to encourage various other forms of skill building and productivity promotion, by making adequate investments in training and organisation development.

Savings through stricter energy audit

Conservation of energy is a national concern, given the size of India's population, its limited resources of liquid fuel, the profile of its hydel power potential and its ecological imperatives. I am glad to report that your Company, has initiated various measures to conserve energy and ensure a strict audit on the consumption patterns. As a result, the savings on energy consumption alone amounted to Rs. 30 lakhs during 1987-88, apart from the contribution to the national cause.

Future depends on what we do today

I must, however, conclude on a note of caution. The future affords no room for complacence. The challenge of competition in the market place is growing fierce and complex at the same time. We need to be both perceptive and resilient to meet the challenge. Consolidation of the existing lines of production has to be combined with quick investments in new areas of promise and profitability and an equal readiness to divest from areas which have no future and, if persisted with, will only affect the bottom line. This will be possible only if the Company continues to enjoy the confidence, support and cooperation of the Union Government, Government of Andhra Pradesh, Financial Institutions, Bankers, our Foreign Collaborators, Employees, Suppliers, Customers and all of YOU. With such cooperation and understanding from all concerned, your Company can continue to move in the front ranks of the Indian Industry.

This does not purport to be a report of the proceedings of the 46th Annual General Meeting.

Food Subsidies: In Search of Cost-Effectiveness

Ashok Gulati

ood Subsidies in Developing Countries: Costs, Benefits and Policy Options edited by Per Pinstrup-Andersen; ublished for the International Food Policy Research Institute, USA, by the Johns Hopkins University Press, Baltimore nd London, 1988; pp xvii + 374.

I
Explicit and Implicit Food Subsidies

UBSIDISING food is a widely prevalent olicy in most of the developing countries f Asia, Africa and Latin America. Its form nd dimension, however, varies across counies depending upon the mix of political, ocial and economic factors. Accordingly, enefits and costs of specific food subsidy rogrammes also differ significantly. The xperience gained from different variants of hese food subsidy programmes can be of nmense guidance to policy makers of eveloping countries in assessing and modiying their own food subsidy schemes with view to making them more cost-effective. 'iewed from this angle, the book is an imortant contribution in the field of food olicy

The book, perhaps first of its kind, is in act a confluence of eight years long 1978-86) research initiated by IFPRI on the uestion of food subsidies in developing ountries. More specifically, nine countries ave been studied in the book, although essons are also drawn from the experiences f other countries. Three papers focus on gyptian food subsidies, two on India and ne each on Philippines, Bangladesh, akistan, Sri Lanka, Brazil, Mexico and ambia. Another nine chapters synthesise he findings of these country-specific studies n different aspects of food subsidies. One nore deals with introduction and two with nacro and micro policy implications of onsumer-oriented food subsidies.

The thrust of this book is reviewed here ritically under four aspects of food subsidy. The first aspect deals with identification and uantification of food subsidies in its xplicit and implicit forms; the second and hird with the measurement of benefits and osts (respectively) of food subsidies; and the ast with various alternative options to make ood subsidy programmes more costffective. Additionally, based on the nethodology enunciated in several papers contained in the book, an attempt is made o provide certain latest estimates of food ubsidy (explicit and implicit) for India. It s expected that these estimates and the analysis based on them would lead readers owards a better understanding of the subect in Indian context.

Food subsidies to consumers in developing countries generally assume two forms: explicit and implicit. Explicit subsidies refer to those food-related consumer subsidies, which are financed by the government budget (central or state). Implicit food subsidies, on the other hand, are those that are financed by producers of food. This happens as a consequence of several economic policies towards the agricultural sector, food in particular, which make the producer's prices lower than what they would be otherwise. The distinction between explicit and implicit food subsidies assumes greater relevance once one tries to identify the group (or sector) who bears this 'burden'. In the case of explicit subsidies, the affected group will differ depending upon whether the government finances this food subsidy through deficit financing or taxing a particular group (sector), or cutting back the allocation of a specific sector. In case of implicit food subsidies, however, the entire burden is borne by the agricultural sector.

In most of the developing countries the commodities subsidised are wheat, rice and maize, and the form of subsidy is either explicit, or implicit or both simultaneously. For example, in Bangladesh wheat and rice are subsidised mainly explicitly. But Brazil subsidises wheat both explicitly and implicitly. So does China in the case of rice and Zambia in the case of maize. Wheat is explicitly subsidised in several developing countries such as Egypt, India, Morocco, Pakistan and Sudan, while rice is explicitly subsidised in Philippines, India and Sri Lanka. Thailand is a classic case of implicitly subsidising rice through an export tax. The dimension of explicit food subsidies differs across countries. For example, in Bangladesh food subsidy (including food aid) was 5.1 per cent of government budget during the triennium ending (TE) 1979-80. If food aid is excluded, this percentage would touch 9.67 for the same period (Ahmed, p 223). In Egypt, which appears to be running comparatively the biggest food subsidy scheme amongst developing countries selected in this book, food subsidy accounted for about 11.6 per cent of government budget during TE 1976, and about 9.5 per cent during TE 1980 (Von Braun, p 185, see the histogram). In Sri Lanka, the food subisidy was as high as 15 per cent of government budget in 1977, but came down significantly touching less than 5 per cent by 1982 (Edirisinghe, pp 258-59). Similarly, in Pakistan the food subsidy through federal and provincial governments was of the order of 14.6 per cent of government budget during TE 1975-76, and declined to only 6.7 per cent during TE 1982-83 (Rogers, pp 250-251). These examples clearly reveal one thing: that explicit food subsidies as a share of government budgets in most of the developing countries were quite high in the early 1970s, but declined significantly during the late 1970s and early 1980s. This happened partly as a result of falling international prices of wheat and rice, especially since 1982, and partly due to significant changes in domestic food subsidy policies in several developing countries such as Sri Lanka, Pakistan, Bangladesh, etc.

The dimension of implicit food subsidy also differs widely across countries. Several policies are adopted to bring in effect implicit food subsidies. These policies generally operate by controlling or tinkering with foreign trade. For example, by imposing an export tax on food (like on rice in Thailand) its domestic price can be made lower than its international equivalent price. Sometimes interventionist policies in the domestic market can also achieve the same end, for example, through imposing levies on producers or millers of food. Miller's levy in case of rice in several Indian states, particularly Punjab and Haryana, which contribute more than 60 per cent to the central pool, is a case in point. Domestic policy might also take the form of monopoly procurement by government, like paddy procurement in Thanjavur district of Tamil Nadu state. It may also suppress domestic producer's prices, especially in surplus areas, by imposing restrictions on the movement of foodgrains from one state or zone (surplus) to another (deficit). All these mechanisms ultimately have their common goal: that the domestic prices of food be made cheaper than what they would be otherwise. And that this goal is achieved without any significant fiscal cost to the government. Depending upon the intensity of policies adopted, results varied in different countries. For example, in Sri Lanka the domestic price of rice was 83 per cent of its equivalent international price during TE 1980. Similarly, this percentage was 78 for Bangladesh rice in 1977-78 and 65 for Thai rice during 1978-80. In case of wheat, domestic producer price in Pakistan was 88 per cent of equivalent international price

during 1976-81; 57 per cent in Egypt during 1978-80 and 100 per cent in Brazil during 1977-81 (Von Braun, p 100).

What is the Indian scene in terms of explicit and implicit food subsidies? Out of the two articles on India, the one by George attempts to provide these estimates, while the one by Binswanger and Quizon tries to quantify the effects of various policy packages on relevant variables such as national income, cereal production, cereal prices, wage rate, labour employment, etc. Binswanger and Quizon carry out this exercise by using their econometric model for Indian agricultural sector (1986) based on a reference year of 1973-74, and then conducting simulation experiments under alternative scenarios. George's estimates of explicit food subsidy for 1980s, however, do not have decomposition in terms of consumer subsidy and buffer stock subsidy. But more questionable is his stand about implicit food subsidy. While George maintains that compulsory procurement does not act as disincentive to producers (it may rather raise his price) (p 235), Binswanger and Quizon estimate that it does adversely affect the producers (p 312).

To have a clear idea of India's explicit and implicit food subsidies, we have generated our own estimates for 1980s as follows: explicit food subsidy is deemed to compose of consumer subsidy and cost of carrying buffer stocks. Consumer subsidy in turn is estimated as the difference between economic cost[1] of foodgrains to Food Corporation of India (FCI) and its wholesale issue price. This difference is reimbursed to FCI by the central government as consumer subsidy. Besides this, government maintains a buffer stock as an insurance against crop failure or even to keep prices within reasonable limits. There is a sizeable cost incurred in maintaining this buffer stock in terms of interest, godown charges, etc. This is added in consumer subsidy to obtain explicit food subsidy (see table). Estimation of implicit food subsidy involves the assumption of free trade not only within the domestic economy but also across the national boundary. The difference in the producer's price under this free trade scenario and what he is actually getting under existing controlled trade scenario is the implicit food subsidy to consumers. If India is considered as a net importer[2] of foodgrains like most of the other developing countries; then the likely price which Indian farmer would get for his grain under the free trade scenario would be the import parity price. If imported grain competes with the domestic grain in the port city, the price would be fixed there as equal to the landed cost of imported grain. For the domestic producers of grain in the surplus areas, the import parity price would get squeezed by transport and marketing costs from port city to surplus area. On the other hand for producers in deficit areas, the price would be either equal to the landed cost of imported grain in the port city *plus* transport and marketing costs from the port city to deficit area or the price in the surplus area plus transport and marketing costs from the surplus to deficit area, whichever of the two is lower. It is with this methodological framework that we have estimated the implicit food subsidy on wheat and rice. In the case of wheat, imported wheat from the US is assumed to compete and set the price in Bombay, while in the case of rice, imported Thai rice competes with domestic rice at Calcutta. Their import parity prices for domestic producers are estimated by deducting 5 per cent from their landed costs towards domestic transport and marketing costs. The price wedge between import parity price (so obtained) and the procurement price[3] is multiplied by the quantity produced at home. This renders estimates of implicit food subsidy (see the table).

The table presents estimates of both explicit and implicit food subsidies for wheat and rice during 1980s. It may be observed that explicit food subsidies are on a sharply rising trend and have more than trebled by 1986-87, implicit food subsidies have more than halved between 1980-81 and 1986-87. The per unit explicit food subsidy has gone up by more than 80 per cent over the period. Within this, however, the consumer subsidy per unit has revealed an increase of 120 per cent. Thus, total consumer subsidy increased both because of increase in the volume of food procured and distributed by FCI as well as due to faster increase in per unit economic cost over issue price. On the contrary, buffer subsidy has almost trebled primarily due to the increasing size of buffer stocks. Implicit food subsidy which was more than seventeen times the explicit subsidy during 1980-81, declined to levels that was only twice the size of explicit subsidy by 1986-87. This rapid decline in implicit food subsidy was the result of a dramatic fall in prices of rice in international market. Nevertheless, the implicit food subsidy still constitutes a major component of total food subsidy to Indian consumers. The implication of this result is quite clear: it is the cutivators of wheat and rice who are financing a larger portion of food subsidies. The budget subsidy on food as presented in government budgets is a gross underestimation of the extent of food

TABLE: EXPLICIT AND IMPLICIT FOOD SUBSIDIES IN INDIA DURING 1980s

Particulars	Unit	Years 1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
1 Explicit Food Subsidies (1A+1B)	Rs crore	661.48	777.22	944.09	1091.37	1352.68	1890.96	2132.64
		(71.67)	(90.47)	(96.83)	(98.43)	(111.68)	(118.76)	(131.41)
1 A Consumer subsidy								
1 A 1 On wheat	"	306.05	365.96	432.63	355.88	422.18	865.02	936.06
		(40.20)	(53.73)	(55.40)	(49.07)	(63.46)	(69.57)	(84.93)
1 A 2 On rice	"	179.35	256.45	326.99	466.50	432.56	508.37	686.53
		(34.03)	(42.94)	(53.35)	(66.70)	(74.87)	(77.34)	(80.47)
Total (1 A 1+1 A 2)	"	485.4	622.41	759.62	822.38	854.74	1373.39	1622.59
		(37.67)	(48.69)	(54.50)	(57.72)	(68.76)	(72.26)	(82.98)
1 B Buffer subsidy (cost of carrying buffer of wheat and rice together)	"	176.08	154.81	184.47	268.99	497.94	517.57	510.05
		(34.00)	(41.78)	(42.23)	(40.71)	(42.92)	(46.50)	(48.43)
2 Implicit Food subsidy (2A+2B)	"	11330.17	10722.64	4005.22	6362.74	7141.07	6232.32	4500.20
		(132.58)	(119.73)	(47.36)	(61.84)	(68.78)	(57.76)	(41.87)
2 A On wheat	"	1552.35	1919.35	1330.22	1629.87	2652.39	2737.63	1379.51
		(48.77)	(52.86)	(35.52)	(38.09)	(58.32)	(62.12)	(29.32)
2 B On rice	"	9777.82	8803.29	2675:00	4732.87	4488.68	3494.69	3120.69
		(182.32)	(165.32)	(56.77)	(78.75)	(76.94)	(54.75)	(51.65)
3 Total Food Subsidy (1+2)	"	11991.65	11499.86	4949.31	7454.11	8493.75	8123.28	6632.84
		(204.25)	(210.20)	(144.19)	(160.27)	(180.46)	(176.52)	(173.28)
4 Total food subsidy as percentage of GDP at factor cost (current prices, new series)	per cent	9.81	8.05	3.12	4.01	4.09	3.47	2.54

Notes: 1 Food subsidy here indicates subsidy on wheat and rice only.
2 Figures in parentheses are subsidies (Rs) per quintal of grain (wheat or rice or both combined).
3 Implicit subsidy on wheat is estimated by multiplying the price wedge between import parity price (April-June) and procurement price by the quantity produced. Similarly implicit subsidy on rice is estimated by multiplying the price difference between its import parity price (October-January) and Punjab procurement price of rice (which on an average is higher than for other states) by the quantity of rice produced.

Sources: 1 *Annual Reports*, Food Corporation of India (different years (for explicit food subsidies).
2 *FAO Monthly Bulletin of Statistics*.
3 *FAO Trade Year Book*
4 *Economic Survey*, 1988-89.
5 *Reports of the CACP on Price Policy for Kharif and Rabi crops*.

subsidy. The transfer of resources from government to private sector (consumers), therefore, is minor. The major transfer of resources takes place within the private sector, that is, from the producers of food to consumers of food. Viewed from another angle, this implicit subsidy on food is in fact an 'implicit tax'[4] on cultivators of wheat and rice.

II

Benefits from Food Subsidies

One may measure benefits from food subsidies in terms of the objectives that this subsidy policy had set out in the relevant country. Reviewing the cross-country food subsidy policies, Valdes in his probing article spells out five possible objectives of food subsidies: "(1) reducing malnutrition among low income groups; (2) achieving food security (i e , reducing instability in food consumption, particularly for some targeted segment of the population); (3) redistributing income in urban areas; (4) lowering food prices, thus enabling wages to be low relative to the price of industrial goods as well as relieving the fiscal burden of public sector employment; and (5) reducing domestic price inflation" (Valdes, p 78).

Given high income and price elasticities for staple food, particularly among the poorer households, food subsidies in all probability are likely to result in higher food consumption by the poor. This would have a positive effect on the nutritional status of the hitherto malnourished amongst the poor. This is clearly borne out by the country studies. For example George's paper on India presents estimates of calorie reduction if rationing (food subsidy scheme) were discontinued in Kerala and Gujarat states. Based on his earlier (1983) work, George calculates that in Kerala calorie intake would go down by 46 per person amongst the higher income group and by 138 amongst the lowest income group. The highest loss of 224 calories per person, however, is to the households of low middle income group (Rs 1,201-2,400 annual household income). In Gujarat, loss would be in the order of 178 calories per person in the highest income group and 192 calories per person in the lowest income group (George, p 239). In Sri Lanka the food subsidy scheme contributed 151 calories per person in the lowest expenditure quintile, which constituted 11 per cent of the total calorie intake by that expenditure group. This contribution was just 0.6 per cent in the highest expenditure quintile (Edirisinghe, p 264). In Pakistan, the income effect of food subsidy scheme is estimated to be about 114 calories per person in urban households below median income levels and 37 calories to households above these levels. The increase in rural calorie consumption was negligible (Rogers, p 247). In Bangladesh the low income urban consumers are estimated to have consumed 250 calories more per person due to subsidised rationing system (Ahmed 1979; Pinstrup-Andersen, p 11). In Philippines, the results of a pilot study of food discount programme revealed that it contributed about 140 calories per adult equivalent per day, which is approximately 8 per cent of the total calories consumed by those households. While these studies amply demonstrate that food subsidy schemes help raise the consumption levels and thereby the nutritional status of the poor and the middle income groups, there is hardly any evidence about the effect of food subsidies on intra-household food distribution and thereby its impact on the nutritional status of the individuals, particularly women, within the beneficiary household.

The objective of food security has two aspects—one relating to household food security and the second to national food security. While the two are interwoven to an extent that it would be difficult for a country to ensure food security at household level without first ensuring it at national level, yet the distinction between the two is desirable because of their separate effects on food subsidy scheme. The ration or fair price shops in India, Pakistan, Bangladesh, etc, assure a fixed quantity of foodgrains to households at a fixed price. This provides an effective insurance cover to households buying from these ration shops against the fluctuating market prices. In consequence, price and accompanying consumption fluctuations are transferred either to government or to the rest of the market (Pinstrup-Andersen, p 4). The operation of such a food system involves explicit costs (subsidies) which are revealed in the estimates of consumer subsidy. For India, as seen from the table, this estimate varied from Rs 485 crore in 1980-81 to Rs 1,622 crore in 1986-87. In case of national food security it is the subsidy (cost) of carrying a required amount of food as buffer stock which is relevant. In the Indian case this was Rs 176 crore in 1980-81 and Rs 510 crore in 1986-87 (see table). The success of food subsidy policy with respect to food security objective would depend upon the extent to which household consumption depends upon these ration shop supplies and what is the relative size of buffer stocks. Estimates differ across countries.

Redistributing income through food subsidy is another objective which may be examined with care. In many developing countries, distribution of subsidised food has a clear bias in favour of urban people, which are relatively better organised and more vocal. Often the most potent groups are civil servants, the military, urban labour and sometimes industrial interests (Hopkins, p 124). Given this political calculus, the major share of food subsidy gets concentrated in few pockets. In India, Maharashtra, West Bengal, Tamil Nadu, and Kerala account for about half of food distributed through FPS. Within these states, Bombay, Calcutta, Madras and Delhi cities account for the larger share. It is only in Kerala and Jammu and Kashmir that subsidised food system is extended properly to the rural areas. But in other states, although fair price shops exist in rural areas, supplies remain concentrated in urban areas. On the whole, urban areas are estimated to be receiving about 85 per cent of the total foodgrains distributed by the government of India (George, p 236). Across various income groups in India, George presents an approximate figure of 65 per cent subsidised grain going to households with annual incomes of less than Rs 3,600, 20 per cent to those in the Rs 3,600-4,800 range, and 15 per cent to those with incomes of more than Rs 4,800 (p 237). Similarly, a strong urban bias was found in food subsidies in Bangladesh (Ahmed, p 228); Pakistan (Rogers, p 248) and China (Lardy, 1983; Pinstrup-Andersen and Alderman, p 26). However, the subsidised food system in Sri Lanka, Egypt and Kerala in India was not found to be having that type of urban bias (Pinstrup-Andersen and Alderman, p 26).

The lowered food prices in the urban areas through concentration of subsidised food in these pockets, obviously must have helped to keep wages of workers relatively low. Although there is not much empirical evidence on this in the papers contained in the book, it won't be illogical to say that it helped the employers in the organised sector—the government and the private capitalists—to keep their wage bills low. It appears that the employer in the private sector is in fact a gainer from this system, more so when supplies of subsidised food are concentrated in urban cities. If these capitalists operate in an oligopolistic market environment for their produce, as is the case in most of the developing countries, this helps them in raising their profits.

Subsidised food systems also act as an anchor to domestic inflation and thereby help the country to avoid social unrest. Scobie, in his study on Egypt, comments that subsidised prices were seen as part of the moral responsibility of the rulers and was an important element in the preservation of social stability. And this has happened there for centuries. Any violent instability in food prices leads to food riots, which were as real in the fourteenth and fifteenth centuries as they were in 1975 and in January 1977 (Scobie, p 197).

Besides the various benefits spelt out above, one should also attempt to quantify the impact of food subsidy on human capital formation and thereby net return on it in terms of increased labour productivity. Although, the papers contained in the book do not focus on this issue, Valdes draws some evidence from Torche's work (1981) on Chile's national health and nutritional programme for pregnant women and pre-school children. Valdes concludes that the long-term social rate of return on this programme was substantially higher than 17 per cent. "Hence such investment in supplementary feeding and health for the poor not only helped in providing a basic need—improved health and nutrition for pre-school children and mothers—but it also contributed to increasing the long-term productive capacity of the poor" (Valdes, p 91).

III
Costs of Food Subsidies

Technically, costs in economic jargon are defined as the benefits forgone. Therefore, to measure economic costs of food subsidies, one must identify the group which loses and quantify that loss in terms of benefits forgone. A proper identification and quantification of these losses can be carried out in a macro-economic framework that encompasses not only fiscal and monetary policies but also policies pertaining to foreign trade and exchange rate.

As far as *explicit* food subsidy is concerned, which is financed from the government budget, its cost can be measured by examining how the government recovers this financial expenditure on food subsidies. Does it go for additional taxation on a particular group? If so, the cost of food subsidy would be the benefits forgone by that group whose income is taxed by the government. If, on the other hand, food subsidy is financed by deficit financing, which might generate inflationary pressures in the economy, the cost would be measured by the benefits forgone by various groups in the economy as a result of inflation. If, however, the food subsidy is financed by cutting down expenditure on some other head in the budget, the relevant cost would be the benefits forgone in that particular sector. Since governments never specify how they are financing expenditures under a particular head, such as food subsidies, it becomes very difficult to capture the true economic cost of these food subsidies. What an economic analyst perhaps can do is to create alternative scenarios by conducting several policy simulations in a macro-economic model of the country under consideration. This is essential because food subsidy policy is not an isolated policy. It has macro-economic linkages, which must be identified and quantified for any meaningful estimates of costs. This is all the more important for those countries which incur heavy expenditure on food subsidies.

Scobie's paper (pp 49-76) presents a theoretical framework, which would be a very useful piece of analytical approach for the economic analysts of food subsidy policies in several developing countries. Binswanger and Quizon's paper on India is equally important as it gives an empirical mapping to the technique of capturing effects of several policy packages pertaining to food subsidies in a comprehensive general equilibrium model of India's agricultural sector. More research is required to appropriately quantify the economic costs of food subsidy policies than what is contained in this book. Most of the country papers in the book have confined their analysis only to the measurement of direct financial cost of running a food subsidy programme. Estimates differ across countries. For example, Egyptian food subsidies accounted for 20 per cent of current expenditures and 7 per cent of GDP in 1980-81. Sri Lankan subsidies reached 14 per cent of government expenditure and 6 per cent of GNP by late 1970s. In the late 1970s, the direct costs of Chinese food subsidies have been reported as 23 to 26 per cent of government revenue. In Bangladesh, food subsidies represented between 15 and 27 per cent of current government expenditure in the mid-1970s (Scobie, pp 60-61). In India, the revised budget estimate of 1987-88 puts the food subsidy at about 4 per cent of central government budget expenditure. George's paper on India goes a little further and estimtes the indirect subsidy which FCI receives in the form of subsidised interest rate. This interest subsidy, George estimates at Rs 94 crore for the year 1980-81 (George, p 235).

What is the economic cost of *implicit* food subsidy? We know that implicit food subsidy is financed by the producers in the agricultural sector rather than through the government budget. Therefore, true economic cost of the implicit food subsidy should include not only the loss in income that cultivators suffer but also capture the impact of these depressed incentives for producers on the agricultural output and other relevant variables in the economy. We have estimated in the table, the size of this implicit food subsidy, which happens to be much larger than the explicit food subsidy. In order to quantify its effect on the agricultural sector only, a partial analysis approach would be to look at the supply response functions of these commodities, or preferably at the aggregate supply response functions. In this regard it may be noted that an analysis of 34 developing countries by Agarwala (1983) revealed that in countries with higher degree of price distortions indicating implicit subsidy to consumers (and implicit tax on producers), the growth rate of output was 28 per cent and that of exports was 43 per cent below the rates in countries classified as having low distortions (Scobie, pp 58-59). It would have been interesting if the papers in the book had analysed how these disincentives affected capital formation in the agricultural sectors of various developing countries pursuing implicit food subsidy policies. One paper on Egypt (Von Braun, pp 183-195), however, reveals that increasing food subsidy (particularly implicit) raises the demand for input subsidies by cultivators. Therefore, to have an idea of the 'net effect' on farmers' incomes, one should adjust input subsidies in the implicit tax (subsidy). But none of the papers in the book has attempted to estimate this 'net implicit tax' on cultivators as a result of implicit subsidy to consumers.

IV
Towards a Cost-Effective Approach

While we have seen above that benefits from the food subsidy scheme are in terms of increased consumption or enhancement of income amongst various expenditure groups, measurement of economic costs is rendered difficult due to lack of precise knowledge about the actual source of financing explicit subsidies. Thus, most of the studies have not gone beyond the quantification of explicit budget subsidies. Although it was desirable that corresponding estimates of implicit food subsidies at least would have been worked out for each country studied, yet only a few have attempted to explore this aspect in detail. Nevertheless, it appears that these studies arrive at one common point of agreement: that the benefit-cost ratio, howsoever measured, can be improved if an appropriate form of 'targeting' is incorporated in the food subsidy scheme. The exact nature of targeting would vary across countries depending upon the socio-economic conditions and the degree of political power that different groups enjoy in that country. At present, we observe a strong bias in favour of urban people in the food subsidy schemes of various countries (see Valdes, p 84). This happens, presumably due to two reasons: one, given a high density of population in urban areas, financial cost of distributing food subsidy becomes smaller. And two, urban people are often more organised, vocal, and exert political influence. While this urban bias results in lowering financial cost of distributing food subsidy, it also lowers the benefits derived from this scheme because beneficiaries are not the ones most deserving either on norms of income or nutrition. Depending upon size of this 'leakage' in food subsidy, i e, what goes to undeserving beneficiaries, total cost of food subsidy may be too high to sustain for long. This would lower the benefit-cost ratio even more. Thus, designing an efficient system of 'targeting' and reaching that target group become an integral part of food subsidy schemes.

The targeting may be income-based as is the case in US food stamp programme. In such a system of targeting, procurement and distribution of food remains with the private sector. The government is concerned only with the printing and distribution of food coupons, and then giving some commission to retailers who supply food to consumers against those coupons. In this process, not only the administrative cost of running the food subsidy scheme is minimised but also the 'leakage' of subsidy going to ineligible beneficiaries is reduced. Thus, the benefit-cost ratio is likely to be quite high. However, this income criterion for targeting runs into several problems in developing countries where the unorganised sector without any proper income records dominates. The extent of 'leakage', therefore, is likely to be much greater, lowering the benefit-cost ratio substantially. Besides, successful working of a food stamps programme also requires a well developed and widely spread out banking and bureaucratic network to identify the eligibie beneficiaries, distribute food stamps to them and then also undertake redemption of stamps. This type of facility is often lacking in developing countries and hence the income criterion will not be a suitable choice for them to reach the target groups.

Geographic targeting was followed in Philippine food price discount programme (Garcia, pp 206-218). Areas are selected for food subsidy programmes on the basis of nutritional deficiency. There is already an agency (National Nutrition Council), which keeps a track of nutritionally worse-off villages through Operation Timbang. Depending on its results, villages are selected for food subsidy and all households in that target village are extended that facility (Garcia, p 209). Obviously, such a scheme would be cost-effective only if the target population is densely inhabited in certain villages, and these villages are somewhat isolated from those with untargeted population so that the possibility of leakage is minimised. But in countries where the target population is interspersed with the untargeted one, it becomes difficult to operate such a scheme.

There have been experiments in different countries to feed only pre-school or school going children, or pregnant women, through subsidised food. But the administrative cost of such schemes is generally very high, and the scale of operation quite small.

The other form of targeting is through commodity and its quality. One may choose an inferior commodity with negative income elasticity for the food subsidy programme. This would imply 'self-targeting' because only those with low incomes are likely to buy that commodity, and as their incomes rise they would automatically move on to the non-subsidised food.* Theoretically, it appears very attractive, but operationally it becomes difficult to identify a commodity whose consumption is restricted only to poor people. Staple grains like wheat and rice are being consumed both by poor and rich. Thus, implementation of a food subsidy scheme that involves targeting by commodity might involve a very high degree of leakage, thereby lowering the overall benefit-cost ratio. Another variant of this 'self-targeting' approach is choosing inferior quality. It is believed that wheat might be consumed both by poor and rich, but if subsidised wheat is of poor quality, rich will not opt for it and consequently the objective of targeting will be achieved. Often it is observed that this type of approach brings more complaints to government adversely affecting its political image. This happens particularly when the subsidised quality of food is not only of lower grade but contains foreign matter.

Besides the problems listed above in targeting, a decision also has to be taken whether the supply of subsidised food to consumer will be unlimited or rationed. The benefit-cost ratio of a food subsidy programme, therefore, depends upon all these factors, and how effectively one can sort out the problems related to its design and implementation (Rogers, pp 127- 146).

How can one make India's food subsidy programme more cost-effective? The papers on India contained in the book do not address this question directly. But the wide coverage accorded to this subject in the book with cross-country experiences induces the reader to probe deeper in this direction.

Two aspects of food subsidy policy need to be explored. One relating to targeting in the distribution of food subsidy and the other pertaining to costs of procurement and problems associated with it. It is well known that on the whole, the Indian food subsidy programme which runs primarily through the public distribution system (PDS), does not have any explicit targeting. It is also known that despite opening of fair price shops in rural areas, the offtake from PDS remains concentrated in urban areas. Further, as per the existing scheme, almost everyone in urban areas has a ration card irrespective of his income (it is like an identity card which is required for several other purposes as a proof of your staying in that area). Often rich people do not avail of subsidised food due to either its poor quality or the inconvenience of queueing and waiting, and also due to prestige factor. But their quota is generally procured from government by traders running FPS. It is then diverted to the open market after cleaning, where it fetches a higher price. So two things are happening on the distribution front: first, as a result of the urban bias in PDS, food subsidy does not reach the most deserving (poor) ones, who are largely in rural areas; and second, within urban areas there is a sizeable leakage through traders who divert the 'unclaimed' quota of subsidised food to open market. To reduce this leakage and make the food subsidy programme more cost-effective, to start with at least in the metropolitan cities of Delhi, Bombay, Calcutta and Madras, targeting based on income criterion may be introduced. Since several people in these cities work in the organised sector, their income records would be relatively better than those in the unorganised sector. If the cut-off point is kept at a reasonably high level of income the political opposition to this change in policy may not be there, because that income group may not be drawing ration supplies any way. It will in fact plug the leakage that was arising out of traders' procuring these supplies and diverting them to the open market. Depending upon the experience gained in these metropolitan cities, similar steps can be taken to cover up other major industrial towns in the country.

For rural areas, targeting may be done either on commodity (and quality) basis or some sort of 'seasonal targeting' may be introduced to help the poor through food subsidy programme. Commodity targeting may differ across regions depending upon consumption habits of its inhabitants and comparative efficiency (especially with respect to water) in their production in those regions. For example, rural areas in the states of Rajasthan, Punjab, Haryana, Himachal Pradesh, Uttar Pradesh and north Bihar may be offered food subsidy through wheat and maize; in Gujarat, Maharashtra, western Madhya Pradesh and non-coastal areas of Karnataka and Andhra Pradesh through wheat, jowar and bajra; and in rest of states through rice and any other cereal t government has in surplus. The logic beh this region-specific commodity targeting not only in minimising the cost of dis buting surplus grains, but also in promot efficiency in the production of these cere To clarify this point, it may be briefly m tioned here that at present, most of the p curement of wheat and rice for the cent pool comes from the states of Punj Haryana and western Uttar Pradesh, wh is transported to far-off places in south and eastern India. The average lead distan covered by rails was 1,509 kms per consig ment in 1986-87 and 1,533 kms in 1985-8 Government market support for th cereals in these states is so strong that a no rice eating state like Punjab has gone in f rice cultivation in a big way, substituting f crops like maize and sugarcane. The proble arises because rice is a water-intensive cr while Punjab is a low rainfall area (norm rainfall about 60 cms), calling for irrigati requirement of about 164 cms. Irrigati charges, on the other hand, are pitiably lo on both canal water and on electricity in ca of tubewell water. (Revenue tariff was abo 10 paise/KWH in 1986-87 against cost operation of about 71 paise/KWH.) Beside the water-table in Punjab is receding in th rice-growing regions. Effectively, what th indicates is that the real resource cost of pr ducing rice in this region is very high, an if one adds to this the cost of transportin it down south or to the eastern region (whic incidentally is also subsidised), actual co would be even higher. Thus, production o rice in this region needs to be discourage by restructuring incentives in favour o maize cultivation. Similarly, incentives fo jowar and bajra cultivation in central western states need to be raised such tha their surplus can be generated while pro moting allocative efficiency in the croppin patterns of these regions. Such a restructur ing might involve either regionally differen tial pricing of output or uniform allocation of input subsidies per unit of output.

Turning to per unit procurement costs, on observes a rising trend despite increasing scale of procurement. With the surplus con centrated in a few states, one would expec economies of scale, but what is being observed is perhaps indicative of dis economies of scale. The reasons underlying this phenomenon appear to be (i) heavy ar rivals of grains in the market immediately after harvest almost choking the markets and transportation facilities, resulting into not only damage of grain but also heavy transit and storage losses (thefts), which were as high as Rs 151 crore in 1986-87 and Rs 136 crore in 1985-86; and (ii) lack of bulk handling facilities and procurement centres being away from railway stations. This involves lot of unnecessary local transportation and handling expenses to move the grains from markets to godowns and then from godowns to railway stations for taking the surplus grains to deficit states. While opening up of

curement centres at railway stations to ctly take the grain out of the state and oduction of bulk handling facilities will ice the per unit cost of procurement, the t of transporting to far-off places erage lead being more than 1,500 kms) not be affected. The real cost of this nsportation will be much higher if one usts for subsidy in railway freight for dgrains and the fact that half of wagons e to come back to Punjab almost empty.

The upshot of the above analysis is that introducing region-specific commodity geting in favour of coarse cereals in food sidy scheme, it is not only that distribun and procurement costs are likely to be , but allocative efficiency in cropping patns will also be enhanced.

Seasonal targeting normally is carried out ough food for work programmes. In Indian case, food subsidy distributed ough National Rural Employment Proamme (NREP), Rural Landless Employent Guarantee Programme (RLEGP), and ought relief programmes perhaps would l in the category of seasonal targeting. though this form of targeting proves very ective in reaching the target group, its ale of operation needs to be significantly panded if any worthwhile results are to be tained. It won't be out of place here to ink in terms of creating an army of conuction workers, who are organised in ngs of 25 or so each, extended three onths training on army lines and then put work such as developing a drainage stem in the waterlogged areas of the east, major and medium irrigation projects, c. Two persons in this gang of 25 workers ay look after the the kitchen work for the st, and kitchen moves along with the gang d receives subsidised rations from the heme authority. It would be desirable to ake partial cash payments on work basis, d the scheme is made a regular feature ther than a seasonal programme. Obviously would demand not only much larger sources than are being allocated at present, it also preparing productive work schemes, rganising, recruiting, training and deployg the workforce. Keeping this in mind, it pears a separate department or even inistry can be created for this, which will tegrate multiple objectives of providing roductive employment in rural areas, reducg poverty and malnutrition, and also istributing food subsidies to the target roups.

At the end, a few shortcomings of the ook may be pointed out. First, the book uffers from quite a bit of repetition of the ame arguments. This makes the book not nly voluminous but also goes against its eadability. This is particularly true of the ynthesis papers (pp 21-167). Presumably, his happens as all these papers try to draw heir inferences from the same set of coury studies. Still the overall readability of he book could have been improved with horough sifting and editing of these articles. econd, the book should have contained a methodological chapter spelling out details regarding quantification of benefits and costs of food subsidy schemes. This chapter, which could have been a synthesis of the papers by Scobie, Valdes and Braun (chapters 4-6), should provide due coverage to data problems and suggest means to skirt them. All country studies (pp 171-319) in their empirical work should have adhered to the approach delineated in this methodological chapter. Third, absence of such an approach paper in fact results in lack of symmetry in the empirical findings across countries. For example, consider measuring even the very dimension of food subsidy schemes in different countries. Some papers measure only explicit subsidies, others attempt to capture implicit subsidies too. Some express these subsidies in absolute size, others as percentage of government budgets and still others as percentage of GNP. The reader gets confused. Confusion increases as one finds different country figures for explicit subsidies in different tables (e g, in Tables 5.1 and 6.2). In the Indian case, e g, consider Table 1.1 (pp 6-7) in Pinstrup-Andersen's article which indicates that subsidy is mainly explicit and targeting is for the total population. Valdes, however, in Table 5.1 (p 84) states that explicit subsidy reaches mainly the urban population and that it is about 4 per cent of government expenditure. But Braun in his similar comparative country Table 6.2 (p 96) skips India altogether. It would have been much better if at least four tables, 1.1, 5.1, 6.2 and 6.4, in the book would have been combined into one and presented in the first introductory chapter.

Despite these shortcomings the book is a refreshing contribution to studies on food policy.

Notes

1 Economic cost comprises of procurement price plus procurement incidentals ranging from mandi charges to gunny bags plus distribution incidentals. If there are any storage or transit losses, they also will have to be taken care of.

2 In case India is considered as a net exporter, the calculation would differ because then domestic grain would compete with foreign grain on some foreign land and set the price there. For domestic producers, export parity price would be the price set on foreign land *minus* all the transport (international and domestic) and marketing expenses all the way from that foreign land to domestic producer's area.

3 We have deliberately avoided farm harvest prices as they do not take care of the quality aspect. The relevant months for wheat are April to June and for rice from October to January, when bulk of the produce is marketed.

4 It may, however, be remarked that this 'implicit tax' is gross. In order to have an estimate of net implicit tax, one has to adjust input subsidies that cultivators of food enjoy. This would amount to estimation of what in literature is known as producer's subsidy equivalent, which is not attempted here.

Neglected Aspects of India's Development Planning

Pradhan H Prasad

Indian development planning failed to examine the alternative theoretical possibilities of different values of the increment of output to investment in different sectors of the economy and to provide empirical content to these. This would have narrowed the conflict among the objectives of higher levels of accumulation, technology, employment and production in the short period.

INDIA's post-independence process of development planning is unmistakably linked with the socio-economic dynamics and the movements that took place during the colonial period. It has been maintained that the nineteenth century is an important landmark in Indian history. This period is important because the "establishment of British rule was completed in 1818, and the year 1905 marks the beginning of national struggle by Indians against the British rule".[1] The objective condition for India's independence movement was presented by the continuation of an increasing mass impoverishment and unemployment in almost every part of British India. This, in turn, was caused by a stagnant agriculture, associated with semi-feudal relations of production, destruction of Indian handicraft over time and space and also by the uneven regional but weak and partly dependent industrial capitalist development. This independence movement, initiated by the middle class intellectuals, got unprecedented mass support. However, in the later years, just a few years before independence, it also came to be largely controlled by the big industrial bourgeoisie. The process of deindustrialisation, backed by a growing unemployment had generated an intellectual climate where economic development was thought to be synonymous with 'industrial development'. This thinking can be traced in the writings of nationalist economists. Mahadev Gobind Ranade had written "while the improvement of agriculture and the development of industry should go hand in hand, in the Indian condition the latter should be given priority".[2] There is enough support for this thinking in historical writings related to that age. "The transformation of a civilisation into a nation-state was the first and foremost objective of the liberation struggle within India in the last quarter of the 19th century. The leaven which sought to bring about this transformation was the leaven of nationalism. Yet the objectives of nationalism were by no means confined to the political domain. An equally important objective was the transformation of India's traditional economy into a modern economy, resting upon industrialisation and upon the commercialisation of rural society. Behind this objective—which, of course, was not without its critics—lay the belief that an industrial revolution would stimulate the generation of material wealth and thereby provide the basis for a richer cultural and intellectual life."[3] Even Nehru with a scientific bent of mind could not escape this influence which is evident from his support to primacy of industrialisation in the context of development of India. "I am for all tractors and big machinery, and I am convinced that the rapid industrialisation of India is essential to reduce the pressure on land, to combat poverty and to raise standards of living, for defence and a variety of other purposes."[4] Such a thinking process implicitly assumed that agricultural development had limited scope, since land was limited and was subject to diminishing returns. Therefore, the labour absorptive capacity of agriculture was also thought to be negligible. The result was that questions related to agricultural development, the labour absorptive capacity of agriculture and agricultural technological revolution as a pre-condition to healthy industrial growth (in a labour surplus economy such as India) were not professionally and competently examined when our planning process was initiated.

Since, industry was more capital-intensive than agriculture in the then existing Indian situation, the thinking which dominated the planning process was of a conflict among the objectives of higher levels of accumulation, technology, employment and production in the short period. This thinking also drew inspiration from the historical evidences of the growth experience of the developed capitalist nations of the period when industrial sector had come to play a pivotal role in their progress. This assumption was further reinforced when India opted for a self-reliant growth strategy in the mid-fifties[5] because capital-goods sector was more capital-intensive than the industrial consumer-goods sector.

Fel'dman-Mahalanobis model[6] rightly theorised that in a closed economy higher is the proportion of investment flowing in the capital goods, higher will be the income generated in the long period and lower in the short period. The model also brought forth sharply the fact that marginal rate of saving (= investment) in the economy is an increasing function of the proportion of investment flowing to the capital-goods sector.[7] However, Mahalanobis failed to take into account explicitly the fact that wage-goods component of the consumer-goods sector is as much a basic good[8] as the capital goods. Therefore, our planners failed to examine the alternative theoretical possibilities of different values of ratios of increment of output to investment in different sectors of the economy and provide empirical content to these—the alternative which would have narrowed the conflict between the above mentioned objectives.

A Theoretical Formulation

Let us begin our theoretical formulation by dividing the economy into three sectors: wage-goods sector, capital-goods sector I and capital-goods sector II as follows:

$$(a_1w + a_2p + a_3q)(1 + r) = A \quad \ldots(1)$$

$$(b_1w + b_2p + b_3q)(1 + r) = Bp \quad \ldots(2)$$

$$(k_1w + k_2p + k_3q)(1 + r) = Kq \quad \ldots(3)$$

where A, B and K are respective outputs of wage-goods sector and capital-goods sector I and II, p and q are respective prices of outputs of capital-goods sector I and II and r is rate of surplus (i e, rate of profit). Here a's, b's and k's are all positive and, therefore, all the three composite commodities of the three sectors are basic goods.

Let us for the sake of simplicity take a numerical example and assume $w = 1$ and $a_1 = b_1 = k_1 = 1$ as follows:

$$(1 + 0.4p + 0.6q)(1 + r) = 6 \quad \ldots(4)$$

$$(1 + 2.0p + 2.0q)(1 + r) = 12p \quad \ldots(5)$$

$$(1 + 6.0p + 7.5q)(1 + r) = 15q \quad \ldots(6)$$

Solving the equations (4), (5) and (6) $r = 0.5$, $p = 1.5$ and $q = 4$ are obtained.[9] Assuming all wages are consumed and all surpluses are invested, the growth rate of output in the economy per unit of time is given by r (= 0.5). The proportion of investments flowing to wage-goods sector and capital-goods sector I and II are respectively x, y and v where

$$x + y + v = 1 \quad \ldots(7)$$

The conditions for allocative efficiency (without excess capacity or shortage) of resources in the three sectors of the economy are the following:

$6x/(x + y + v) = 1.5$ ...(8)

$12y/(0.4x + 2y + 6v) = 1.5$ ...(9)

$15v/(0.6x + 2y + 7.5v) = 1.5$ ...(10)

Solving for the values, we get $x = 0.25$, $y = 0.38$ and $v = 0.37$. This implies that in Mahalanobis' terminology the percentage of investment flowing in the capital-goods sector is 75 where the output-capital ratio in that sector is 0.56. The output-capital ratio in the economy happens to be 0.577 and the ratio of investment to net income (which is same as ratio of saving to net income = s) is 0.8658. The labour-capital ratio will be 0.05 in this case. It seems that given the wage rate (which here also implies given the saving rate), planning option in this case is limited to allocation of resources. This allocation, in theory, is done by the market forces in a capitalist economy. It is needless to emphasise that a's, b's and k's in the equations (1) to (3) may have more than one value representing different technologies for the production of particular commodities.[10] However, given the wage rate ($w = 1$ in this case), the technologies in each line of production are relevant which are consistent with the maximum value of r.

TABLE 1

Item (1)	Choice 1 (2)	Choice 2 (3)
1 Output-capital ratio	0.5824	0.7257
2 Percentage of saving to net income	34.34	27.57
3 Percentage rate of growth of output per unit of time	20.00	20.00
4 Percentage share of luxury goods in total consumption	82.76	59.93
5 Percentage share of wage-goods in total value of inputs	5.21	14.93
6 Percentage share of capital-goods of sector I in total capital goods	23.08	26.56
7 Output-labour ratio*	10.60	4.13

Note: * This ratio is measured in terms of wage-goods. The lower value of labour productivity in choice 2 than choice 1 is due to the fact that output-mix in the economy moved in favour of labour-intensive good and the prices (measured in terms of wage-goods) of all goods other than the wage-goods have fallen.

Let us now introduce in the economy another consumption-goods sector which has the following cost-price equation:

$(m_1w + m_2p + m_3q + m_4n)(1 + r) = Mn$ ...(11)

where M is its output, n is the price of the output and all m's have positive values (such that $m_4 \geqslant 0$).

It will be seen that r is determined by the three equations (1) to (3) consequent upon the values of a's, b's and k's. However, changes in the values of m's only change the value of n. It is, therefore, termed as non-basic-goods sector or luxury-goods sector. Let us take a numerical example which is given below:

$(1 + 2p + 3q)(1 + r) = 12n$ ...(12)

Solving the equations (4), (5), (6) and (12), we get $r = 0.5$, $p = 1.5$, $q = 4$ and $n = 2$. The conditions for the allocative efficiency of resources is now given by the following four equations:

$x + y + v + z = 1$ ...(13)

$6x/(x + y + v + z) = (1 + g)$ ...(14)

$12y/(0.4x + 2y + 6v + 2z) = (1+g)$ ...(15)

$15v/(0.6x + 2y + 7.5v + 3z) = (1+g)$ ...(16)

where g is the rate of growth of production per unit of time. There are 5 unknowns and 4 equations. Therefore, determining the values of any one of the unknowns gives us the value of other four. For example, if a policy decision is taken that production in the economy should grow, say, at 20 per cent per unit of time (i e, $g = 0.2$), the flow of resources to different sectors, the output-capital ratio, the saving-income ratio, etc, get determined (column 2, Table 2).

The other important aspect in the context of investment planning is related to the choice of technology (i e, choice of technique) of production in different sectors of production. To illustrate this, let us take an example of another technology for the wage-goods sector as follows:

$(3 + 1.03715p + 0.025q)(1 + r) = 6$ ...(17)

Solving for values using equations (17), (5), (6) and (12), we get $r = 0.4680$, $p = 0.9868$, $q = 2.5464$ and $m = 1.2983$. We term this as choice 2 as against choice 1 which is represented by equations (4), (5), (6) and (12). It will be seen that even though choice 2 shows lower rate of profit and lower rate of saving than choice 1, it represents a higher capital-output ratio and is more labour absorptive for the same rate of growth of production (column 3, Table 1). While in a non-planned capitalist economy choice 1 will prevail, choice 2 is the clear option in the context of investment planning in a labour surplus economy. There may not be much scope in terms of reduction of wages in the Indian context because of 'wage-efficiency' constraint,[11] but there is a clear choice in favour of labour-intensive technique in the context of investment planning in case of labour surplus economies such as India.

Let us now add the wage-goods subsistence sector in the model which is defined by equation (18).

$1000 + 0.00001p + 0.000001q = 1000$ ...(18)

The actual labour-output ratio, however, may be less than one in the subsistence wage-goods sector because of the possibility that workers engaged in that sector may be earning less than the wage rate.

Let us take, for example, that initially the output of subsistence wage-goods sector remains twice as large as the organised wage-goods sector under choice 1 of investment planning.[12] Then, by adopting choice 2 as the strategy, the share of subsistence sector gets reduced from about 66.67 to 36.91 per cent initially (a decline of about 44.64 per cent) in our numerical example. In case the labour supply increases by 10 per cent per unit of time and the organised sector grows by 20 per cent per unit of time as per the conditions specified in Table 1, the rate of reduction in the size of the subsistence sector will be higher in case choice 2 is adopted as the strategy of investment planning rather than choice 1 even though choice 1 offers higher rate of profit than choice 2 (Table 2).

TABLE 2

Item (1)	Choice 1 (2)	Choice 2 (3)	Choice 3 (4)	Choice 4 (5)
1 Rate of profit in the organised sector	0.50	0.468	0.468	0.468
2 Percentage rate of saving with respect to non-wage income	40.00	42.74	42.74	40.00
3 Percentage rate of growth of output in the organised sector per unit of time	20.00	20.00	20.00	18.72
4 Percentage rate of growth of output in the economy (organised plus subsistence sector)	17.23*	16.07	16.96	16.12
5 Percentage of labourers employed in the subsistence sector to total employment initially	66.67	36.91	13.81	13.68
6 Rate of decline per unit of time in the share of labourers employed in the subsistence sector to the total employment	4.55	15.54	56.75	50.02
7 Percentage of resources flowing into the:				
(i) wage-goods sector	20.00	33.33	33.33	32.74
(ii) capital-goods sector I	28.00	25.56	19.26	18.90
(iii) capital-goods sector II	28.00	21.91	14.46	14.18
(iv) luxury-goods sector	24.00	19.20	32.95	34.18

Note: * Assuming that the marginal product of labour in the subsistence wage-good sector is negligible this will approximate 16.31.

CHOICE OF TECHNIQUE

Sen's theoretical formulation that the choice of technique which maximises profit also maximises rate of growth of produc-

tion (and, therefore, rate of growth of employment) implicitly assumes that rate of savings with respect to non-wage income (i e, profits) which, though is a policy variable, is not a function of labour-capital ratio and, therefore, not a function of rate of profit.[13] In our illustration, however, the rate of savings with respect to non-wage income are 0.40 and 0.42735 for choice 1 and choice 2 respectively. However, from the point of view of both welfare criteria and social justice, an increase in rate of consumption associated with a reduction of luxury-goods consumption is to be always preferred to a reduction in the rate of consumption associated with increase of luxury-goods consumption. However, our illustration also indicates that the decline of rate of profit consequent upon the increase in labour-capital ratio (associated with a decline in the subsistence sector in the economy) is also associated with a fall in the price of luxury goods and a fall in the value of consumption of luxury goods too. The decline in the price is likely to be more than the decline in the rate of consumption with respect to non-wage income. Therefore, adoption of choice 2 as a strategy of investment planning instead of choice 1 may not always indicate a fall in luxury consumption in real terms. Moreover, in a surplus labour situation, a fraction (may be even small) of non-wage income is spent to support the destitute, unemployed and disguised-unemployed in the subsistence sector of the economy.[14] Therefore, the rate of saving with respect to non-wage income is likely to go up with the reduction in dependence of workers in the subsistence sector of the economy.

However, in a capitalist economy even with a planning process for the management of the economy under state patronage, the economic interest of the ruling class will determine the floor level for the rate of saving with respect to non-wage income. There is a policy option here as well. As an increase in the labour-intensity in the luxury-goods sector will leave the rate of profit intact,[15] the rate of growth of output in the organised sector can be maintained at the same level by keeping the rate of saving with respect to non-wage income invariant. But as the initial labour absorptive capacity of the organised sector increases, both the rate of growth of the economy and the rate of decline of the size of the subsistence sector per unit of time, will register an increase as will be evident from the following numerical example associated with the increase in labour intensity in the luxury-goods sector.

$$(1 + p + q)(1 + r) = 9n \qquad \ldots(19)$$

If the choice of the organised sector is made in terms of equation (5), (6), (17) and (19) of our illustration (which is termed as choice 3), the rates of profit, savings with respect to non-wage income and growth of output in the organised sector remain the same as in choice 2, but the labour asborptive capacity of the economy in the organised sector and the growth of output in the economy as a whole improve (Table 2, columns 3 and 4).

There is yet another situation where the

TABLE 4: CORRELATION MATRIX

	X1	X2	X3	X4	X5
X1	1.00	0.74	0.47	0.48	0.52
X2	0.74	1.00	0.82	0.77	0.81
X3	0.47	0.82	1.00	0.76	0.84
X4	0.48	0.77	0.76	1.00	0.87
X5	0.52	0.81	0.84	0.87	1.00

d f = 24

where X1 = log Y1, X2 = log Y2, X3 = log Y3, X4 = log Y4, X5 = log Y5, Y1 is person-days per hectare, Y2 is agricultural production per hectare, Y3 is percentage of net irrigated area, Y4 is fertiliser per hectare and Y5 is percentage of area under HYV.

$$X1 = \underset{(78.1)}{4.61} + \underset{(2.591)}{0.827Z3} + \underset{(2.643)}{0.706Z4} + \underset{(2.859)}{1.287Z5}, \quad R^2=0.28,\ d\,f=22$$

$$X2 = \underset{(140.2)}{7.16} + \underset{(7.469)}{2.063Z3} + \underset{(6.987)}{1.616Z4} + \underset{(7.379)}{2.875Z5}, \quad R^2=0.73,\ d\,f=22$$

where Z3 = residuals of the regression of X3 on X4 and X5
Z4 = residuals of the regression of X4 on X3 and X5
Z5 = residuals of the regression of X5 on X3 and X4

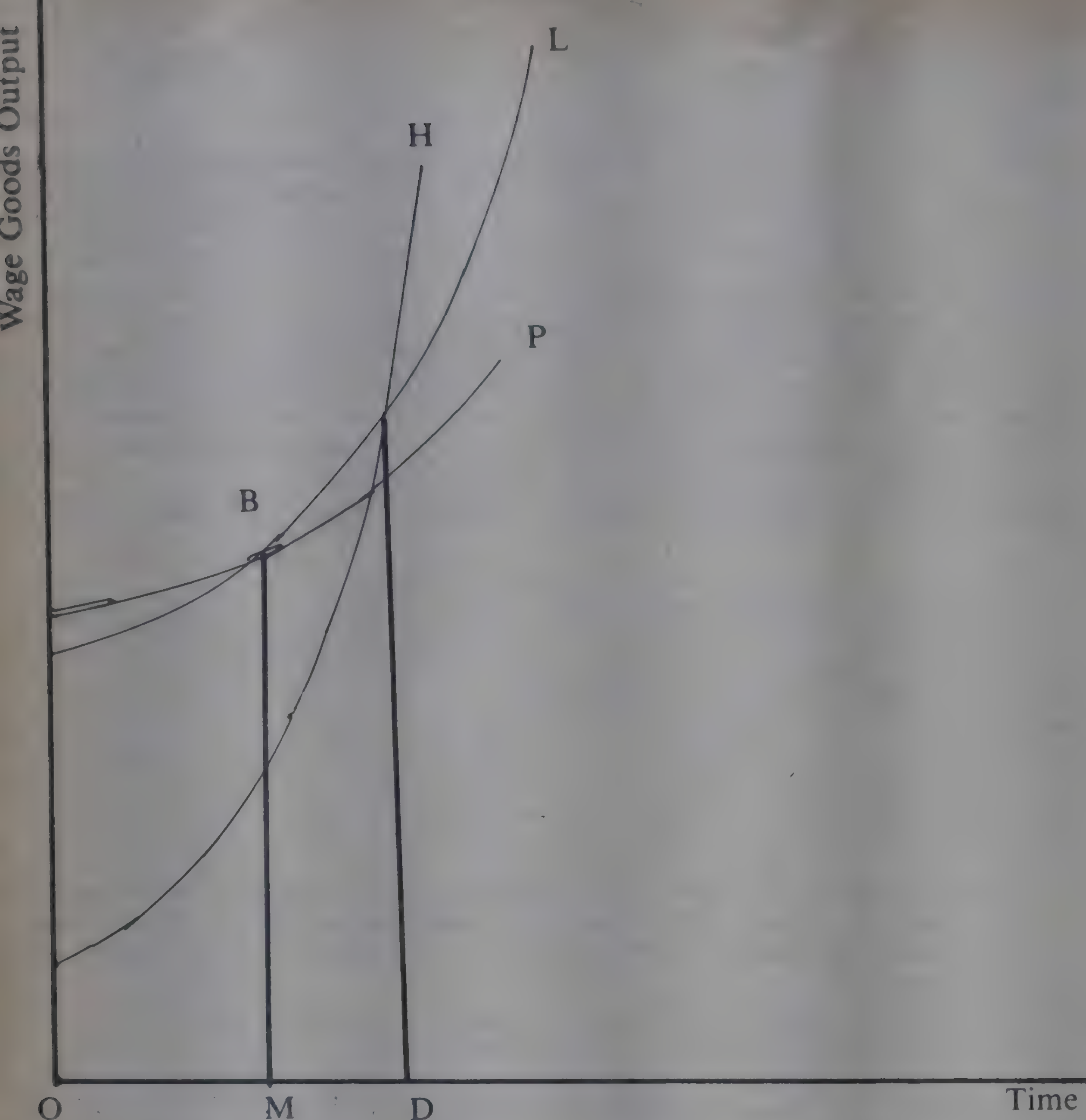
Note: t-values are given in parenthesis, all of them are significant at less than 1 per cent level.

TABLE 3

States	Triennium ending 1973-74					Triennium ending 1983-84				
	Agriculture Production (at 1970-71 Prices) per Hectare* in Rs	Person-days Employed per Hectare*	Percentage of Net Irrigated Area	Fertiliser Consumption per Hectare* in Kg	Percentage of Area under HYV to Net Area Sown	Agriculture Production (at 1970-71 Prices) per Hectare* in Rs	Person-days Employed per Hectare*	Percentage of Net Irrigated Area	Fertiliser Consumption per Hectare* in Kg	Percentage of Area under HYV to Net Area Sown
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Andhra Pradesh	1248	96.50	27.17	247	13.67	1663	130.91	32.84	678	36.58
Bihar	1526	119.89	28.26	137	26.36	1700	134.55	33.04	296	51.25
Gujarat	889	66.63	15.46	173	13.40	1320	93.88	22.65	446	23.10
Haryana	1453	77.07	46.15	256	35.68	1996	84.94	62.58	847	68.18
Karnataka	933	76.67	12.27	169	7.05	1156	90.35	14.50	406	20.03
Madhya Pradesh	601	73.03	9.03	68	6.48	712	68.09	13.75	139	19.54
Maharashtra	585	74.98	8.12	125	8.25	918	94.60	10.59	305	26.77
Orissa	1096	124.25	16.62	94	6.44	1493	162.76	23.42	148	28.48
Punjab	2110	101.87	73.09	749	55.52	3083	107.24	83.71	137	104.52
Rajasthan	523	51.52	14.80	44	5.67	805	58.89	19.76	108	15.69
Tamil Nadu	1557	139.10	44.12	500	42.72	1394	147.48	45.01	929	41.82
Uttar Pradesh	1325	119.13	41.64	236	22.88	1855	123.88	56.59	878	53.39
West Bengal	2269	140.46	25.51	180	18.31	3031	191.36	32.20	540	40.82

Note: * Net Area Sown
Source: Bhalla, Sheila, 'The Family Farm in a Transitional Economy', (mimeographed), Table 7, p 10, and data obtained from publications of Central Statistical Organisation (Government of India).

FIGURE 1



rate of saving with respect to non-wage income is not allowed to be increased at all (in our illustration it remains at 0.4 both for choice 1 and choice 4 given in Table 2) such that the rates of growth of output of the organised sector and of the economy register a decline consequent upon decline in rate of profit as a result of movement of the economy towards increased labour intensity in wage-goods and luxury-goods sectors. Even then the rate of decline in the size of subsistence sector will increase.

In this context it can be seen with the help of a simple diagram (see the figure) where curves H and L show the flow of the output of the wage goods of the organised sector and curve P defines the increase in labour supply over time.[16] Curve H represents capital-intensive technique with lower immediate output and a higher rate of growth of output than what is obtained by labour-intensive technique represented by curve L. The rationale related to choice of technique would be the one represented by curve L up to period OM and thereafter ever increasing capital-intensive techniques. Even if the curve P cuts the H and L curves at a point right of B, the technique to be preferred initially (up to period OD) is the one represented by curve L and thereafter the one represented by curve H.

It should be noted that planning for overall economic development envisages rapid eradication of surplus labour situation. Therefore, till the surplus labour situation continues, the technique of production in the organised sector, by and large, has to be labour-intensive and capital-output ratio almost constant. Only after the surplus labour situation comes to an end, the wage rate would be registering a continuous increase and so also the capital intensity in the economy. The phenomenon, then, will be characterised by falling rates of profit and growth of production. This will continue till production growth becomes equal to the rate of growth of labour supply (that is, almost equal to rate of growth of population). In theory, thus, there is no conflict between short period and long period employment objectives.

Though, the assumed magnitude of the input coefficients in the numerical examples may not conform to facts in the Indian economy, the five-sector model was meant to capture some important aspects of the Indian economy relevant to an evaluation of its investment planning strategy. In this model with some alternative technological choice, we could examine the implication of different planning strategies in terms of their impact not only on growth, but on such other important variables as employment, savings rates, flow of resources to different sectors of the economy, etc. The wage-goods sector is dominated by agriculture, whereas the capital-goods sectors I and II are dominated by traditional and modern capital-goods sectors respectively. Modern capital-goods sector can be said to include mainly petrochemical and electronic industries which are not only late comers in the Indian scenario but have a high import content, whereas the main base of traditional capital goods are minerals produced in this country, such as iron ore, coal, clay, limestone, etc.

Choices in Agriculture

In the context of increase in agricultural production, therefore, one can think either of an expansion of irrigation or increase in fertiliser use or increase in area under HYV cultivation. One can also think of mixing these three technologies in different proportions. It is worth noting that capital which is needed for irrigation is of a traditional variety where coal, iron and cement are the major inputs. On the other hand, fertiliser belongs to the petrochemical set. Although HYV has been successfully used with irrigation and fertiliser, it is generally more susceptible to pests than the non-HYV cultivation and, therefore, pesticide (a petrochemical product with high import content) has to be associated with it. Let us now examine the impact of these on employment and production using the state-wise data for triennium ending 1973-74 and 1983-84, given in Table 3. The multivariate analysis was done by pooling together time-series and cross-section data which gave us a total of 26 observations. The result of the analysis, given in Table 4, clearly indicates that elasticities of production and employment are higher in case of irrigation than in case of fertiliser use. There are other empirical evidences which are indicative of high labour absorptive capacity of irrigation.[17]

In view of these evidences and analysis, it can be argued that had we adopted a strategy of expansion of irrigation (shedding away our obsession regarding industrial development) in a big way right in the beginning of planning and allowed the percolation of fertiliser use and HYV cultivation in a normal way through the operation of market forces (instead of being pushed in the agricultural sector through subsidies and extension services), we would have by now achieved greater reduction in disguised unemployment, underemployment and regional economic disparity than what have been achieved on account of the adopted strategy related to choice of technology in agricultural sector.[18] The irrigation expansion strategy would have meant a higher flow of resources in the traditional capital-goods sector and lower in the modern capital-goods sector than what have been the case during the past about four decades of planning. A relatively higher expansion of traditional capital-goods sector where we had adequate experience and expertise would also have not only eased our foreign exchange problem but would have made our capital-goods sector, as a whole, more competitive and efficient than what is the situation today. Much of

our increasing trouble in the modern capital-goods sector is due to our inexperience in the field where the high rate of expansion has virtually prevented the process of 'learning by doing' and internalisation of the technology. This is partly reflected in an almost continuous increase in incremental capital-output ratio (ICOR) since the early fifties.[19] The sharp increase in ICOR should have appeared in the Indian scenario, but only after the subsistence sector would have been wiped out. What, however, lamentable is that these issues in the context of Indian investment planning were never ever adequately and scientifically examined by the professional bodies created to aid and advise the government on issues related to development planning in India.[20]

Legacy of Colonial Dynamics

The other neglected aspect in the context of investment planning in India was helplessness to devise a strategy to counterbalance the market forces making for increasing uneven regional growth in the economy (a legacy inherited as a consequence of colonial dynamics). Failure on this count is writ large on the face of the Indian economy even after about 40 years of planning.[21] There is yet another important lapse which negated the positive aspects of investment planning in India. This relates to complete failure to grapple with the problems created by the 'relation of production' in the context of the development of the Indian economy in general and the rural economy in particular.[22]

All these lapses had made a mockery of planning in India. The ever increasing inequality, uneven regional growth and unemployment (including disguised unemployment and underemployment) and vast areas of the economy sinking deeper and deeper into the quagmire of non-development, associated with feudal ethos and identities are the important causes of increasing organised violence in India.[23] The employment elasticity with respect to output has been declining over time and according to one estimate,[24] it has now touched as low a level as 0.23. Thus even with much applauded 6 per cent rate of growth of output in the economy (possibly more in the organised sector), employment growth in the organised sector (taken as a whole) would hardly be more than 1.5 per cent per annum during the Eighth Plan period. This clearly indicates that there is likely to be no dent in the increasing size of the subsistence sector in the foreseeable future in our country. In the backdrop of such and other evidences of the deepening of economic crisis, the planning exercise (for the Eighth Plan) showing a naive unawareness about the above mentioned theoretical and empirical aspects of development planning (which has remained neglected for too long), is indicative of professional bankruptcy in planning and a very pedestrian approach to development in India.[25]

Notes

[I am indebted to P P Ghosh, N Mohsin and B K Mishra for their helpful comments.]

1 Majumdar, R C (ed) [1963], *British Paramountcy and Indian Renaissance*, Part I, second edition, p xxi.
2 Krishnan, P K Gopal [1959], *Development of Economic Ideas in India*, p 110.
3 Kumar, Ravinder, 'The Structure of Politics in India on the Eve of Independence', paper submitted in ICSSR Seminar: *India Since Independence* (December 26-30, 1988) p 2.
4 Nehru, Jawaharlal [1956], *The Discovery of India*, p 430.
5 Planning Commission, Government of India, *The First Five-Year Plan* (Draft Outline), pp 17-23; *Papers Relating to Formulation of the Second Five-Year Plan*, pp 7-9, 66, 92, 192-93, 202-04, 209.
6 Mahalanobis, P C [1963], *The Approach of Operational Research to Planning in India*, ch IV.
7 Raj, K N, 'Growth Models in Indian Planning', *Indian Economic Review*, February 1961, p 248.
8 "The criterion is whether a commodity enters (no matter whether directly or indirectly) into the production of all commodities. Those that do we shall call *basic*, and those that do not, *non-basic* products." Sraffa Piero [1960], *Production of Commodities by Means of Commodities*, p 8.
9 The two other values of r are 29 and 6.5 but these were not consistent with positive values of prices, p and q.
10 In Marshallian model changes in these values represent changes in technique of production.
11 Prasad, Pradhan H, 'The Phenomenon of Disguised Unemployment', *The Indian Economic Journal*, July-September 1966; *Growth with Full Employment* (1970), ch V.
12 For the sake of comparison among different choices, the initial value of inputs (at constant prices) is kept same in each cases. For example, if initial cost of inputs is 100 wage-goods units for choice 2, the cost of inputs for choice 1 is assumed to be 151.47 units.
13 Sen, Amartya Kumar [1960], *Choice of Techniques*, second edition, p 24.
14 Leibenstein, H [1957], *Economic Backwardness and Economic Growth*, ch VI.
15 Prasad, Pradhan H, 'Growth and Employment', *Indian Economic Journal*, July-September 1967, pp 107-10.
16 See Sen, Amartya Kumar, op cit, an almost similar diagram at p 32. In our figure the distance between curves P and L denotes the output of subsistence sector if labour-intensive technique is adopted and distance between curves P and H denotes the output of subsistence sector if capital-intensive technique is the choice.
17 "This suggests that planning for *healthy* employment expansion in agriculture, the greatest emphasis has got to be placed on double cropping. Such increases in GCA can only be achieved by accelerated investment, in irrigation in particular." Bhalla, Sheila, 'Employment in Indian Agriculture: Retrospect and Prospect', paper submitted in seminar on *Nation Building, Development Process and Communication: A Search of India's Renaissance*, New Delhi (December 3-7, 1988), p 15; See also Prasad, Pradhan H, 'Employment and Technological Change', *The Indian Journal of Labour Economics*, January 1989, pp 292-301.
18 See Prasad, Pradhan H, 'Agricultural Growth in India since Independence', paper submitted in ICSSR Seminar: *India Since Independence*, New Delhi (December 26-30), pp 4-5; Chakravarty, Sukhamoy (1987), *Development Planning*, pp 24-27.
19 Chakravarty, Sukhamoy, op cit, ch 5, p 105.
20 Chakravarty, Sukhamoy, op cit, ch 3.
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22 Prasad, Pradhan H, 'Production Relations: Achilles' Heel of Indian Planning', *Economic and Political Weekly*, May 12, 1973; 'Institutional Reforms and Agricultural Growth', *Social Scientist* June 1986; "Towards a Theory of Transformation of Semi-feudal Agriculture", *Economic and Political Weekly*, August 1, 1987.
23 See Prasad, Pradhan H, 'Agrarian Violence in Bihar', *Economic and Political Weekly*, May 30, 1987; 'India after Four Decades of Independence', *Economic and Political Weekly*, April 2-9, 1988.
24 Bhalla, Sheila, op cit, Appendix 1, see also Table 6, p 7.
25 See Planning Commission, Government of India [1989], *Perspective and Issues and Implications of Alternative Growth Rates for Eighth Plan*.

Eat Now Pay Later

Impact of Rice Subsidy Scheme

Wendy K Olsen

The Andhra Pradesh rice subsidy scheme was mainly intended to be a visible, if small, gesture of generosity on the part of the ruling party in the state. This article examines the scheme in depth and shows how much of the cost has in fact been borne through growth in the state government's net indebtedness.

THE official brochure on the Andhra Pradesh rice subsidy scheme claims that "this is the most laudable scheme launched for eradicating hunger, deprivation and want from the poorest of the poorer sections of society".[1] A close look at the origin and nature of the scheme suggests that this claim exaggerates the scheme's effect on the poor. Besides providing a subsidy worth between Rs 9 and Rs 27 per household per month to recipient families (the lower figure applying to the poorest), the scheme has important indirect and long-term effects such as the crowding out of productive investment. Although ration card holders got a boost to their purchasing power when the scheme started five years ago, the same group must ultimately, if indirectly, bear most of the costs of the scheme.

The origins of the scheme, described in the first section below, reveal that it met other purposes besides the stated one of 'eradicating poverty'. The second section explains the nature and scale of the ration scheme, emphasising that it is not as progressive (i e, targeted) as its proponents claim. The benefits accruing to the poorest and less-poor households, to ration shop dealers and to rice millers are estimated in section three. In section four I have also tried to quantify the total cost of the scheme, compare it to alternative expenditures, and show that much of the cost has in fact been borne through growth in the state government's net indebtedness. Finally some indirect effects, particularly on rice consumers in neighbouring states, are discussed in the last section.

Widespread Subsidy

The story of the scheme's origin reveals that the rice subsidy's main purpose was never just to help the poor. Instead its main intention was to be a visible, if small, gesture of generosity on the part of the ruling party in the state. That token gesture would, party leaders hoped, ensure enough votes for continued power of the state over the voters. The state government's legitimacy is then enhanced by its electoral popularity.

Both Congress(I) and the Telugu Desam Party (TDP) thought to use this ploy.[2] Even in late 1982 the Congress(I), still holding the majority in the state legislature, considered introducing a state-wide rice subsidy. They initially claimed that such a scheme would not be feasible. But then the state Congress(I) government itself introduced a rice subsidy scheme with urban sales of 50 kg per household at three prices (common variety Rs 1.90 per kg, and fine varieties at a premium of 20 or 25 paise per kg), just at the end of 1982 before the elections. Hence ever since the present scheme's introduction in early 1983, both parties have claimed credit for initiating it.

TDP's election manifesto stated that "Telugu Desam will strengthen the public distribution system and will see that the essential commodities are made available to the people at very reasonable rates. It is the firm resolve of Telugu Desam to ensure sale of a kilogram of rice for rupees two." After winning power in 1983 TDP implemented the subsidy as promised. The new state government extended the subsidy to village people as well as urban residents.

One of the reasons for the scheme's popularity is that ration cards as well as shops actually have reached the most remote people of Andhra Pradesh—unlike many development schemes which, one way or another, have concentrated on central places. In addition within each village virtually every eligible household has a ration card, whereas many people who are 'eligible' (strictly speaking) for subsidised sarees/dhotis, for old-age pensions, and for housing subsidies, have not received these benefits.[3] The ration shops have reliably supplied rice to cardholders, with the leakage and corruption problems faced by civil supplies in other states kept to a minimum by the high visibility and local nature of the fair price shops. As Table 1 shows, AP has far more ration shops per person than its neighbouring states (one shop for every 1,600 people).

How was this 'populist' subsidy scheme born? Harriss found that "the public distribution system of grain tends to operate in south India according to a perverse and short-term logic".[4] Her studies of Tamil Nadu's experience suggest that the state procures *more* and distributes *less* grain during drought periods.[5] Andhra Pradesh's reaction to the 1973 drought perhaps fit this 'paradox' model,[6] but recent events do not. The doubling of the rice procurement in AP in 1982-83 came at a time of successive record crops, and distribution kept increasing over the drought years 1984-87 (see Tables 2 and 3). The mechanism here is not simply a reflex on the state's part to help consumers at the expense of producers whenever there is a drought. Instead drought, growth in agricultural output, and electoral politics interact with historical and local factors to determine the food policy at state level—which does nevertheless result in some perverse and illogical results.

In the case of AP, both the Congress(I) and TDP were prepared to promise some handouts to the poor in 1983. (The Left alternative in AP, the CPI(M), has been forced to go along with TDP policies by its ongoing electoral alliance with TDP involving seat allocations and mutual support.) N T Rama Rao and TDP boldly promised a bigger subsidy than Congress(I) had ever provided, and they won the 1983 election. When TDP's leading position in the state assembly was questioned in 1985, their strategy of combining Telugu nationalism with the extensive food subsidy paid off in a solid electoral victory. The Congress(I) has since been silenced from ciriticising the Rs 2/kg scheme because if it does, TDP will use this to their advantage by accusing the state Congress(I) of wanting to impose central government anti-AP policies on the Telugu people.

Hence a costly subsidy scheme has become entrenched in the state's budget (at the expense of other possibilities, as will be

Table 1: Scale of Grain Distribution in Four States, 1980 and 1985

State	Total Rice and Wheat Distributed ('000 tonnes)		Persons Per Shop in	Per Capita Distribution (kg)	
	1980	1985	1985	1980	1985
Andhra Pradesh	548	1353	1,600	10.3	23.3
Andhra Pradesh (including APSCSC)	548	2200	1,600	10.3	37.9
Karnataka	574	954	2,500	15.9	23.9
Madhya Pradesh	1102	393	2,500	21.2	7.0
Tamil Nadu	659	2145	3,000	13.7	42.0

Source: *Bulletin of Food Statistics 1985*, except line two which is adjusted for APSCSC purchases above FCI procurement.

seen below). The scheme is used as ongoing propaganda for TDP. Several colourful pamphlets advertising the scheme, each with chief minister N T Rama Rao's photo on the front, are available free from the AP State Public Relations Office. The scheme is nicknamed 'Anna-Varam' in these pamphlets, a pun meaning both 'big brother's gift' and 'rice gift', with the word 'varam' (gift) having a religious connotation. (Brown's Telugu-English dictionary defines 'varam' as "a boon or blessing sought in prayer, a divine gift".)

TDP's 'populism' and regionalism are also a convenient way of legitimising a regime which in many ways represses the very people—'the poorest of the poor'—whom it claims to represent. Legislation exists which would enable these people to reach a higher standard of living through their own efforts—the minimum wage and land ceiling laws. But the minimum wage laws are openly flouted, especially in agriculture where the poorest workers receive the lowest possible wages. The land ceiling act, though an effective deterrent to land accumulation by rich individuals, is also bypassed as rich farmers allocate land to various relations (on paper) but actually till holdings far over the limit. TDP has done nothing toward implementing these basic progressive laws.

Instead the ruling party administers and protects the system which thrives on the existence of unemployed and underemployed workers who must accept low wages or starve. TDP brutally suppresses the efforts of workers to organise for land reform and higher wages. A case in point is the way TDP has given the police free rein to attack supposed 'naxalites' whenever they suspect that villagers are organising against landlords.[7] At present the state can accuse anyone of being a terrorist and have him or her killed in an encounter or even killed in jail, regardless of whether the person has broken any law.[8] In the tribal areas where many agitators for land reform work, TDP are now proposing that the laws against land purchases by non-tribals be abolished.[9] In the biggest strike since TDP came to power, NTR personally ordered the jailing of the leaders of the state government non-gazetted officers' unions at the end of 1986. The solid strike of 6,00,000 NGOs ended when the union leaders, no doubt under threat of re-arrest, accepted a plan that left most members worse off.

These anti-people actions can only be reconciled with TDP's populist rhetoric if we recognise that the party stays in power by balancing the two aspects of its regime—the growing welfare state which substitutes for economic growth, and the authoritarian regime which silences all genuine opposition. Such an authoritarian bourgeois state could only retain power and popularity in the absence of a viable Left alternative. And indeed, the CPI(M) which could have been offering an alternative programme (eg, starting with a demand for "jobs for all, not charity for all", as one activist suggested) has been silenced by its electoral pact with TDP. The CPI(ML), which is also popular among radicalised youth, is ruining its chances by engaging in terrorist tactics and indulging in revenge murders. Given a choice in elections among various bourgeois parties, each representing one section of the ruling class, it is not surprising that the voters of AP prefer the one which at least offers some concrete, immediate benefits. Most voters have no expectation (as yet) of any more fundamental change in society.

Initial proposals for a rice subsidy scheme were heavily 'targeted', so that a small amount of subsidised rice (10 kg/month) would go to the poor families with incomes below Rs 3,600 per year. Such a scheme would have affected some 8 million households out of AP's (then) 11.4 million households. In 1983 the result would have been about 1 million metric tonnes (mmt) of rice distributed over both rural and urban areas at a cost of some Rs 72 crore (Table 4).

On taking power, however, NT Rama Rao, with a calculated benevolence, announced that households with incomes up to Rs 6,000 per year would be eligible for the scheme,

Table 2: AP Foodgrains Production in Recent Years

('000 tonnes)

	1981-82 to 1985-86 Average	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
Rice	7770	7868	7672	8799	6909	7613	6786
Other foodgrains	3113	3549	3505	3083	2706	2760	2515
Total	10,883	11,417	11,177	11,882	9,615	10,373	9,301

Source: *SET*, p 3 (see footnote 10).

Table 3: AP Rice Procurement and Distribution

('000 tonnes)

Year	FCI PROCT in AP	APSCSC Purchases	Total Procurement	Rice Distributed
1974-75	427	nil	427	319
1975-76	1081	—	1081	77
1976-77	481	—	481	197
1977-78	450	—	450	153
1978-79	516	—	516	54
1979-80	456	—	456	203
1980-81	606	—	606	261
1981-82	1079	—	1079	370
1982-83	1626	378	2004	1368
1983-84	1484	987	2471	1831
1984-85	1777	962	2738	1893
1985-86	1572	897	2470	2149
1986-87	1464	834	2299	2206

Source: Andhra Pradesh Civil Supplies Department, Hyderabad. November-to-October years.

Table 4: Determinants of Rice Subsidy Scheme Costs
(Various Options)

	Eligibility		Quantity		Subsidy		Result
	Income Limit (Rs/hh)	No Green Cards (m)	Ration Size (kg/hh/mo)	Total Issues (mmt/Year)	Issue Price (Rs/kg)	Subsidy Per Kg (Rs)	Annual Cost (Rs crore)
1983-84 limited scheme	3,600	8	10	0.96	2.00	.75	72
1983-84 actual scheme (approx)	6,000	11	20	2.64	2.00	.75	198
1986-87 estimates for limited schemes:							
(a) cut subsidy size*	6,000	11	20	2.64	2.50	.75	198
(b) *and* cut ration	6,000	11	10	1.32	2.50	.75	99
(c) *and* cut eligibility	3,600	8	10	0.96	2.50	.75	72
(d) 'targeted'—cut eligibility only	3,600	8	20	1.92	2.00	1.25	240
1986-87 actual scheme (approx)	6,000	11	20	2.64	2.00	1.25	330

Note: Costs are borne by both centre and state. Figures are illustrative not actual (see text). Subsidy size includes negative buy-sell margin and costs per tonne of FCI and APSCSC operations.

* E g, line 3 shows that the costs of the scheme could stay the same if the issue price were raised over time.

i e, for a green card. In addition a ration of 5 kg per person up to a maximum of 25 kg per household replaced the initially rigid ration quantity of 10 kg/hh. The scheme thus became both more extensive and more generous. As a result the cost rose to about Rs 200 crore a year.

The extension increased the scheme's impact most in rural areas, where 80 per cent of households are eligible under the higher income limit (Table 5).

The hypothetical figures in Table 4 show the effect that policy changes regarding eligibility, ration quantity and subsidy have on the overall cost of the programme. A targeted, limited scheme would cost no more now than it did in 1983-84. But TDP has kept the issue price fixed at Rs 2/kg, while rice prices have risen by some 6.7 per cent per year in line with inflation.[10] The number of ration cards (both yellow and green) has consistently exceeded the number of households in AP (Table 6), reaching a peak in 1986-87 when the number of cards was reported at 13.9 million and the number of households was 12.2 million.

It would be very difficult to reduce the income-eligibility limit now, after so many families have grown accustomed to having the rice subsidy. Their food entitlement, to use Sen's phrase, increased with the introduction of this scheme, and any new cut in their entitlement will no doubt generate strenuous objections.

Perhaps the only politically feasible ways of reducing the scheme's cost at this point would be (i) to reduce the size of the subsidy by raising the issue price (e g to Rs 2.50/kg as suggested in line 3 of Table 4), and (ii) to reduce the ration allowed each household (see line 4 of Table 4). These measures would however produce a direct reduction in the 'poorest of the poor's' purchasing power over rice. A third option would be to introduce a middle level of eligibility for households whose annual incomes are between Rs 3,600 and Rs 6,000, and reduce the rice subsidy available to this group.

These 'options' are mere speculation, not practical political proposals. Similarly, the claim that "it is possible to improve the aggregate welfare without involving additional expenditure on rice subsidy by mere transfer of a part of the ration presently enjoyed by the non-poor to the poor"[11] ignores the fact that the ruling class for its own reasons will not allow such a change. Its electoral support comes from both the poorest and the 'non-poor' sections of society. These 'non-poor' include literate, often unionised urban workers as well as TDP's own class base of large farmers and small capitalists. In terms of electoral strategy, it is better for TDP to give small symbolic handouts to all these groups than to openly favour one over the other. Hence the impossibility of 'targeting' the scheme in a progressive way.

Last year the state attempted to reduce the issue of rice on bogus and ghost ration cards. At that point the number of ration cards exceeded the number of households in AP by nearly 15 per cent (Table 4), and it was suspected that many relatively rich families held both a rice card and a sugar card.[12] In the first quarter of 1987 the old ration cards were replaced by mandatory photo ration cards. The new cards are actually small books which have space for five years' ration records, and the household head's photo must be attached. For many of the poorest families, these cards are a constant reminder of TDP's 'rice-gift'. Though city people may scoff, this is often the first photo ever taken in poor families. The photo ration books are seen as an advertisement of TDP's benevolence to people who are otherwise remote, illiterate, and hard to reach.

Provision of the new cards was paid for by the state, but the photos had to be paid for by the recipients. The cost seems small (Rs 5 was paid in Chittoor district villages) and the village assistants organised photographers to spend a day in each central village. However one photo per household adds up to a huge demand, and I suspect that the photo ration card scheme was encouraged if not proposed by the photo studio owners who stood to gain most from it.

Through the issue of photo ration cards the number of rice ration cards was reduced from 10.4 m to 9.5 m, and the total number of cards fell by 10 per cent to a figure near, though still above, our best estimate of the number of households in the state.[13] Though we may hope that now bogus cards and double cards have been eliminated, the ironic secondary impact of photo ration cards will be to regressively target ration rice away from the 'poorest of the poor'. To replace a ration card or get a new one for newly formed or migrant households, villagers will have to pay for transport to town photo shops as well as pay for fresh photos before a new ration card can be issued. Yellow card holders can easily bear these costs but many green card holders cannot. With some 2,80,000 new households formed each year, a gradual bias in the scheme away from remote, poor and migrant families may develop.

Differential Subsidies

Ration rice is not an addition to the diet. It is a fungible commodity bought cheap. Hence it is best to think of the ration as a subsidy and measure its value in cash terms. Its impact on diets and nutrition depends wholly on consumer choice at the margin (i e, on income elasticities). The savings on rice can be spent on various foods including more rice, oil, sugar, alcohol, etc, as well as on non-food items such as medicine, travel, or clothing. To measure the impact of the rice scheme on rice consumption and nutrition, post-1983 studies of consumption patterns among green card holders can perhaps be compared with existing data on pre-1983 diets.[14] In the meantime, we can estimate the impact on purchasing power for all families even in the absence of full data on incomes and the income elasticity of demand for rice. The size of the subsidy from the household's point of view depends on (a) how much grain they get (20 kg, 25 kg, etc); and (b) the relevant opportunity cost of rice, i e, what they would have spent on grain without the ration rice.

Ration shop sales to green (rice) card holders average 18 kg per month per card. That's 3.7 kg per capita per month, using an average household size of 4.9 persons. However household rice consumption ranges from 45 to 70 kg per month for an average family, depending on class, diet, and ages of family members. The ration is thus somewhere between 25 per cent and 40 per cent of recipients' consumption, and is well over the national average.[15]

The savings on the 18 kilos in 1986-87 was Rs 27 per month for those families that would have bought an equivalent quantity

Table 5: AP Ration Cards by Colour and Location in 1985

(Per cent)

Card Type	Urban	Rural	Total
Green (rice)	16	60	76
Yellow (sugar)	10	14	24
Total	26	74	100

Source: Radhakrishna and Indrakant, 1987. In 1985 there were a total of 13.3 million cards in existence.

Table 6: Number of Ration Cards in Andhra Pradesh

(In millions)

Year	Green Cards	Yellow Cards	Total Cards	AP Population*	No of Households*
1982-83			12.562	54.8	11.1
1983-84	10.864	2.667	13.621	56.1	11.4
1984-85	9.648	3.130	12.778	57.5	11.7
1985-86	10.103	3.423	13.626	58.8	12.0
1986-87	10.432	3.469	13.901	60.2	12.2
1987-88	9.514	3.034	12.548	61.6	12.5

Note: There were no green cards in 1982-83. Green cards came into being from April 13, 1984. The 1987-88 figures reflect the number of photo ration cards issued during January-April of 1988.

* See footnote 13 for sources.

Source: AP Civil Supplies Department, Hyderabad.

THE STANDARD MILLS COMPANY LIMITED

NOTICE

IT is hereby notified for the information of the public that **The Standard Mills Company Limited** proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under Sub-section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the establishment of a new undertaking/unit/division. Brief particulars of the proposal are as under:

1. Name and address of the applicant : **The Standard Mills Company Limited**
   Mafatlal Centre, Nariman Point,
   Bombay - 400 021.
2. Capital structure of the applicant Organisation : Authorised Capital: Rs. 15,00,00,000/-
   Issued & Subscribed: Rs. 11,05,55,300/-
3. Management structure of the applicant Organisation indicating the names of the Directors including Managing/Whole-time Directors and Manager, if any. : The Company is managed by the Whole-time Directors, subject to the superintendence, control and direction of the Board of Directors of the Company, consisting of:
   1. Shri Rasesh N. Mafatlal, Chairman
   2. Shri V. Ramadurai, Whole-time Director
   3. Shri C.C. Maniar, Whole-time Director
   4. Shri Russi Jal Taraporevala
   5. Shri Harish Mahindra
   6. Dr. F.A. Mehta
   7. Shri J.P. Thacker
   8. Shri V.C. Vaidya
   9. Shri Pradeep R. Mafatlal
   10. Shri M.L. Apte
   11. Shri R.C. Shah
   12. Shri A.C. Muthiah
   13. Shri R.S. Peddar
   14. Shri Deepak S. Parekh
4. Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division : The proposal relates to the establishment of a new undertaking
5. Location of the new undertaking/unit/division : Dewas (District—Dewas)
   Madhya Pradesh
6. Capital structure of the proposed Undertaking : Same as per item No. 2
7. In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate:

Name of the goods/articles	Proposed Licensed Capacity	Estimated Annual Turnover
Nonwoven Structures	3000 m.t. per annum	Rs. 3000 lacs

8. In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover, etc. : Not applicable
9. Cost of the Project : Rs. 2340 lakhs
10. Scheme of finance indicating the amounts to be raised from each source :

	Rs. in lacs
Term Loans/Debentures:	1000.00
Internal Accruals:	550.00
Foreign Exchange Loans (from Financial Institutions):	790.00
TOTAL:	2340.00

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this Notice, intimating his views on the proposal and indicating the nature of his interest therein.

For **THE STANDARD MILLS COMPANY LIMITED**

B. D. DATAR
SECRETARY

Dated 10th July, 1989.
Registered Office:
Mafatlal Centre, Nariman Point,
Bombay-400 021.

of rice in the market if the subsidy were not available. The ration rice is decent coarse rice which cost Rs 3.50 per kg in the market over 1986-87. Rs 27 is the difference between the cost in the market (Rs 3.50 × 18 kg = Rs 63) and the cost in the ration shop (Rs 2 × 18 kg = Rs 36). The subsidy is thus Rs 6.75 per week or Rs 324 per year, for such families.

However, this calculation applies only to those farmers, landlords, merchants, and salaried families who buy good rice at the margin. Coolies buy very cheap grains, especially broken rice (nuukulu), at much lower prices than Rs 3.50. Their opportunity cost in 1986-87 was Rs 2.10/kg for brokens, Rs 2.00/kg for ragi, Rs 1.90 for bajra, etc. They do also buy some whole coarse rice at Rs 3.50/kg, so consider for them an average price of grains bought on the market of Rs 2.50/kg.

Then the subsidy for worker families comes to only Rs 9 per month per household. (Market price Rs 2.50 × 18 kg = Rs 45, minus ration shop cost Rs 2 × 18 kg = Rs 36, gives Rs 9). That is Rs 2.25 per week, or Rs 108 per year. By way of comparison, for this amount these families could buy perhaps one cheap saree and one coarse lungi cloth.

This is a substantial subsidy programme and the coverage is extremely widespread even in remote areas. As a rough figure we can average the two opportunity cost calculations given above to say the ration rice is worth on average Rs 5 per week per household.[16]

A similar figure was reported in a study of urban green card holders in Vijayawada. The study found the value of the subsidy to be Rs 20.57 per month, making the average benefit calculation "on the basis of difference between the subsidised rice price and the private market rice price."[17] The relevant open market rice price was taken as Rs 3.00/kg, and the question of coarse grains or broken rice apparently did not arise in the town.[18] That study noted a decrease in the subsidy value per household as per capita income rose. Families earning Rs 50-100 per capita per month (the lowest income group) gained Rs 20.92/month while those with the highest per capita incomes gained Rs 10 to Rs 17/month from the scheme. The negative association found between subsidy value (per hh) and per capita income is due to the fact that large households have relatively low per capita income but get a larger ration, at least up to the 25 kg/hh limit. The per capita subsidy value did not vary systematically with per capita income among the 145 households surveyed in Vijayawada. (Figures broken down by household income are not available.)

Apart from the differential in the value of the subsidy in opportunity cost terms, the ration rice is also causing substitution away from coarse grains on the part of the rural poor. In western Chittoor district *sangati* (cooked rice and ragi balls) is now made in a proportion of one ragi to four rice measures, whereas historically and even in the recent past it was made with one part ragi to one part rice. Poor workers may as well take up the ration as buy the cheap, nutritious coarse grains, so that rice now takes up a larger proportion of their cereal consumption.

Many large farmers, landlords, and merchants have green rice ration cards. Data from a survey of over 5,000 people in western Chittoor district give an idea of the distribution of ration cards among classes in one rural area. Table 7 shows that 25 per cent of landlords (defined as big landowners who oversee but do not physically do agricultural work), 44 per cent of merchants, and 40 per cent of families with salaries such as peons, teachers, police, etc, had rice ration cards in 1986. In fact the landlord households had an overall ration card coverage (rice plus sugar cards) of 105 per cent. In other words several families had two cards and freely admitted it.

These families and the large farmers use the ration rice to supplement their own diets: they can then afford even more fine rice and luxury foods such as ghee. They use the ration rice to make rice flour, iddli and dosa which they eat for breakfast.

Most of all, the better-off village families use the ration rice to feed the workers their lunch-time meal. Most *sangati* (in the area I lived, at least) is cooked by landlords' and farmers' wives for coolies to eat. It is they who are changing the composition of *sangati* such that ragi is becoming a mere flavouring or additive to the meal. Thus while the workers are demanding more cash wages in order to buy their rice ration, the employers are giving more workday meals and they reduce the daily wage by about one rupee to compensate for the 'free' food.

Table 8 shows that in the survey area, 36 per cent of households had over five members but were eligible for only 25 kg per month. For large households the impact of the ration goes down with household size as a higher proportion of grain must be purchased or consumed out of own production. However nuclear families of four or five members are much more common among the coolies than among wealthier classes, as both our survey in Chittoor district and the official census have found.[19] Hence joint farming families suffer most from the ceiling on ration supplies. It remains to be seen (perhaps in 1991 Census) whether the scheme itself noticeably encourages splitting of families into nuclear households.

So far we have seen the scheme's extensive effects on large numbers of people. But the relatively small group of fair price shop dealers get a very concentrated 'subsidy' through the buy-sell margin on ration rice. This profit is intended to provide "the potential for stable self-employment for educated youth in their own or neighbouring villages. This promises the emergence of a new small-entrepreneurial class in the rural areas."[20]

With this ideal in mind there are official policies (and in some cases quotas) regarding preference for educated unemployed rural youth as well as for SCs, tribals,

TABLE 8: DISTRIBUTION OF HOUSEHOLDS BY SIZE (ALL FAMILIES)

No in Households	Per Cent of Households	Size of Ration (kg/month)
1	3	5
2	10	10
3	13	15
4	19	20
5	19	25
6	14	25
7	9	25
8 plus	13	25

Note: Weighted average ration size if all households had green cards would be 20.7 kg/month.

TABLE 7: RATION CARD COVERAGE BY CLASS (1986, Western Rural Chittoor District)

	No of Households in Class	Percentage Households in Class	Average Household Size	No of Rice Cards	Percentage with Ration Cards	No of Sugar Cards	Percentage with Sugar Cards	Average Cards Per Household
Landless coolies	258	23	4.0	225	85	3	1	.88
Coolies with land	436	40	5.1	395	91	21	5	.95
Farmers (Ryotulu)	130	12	5.7	66	51	61	47	.98
Landlords (Bhuuswamulu)	63	5	4.9	16	25	50	79	1.05
Merchants	52	5	5.4	23	44	27	52	.96
Artisans, etc	98	9	4.9	87	89	10	10	.99
Salaried families	55	5	5.1	22	40	26	47	.87
Total	1092	100	4.9	834	76	198	18	.95

Source: A complete census of the residents of one *gramam* containing 22 villages (hamlets) and six nearby villages, carried out in late 1986.

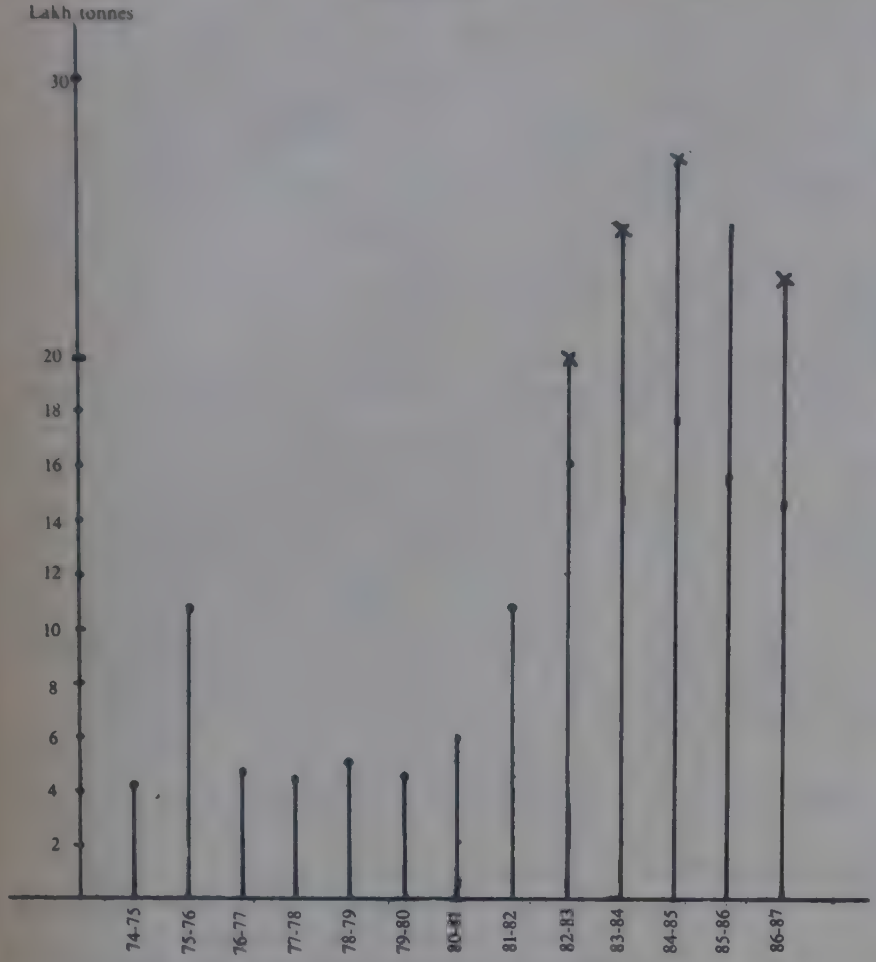


FIGURE 1: PROCUREMENT OF RICE IN AP INCLUDING APSCSC PURCHASES
(Lakh tonnes)

Note: These figures exclude paddy procured from farmers in 1974-76.
Source: AP Civil Supplies Department, Hyderabad, November-to-October years.
Procurement, x-Procurement plus purchases.

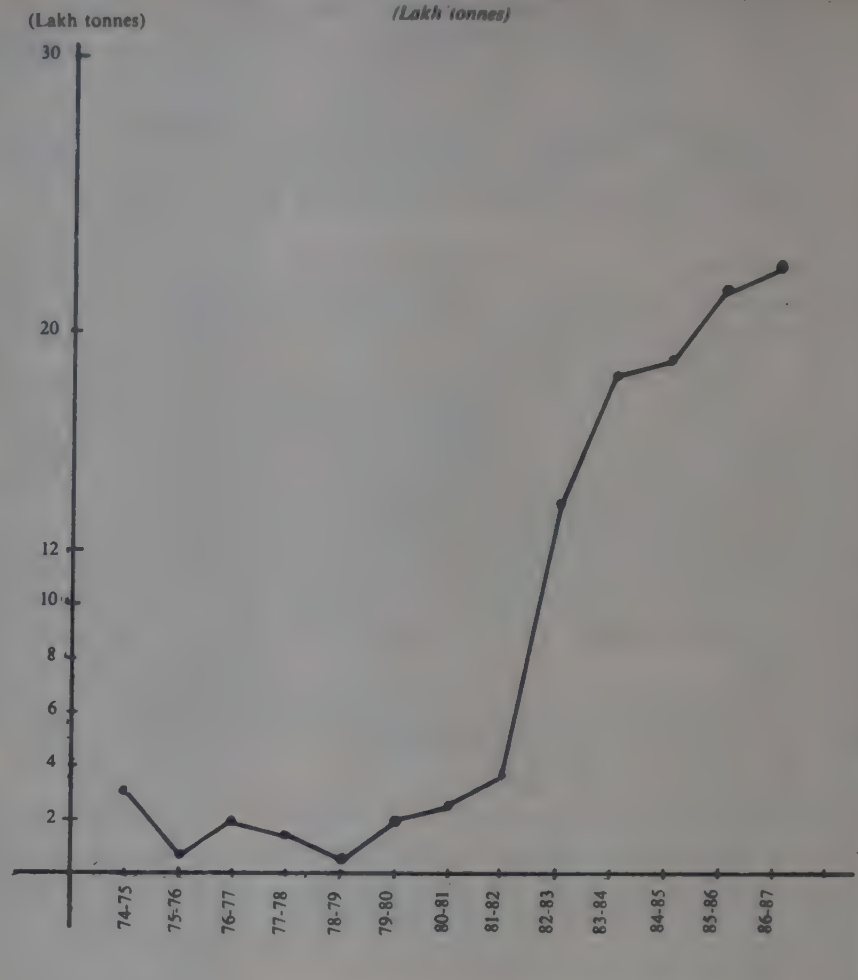


FIGURE 2: RICE DISTRIBUTED BY PDS IN AP
(Lakh tonnes)

Source: AP Civil Supplies Department, Hyderabad, November-to-October years.

women, and handicapped people. In practice the minorities are poorly represented among fair price shop dealers. Instead most rural dealers are either landlords or merchants to begin with. Of the present 33,688 ration shops, over 30,000 existed and had dealers in 1983 when TDP came to power, so that TDP's reservation policy for dealers has had only a marginal effect. (Among our 1,092 surveyed households three ration shops were operating, two held by merchants with their own separate shops next door, and one by an absentee landlord who is assistant public prosecutor in a town 20 km away, who paid a manager to handle the ration shop in his empty village house.) Many dealers are also staunch TDP supporters.

But would a 'small-entrepreneur' really deal in goods at fixed prices with fixed quantities available only when officially released by both central and state governments? Would grain 'entrepreneurs' really thrive in a market where "the government has also decided that there shall be no private stockist for rice. Accordingly, all private stockists for rice have been eliminated by 31.12.85"?[21]

No; entrepreneurs make their niche in free markets and thrive on making their own decisions. This is rather a type of state capitalism, where trading profits (or in this case losses) are allocated by official policy—and where even without corruption some officials do very well for themselves. In the present case a few calculations suggest that rural dealers earn some Rs 4,400 per year per shop each, and urban dealers Rs 8,200 each on the Rs 2/kg rice alone.[22]

This profit comes before the dealer sells off or uses the 50-plus second-hand gunny bags he or she gets every month free along with the rice. The dealers also get margins on sugar, oil, kerosene, wheat, and non-ration rice (which goes to yellow card holders). Many dealers also benefit from free market sales or exchange of any goods not taken up by card holders.

The AP government has estimated that "on an average, the net profit earned by a rural fair price shop dealer with 400 cards is around Rs 750 per month, while that of a fair price shop dealer in city areas with 600 cards is around Rs 1,950 per month", taking all the commodities into account.[23]

The proceeds must then cover the costs of the operation—rent, labour, interest on debt and inventory, etc. But the rural dealers pay no transport costs on ration rice. It is delivered to their door. And the urban dealers get an exra Rs 4.19 per quintal to cover the cost of getting the rice from depots in the same town to their shops. Finally, there is nothing to stop the ration shop dealers' families having other jobs or businesses—most shops are closed most of the time anyway, waiting for the rations to be delivered.

The cost of the middlemen's commission is 39 crore per year, or about 13 per cent of the Rs 300 crore spent by the state on this programme at present.[24] Another group which has gained indirectly from the policy is the rice millers. At first glance the procurement policy seems like a tax on millers, since they have to provide up to 75 per cent of their output at below-market prices (Table 9). Millers make up for any loss in several ways, primarily by selling the remaining 25 per cent at a premium (often outside the state) and by paying farmers less for paddy in the first place.

The little evidence available on rice mills shows massive profits accruing to mill owners. Among 58 mills surveyed in three Telangana districts (unfortunately not a random sample across the state), only 29 per cent of the millers' gross margin went toward processing costs[25]—the rest was profit. With processing costs (including parboiling over 50 per cent of the rice in the case of these particular mills) of only Rs 18/quintal these 58 mills earned another Rs 65/quintal on average in profit.[26]

On the basis of that survey, Radhakrishna and Indrakant went on to assume in their model that millers keep their profit margin constant. In other words they pass the whole of the procurement tax on to their paddy suppliers. It is also possible that the millers absorb any windfall gains but are unwilling to let their profit margins fall (i e, the margin is sticky downward). Public complaints by the millers' associations notwithstanding, millers' profits on the whole have not been threatened by the Rs 2/kg scheme or the procurement drives.

One certain effect of the intervention system is considerable rice price stability. Free market rice prices in AP at all levels (wholesale, retail, and in different districts) vary much less on a seasonal and irregular basis than the prices of other major crops. (I have computed seasonality and irregularity indices using Kahlon and Tyagi's method for ten crops in various centres using data

from *Agricultural Prices in India*. The data support this claim, though of course the two- and three-season cropping pattern for rice also reduces paddy prices' seasonality.)[27] Millers, in particular, face an assured market at fixed prices for over half of their output—a position many other cash crop processors such as edible oil millers would envy.

WHO PAYS THE PRICE?

In a recent incident TDP admitted publicly that the scheme will cost the state government Rs 300 crore this year.[28] On July 4, 1988 the state let it be known that it would no longer sell rice to yellow card holders in the three cities at Rs 2.65/kg. Then suddenly by that evening the decision was changed and instead a price rise to Rs 3.50/kg was laid on this section of recipients (i e, urban households with incomes over Rs 6,000/year). Every newspaper and TV bulletin reassured the yellow card holders that they could still get ration rice but only at a price that covered APSCSC's costs. The savings from cutting off this group's rice ration completely was admitted to be only Rs 12.2 crore (4 per cent of total spending on the rice subsidy).[29]

The ration scheme costs are high because it is extensive and heavily subsidised. The costs are of two types: First, a negative buy-sell margin of some Rs 68 per bag of rice (Rs 260/quintal APSCSC purchase price minus Rs 192/quintal paid to APSCSC by FPS dealers); and second, the various costs borne by the state government. These include storage, administration, gunny bags, fungicides, transport, capital investment in godowns and lorries, the vigilance unit, and last but not least interest on debts and inventory.

Unfortunately Andhra Pradesh is not publishing data on the breakdown of costs it incurs in handling grain. The *State Administrative Report (SAR)* of the APSCSC is the closest thing to an annual report which can be found. The *SAR* goes only so far as to state the overall 'subsidy on rice' which it counts as separate from 'direction and administration". In other words it uses the same headings found in the budget documents of the state without showing the breakdown of expenditures. Table 10 shows that the budgeted expenditure on civil supplies reached Rs 285 crore for the year 1988-89. No doubt this is the basis for the round Rs 300 crore figures reported in the press.

In addition the Food Corporation of India (FCI) bears a portion of the costs, since rice re-allocated back to AP from the central pool (which never physically leaves AP anyway) is itself subsidised. The food subsidy nationally given to the FCI amounts to Rs 2,300 crore (1987-88), but it is not clear how much of the subsidy is received by AP.[30] The allocation of costs between state and centre is determined mainly by the issue price at which FCI sells rice to the states (Rs 239/quintal for common variety in 1987-88), but there is also the question of how to allocate FCI overheads among the states.

To adequately assess the scheme it would be necessary to know APSCSC's processing, transport and overhead costs per tonne of rice as well as the interest payments made and the level of outstanding debt. Only then could the efficiency of the state in providing grain be judged.

One contentious issue is that the FCI borrows from the Reserve Bank of India (RBI) at 10 per cent per year whereas the APSCSC (like someone caught with an overdraft instead of a loan) pays 17 per cent.[31] APSCSC is likely to be paying 17 per cent on a minimum of 90 crore a year (Rs 1.3 crore a month). One report stated that the RBI charged 17 per cent "on the food credit of about Rs 130 crore" taken by the state government to buy rice from millers.[32] However this figure is above the current limit of Rs 90 crore placed on APSCSC RBI borrowings by central government. This year the government requested the APSCSC's cash credit limit at RBI to be increased to Rs 150 crore and to be loaned at concessional interest rates.[33]

The subsidy provided by the state may not be covering APSCSC's costs each year. In July 1984 the authorised share capital of APSCSC, subscribed by the state government, was raised from Rs 3 crore to Rs 10 crore.[34] The injection of Rs 7 crore from state funds was probably in order to enable the APSCSC itself to borrow more from various sources. It doesn't seem to have been spent on assets: the department's capital expenditure (July 1, 1985 to March 31, 1986) was only Rs 2 lakh compared to budgeted outlays of Rs 152 lakh.[35]

Subbarao found that in 1985-86 the cost to the state for providing one rupee worth of subsidy was roughly one rupee, and he has pointed out that it would be more efficient to distribute the subsidy in some cheaper way.[36] The cost of providing each

TABLE 9: RECENT COARSE RICE PRICES IN AP

(Rs/quintal)

Year \ Variety	Official Prices			Market Prices			
				Wholesale			Retail
	FCI Procurement Common	APSCSC Purchase Common	Premium All	Three Centres Coarse	State Average Sort II	AP Index All	State Average Sort II
	(1)	(2)	(2)−(1)	(3)	(4)	(5)	(6)
1981-82	190.50	—	—	228.39	232.81	228.5	247.00
1982-83	201.55	—	—	249.28	241.94	241.7	261.00
1983-84	217.30	222.30	5.00	269.40	267.34	269.5	283.00
1984 Rabi	217.30	240.00	22.70				
1984-85	227.40	237.40	10.00	262.50	260.28	275.5	275.00
1985-86	235.30	243.30	8.00	278.13	nd	286.2	nd
1986-87	241.60	251.60	10.00	nd	nd	300.4	nd
1987-88	250.15	259.15	9.00	nd	nd	nd	nd
December 1987						338.0	

Note: Nd means no data available.

Sources: (1) and (2) AP Civil Supplies Department, Hyderabad.
(3) *Agricultural Prices in India, 1982-85*. Average of Kakinada akkulu, Vijayawada coarse akkulu, Nizamabad coarse, and (from 1983 onwards) Hyderabad coarse wholesale rice prices. 1985-86 figure is for the months of July-December 1985 only.
(4) and (6) *Season and Crop Reports* of AP, various years.
(5) *SAR*, 1988, 1970-71 = 100.

TABLE 10: CIVIL SUPPLIES BUDGET ALLOCATIONS 1983-84 TO 1988-89

(Rs crore)

Year	Direction and Administration	Subsidy on Rice	Recoveries (Suspense Credits)	Total
1983-84	4.21	95.75	—	99.96
1984-85	4.58	160.51	—	165.09
1985-86	5.14	160.04	—	165.18
1986-87	8.38	180.84	—	189.22
1987-88	5.44	500.00	250.00	255.44
1988-89	7.10	556.76	278.38	285.48

Notes: These allocations are over 99 per cent non-plan expenditures. 'Recoveries' or 'suspense credits' is a category of civil supplies income not found in the earlier budget document. Presumably both gross expenditure and expected receipts have been reported. The fact that exactly half of gross expenditure for 1987-88 and 1988-89 is expected to be covered by receipts (recoveries) suggests that these figures are rough projections.

Sources: 1983-84 to 1985-86 data: *Government of Andhra Pradesh Budget Estimates* (non-plan and plan). For the year 1985-86, Vol III, Parts I and II, especially p 489. Later data: *Government of Andhra Pradesh Budget Estimates* 1988-89, Food and Agriculture Department, Vol III/12 (July 1988).

NOTICE

It is hereby notified for the information of the public that **Vam Organic Chemicals Limited** proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi under Sub-Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969 for approval to the establishment of new undertaking/unit/division. Brief particulars of the proposal are as under:-

1. Name and Address of the Applicant : **Vam Organic Chemicals Limited**, Bhartiagram, Gajraula, District Moradabad, Uttar Pradesh.

2. Capital structure of the applicant organisation :

	Equity	Preference
	(Rs. in lakh)	
a) Authorised	1460.00	40.00
b) Issued and Subscribed	516.42	38.50
c) Paid up	516.23	38.50

3. Management structure of the applicant organisation indicating the names of directors including managing director/wholetime director and manager, if any : The company is managed by the Board of Directors consisting of

Shri M L Bhartia	—	Chairman
Shri S S Bhartia	—	Managing Director
Shri H S Bhartia	—	Wholetime Director
Shri P K Khaitan	—	Director
Shri J B Dadachanji	—	Director
Shri L Ivnas (Alternate Shri M T Shah)	—	Director
Shri H J K Klouman (Alternate Shri A T Shah)	—	Director
Shri S S Kanoria	—	Director
Shri A Ray	—	Director
Shri R K Bhargava	—	Nominee Director (PICUP)
Smt Sunanda Prasad	—	Nominee Director of (UPSIDC)
Shri Lalit Srivastava	—	Nominee Director of (UPSIDC)

4. Indicate whether the proposal relates to the establishment of new undertaking or a new unit/division : New Unit

5. Location of the new undertaking/unit/division : Gajraula, District Moradabad, Uttar Pradesh.

6. Capital structure of the proposed undertaking as mentioned in Sr. No. 2 : To be decided later in consultation with financial institutions/merchant bankers.

7. In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate:
   (i) Name of goods/articles and proposed licensed capacity : Monochloro Acetic Acid, 5,000 MTA
   (ii) Estimated annual turnover : Rs. 12 Crores

8. In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover, etc. : Not Applicable

9. Cost of project : Rs. 5 Crores

10. Scheme of Finance, indicating the amounts to be raised from each source :

Equity	Rs. 1 Crore
Rupee loans	Rs. 2 Crores
Debenture	Rs. 2 Crores
	Rs. 5 Crores

Any person interested in the matter may make a representation in quadruplicate, to the Secretary, Department of Company Affairs, Government of India, Shastri Bhawan, New Delhi within 14 days of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

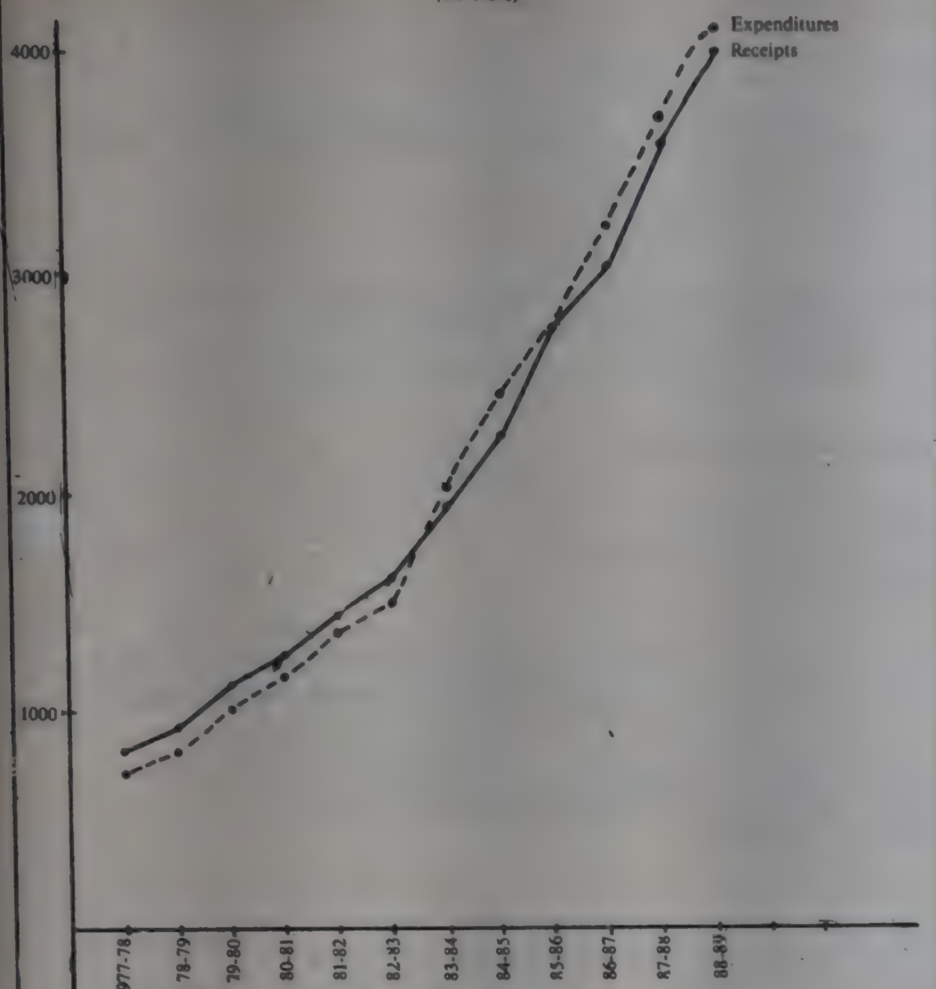
FOR **VAM ORGANIC CHEMICALS LIMITED**

Sd/-
(S.S. BHARTIA)
MANAGING DIRECTOR

Dated this 15th day of July 1989.

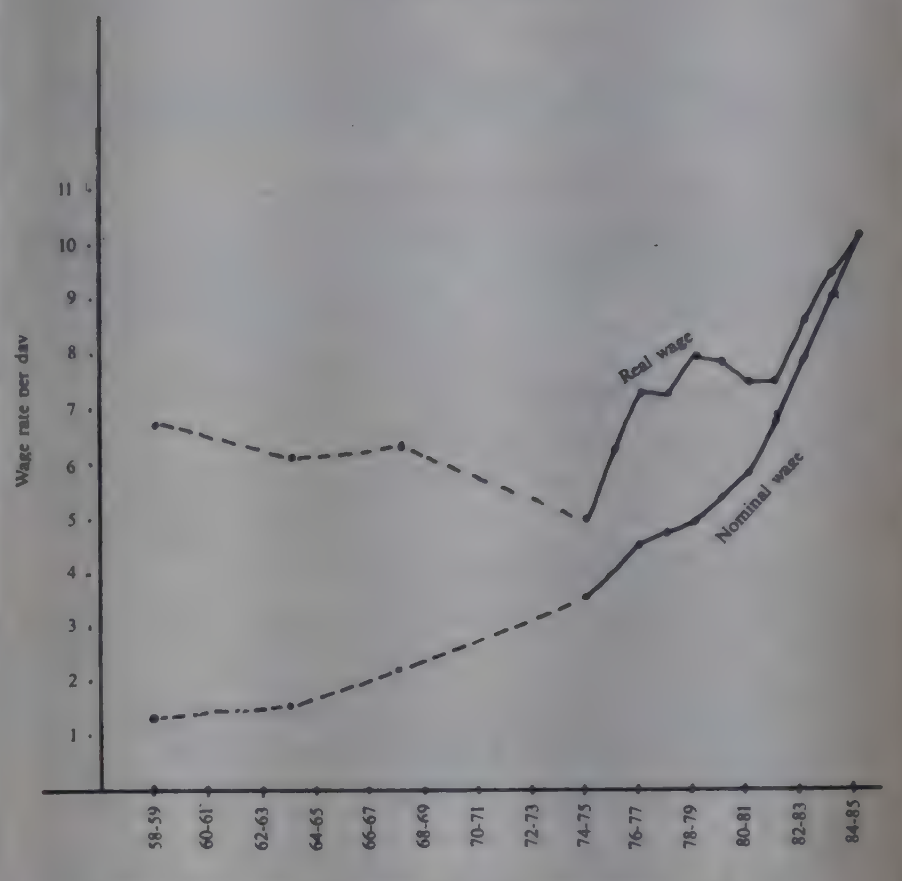
FIGURE 3: AP STATE REVENUES AND EXPENDITURES

(Rs crore)



Note: Expenditures exclude capital expenditures.
Source: Andhra Pradesh Budget in Brief, 1988-89, p 18.

FIGURE 4: COOLIE WAGES IN AP
(Male Field Labour 8 Hours)
(In current and 1984-85 Rs)



Real wages are nominal wages divided by AP Agricultural Labourers' CPI

Source: AP Season and Crop Reports, Summary Table 6. Latest report available is 1984-85

rupee of subsidy in 1987-88 has risen to Rs 1.31 (assuming Rs 240/year/hh subsidy value going to 9.514 m green card holders at a cost of Rs 300 crore). Distributing cash would be cheaper than the rice ration-scheme—but it would lack the symbolism and political side-effects of 'anna-varam'.

When we imagine future reductions in the rice subsidy, the alternatives are not only 'no subsidy', but also other ways the state could be spending its funds. For instance, the rice subsidy is more than the entire state expenditure on public health: Rs 300 crore spent on the rice scheme compared with Rs 100 crore on urban health, Rs 26 crore on rural health, Rs 16 crore on medical research, Rs 48 crore on public health, and Rs 39 crore on family welfare.[37] The state expenditure on water supply and sanitation (both urban and rural) is only Rs 125 crore, even including a big rise in urban water supply costs due to drought in 1987-88. State spending on the AP State Electricity Board was Rs 170 crore in 1987-88. The secondary benefits of spending more on health, water supply and power and less on rice subsidy could perhaps have been great, especially during the recent drought when these services were under pressure. Another contrast is between education spending and the rice subsidy. A widening of educational opportunities for village people could benefit them in more permanent ways than the food subsidy has, by making them better able to compete for jobs and improve their agriculture. Yet the entire cost of elementary education in AP was Rs 343 crore in 1987-88, just over the cost of the rice subsidy. Spending on secondary education was Rs 210 crore, university and higher education Rs 138 crore, and adult education a pittance at Rs 6 crore. These expenditures have in fact risen in real terms since 1983-84, but a possibility of improvement and growth in the state education system has been missed. Many teaching posts have been going empty because of the state's growing financial crisis.

To understand the nature of this crisis, the rice scheme must be considered jointly with the increasing size of the state's annual budget over the past five years (Figure 3). Revenue spending will be 150 per cent higher in 1987-88 than it was in 1982-83 (79 per cent higher in real terms) (see Table 11). This big increase has been financed partly by an increase in tax revenues but has also been accompanied by successive state budget deficits. As a result, the state's outstanding debt has increased, and spending on capital investment has been relatively squeezed by the increases in both interest payments and the rice subsidy costs. Some American economists like to point out that "there ain't no such thing as a free lunch." The saying holds true for Andhra Pradesh as everywhere else, and the rise in state spending has indeed been covered through the following mechanisms:

(i) Rise in taxes. Tax revenues from the state sales tax, excise tax, vehicle tax and other taxes have all risen by 50-70 per cent in real terms over the last five years (Table 11). Property tax revenues have risen less than other categories of taxes (by 7 per cent in real terms). Together these two factors suggest that the changing tax structure is becoming more regressive, but the incidence of taxes on different income groups would have to be analysed before this suspicion could be confirmed. Meanwhile the state's share of central taxes has also risen considerably. Overall tax revenues rose by 120 per cent (58 per cent in real terms) over the five-year period considered in Table 11. Thus the public sector itself has grown considerably in AP since TDP came to power.

(ii) Successive budget deficits. As Figure 3 shows, after TDP was elected the state budget went into deficit for the first time in years. Recurring deficits averaging Rs 118 crore per year over the period 1983-84 to 1988-89 have helped to pay for the growth in expenditures under TDP.

(iii) Borrow now to pay later. A lot of the new state debt has been in the form of open market borrowings. Outstanding open market loans rose by 91 per cent in real terms from 1982-83 to 1987-88, while debts due to central government rose by 36 per cent and loans from autonomous bodies (including the RBI) rose by 23 per cent in real terms over the same period. Net outstanding debt now stands at Rs 4,200 crore ($ 2.78 billion at current exchange rates), over double what it was in 1982-83 (Table 12). The interest and debt servicing payments have risen to Rs 315 crore, ironically a figure comparable to the entire food subsidy cost. These interest payments have doubled in real terms in five years and are a major expense of the present state government.

(iv) Reduce other expenditures. In the midst of this boom in expenditures, the importance given to the power and irrigation

sectors has fallen relative to the consumer subsidy. Table 13 shows that although all subsidised sectors are getting more cash than ever before, the food subsidy has grown most of all. It has risen from 2 per cent of subsidy spending in 1982-83 to 37 per cent in 1986-87, while electricity and irrigation subsidies fell from 92 per cent to 59 per cent of subsidy spending.[38] Other areas which might have benefited from new subsidies, such as education and industry, have made no headway at all (Table 13).

But the state government's decision to borrow on a large scale has even wider implications than this. First, it has no doubt contributed to the general inflationary situation which is developing in the country as a whole. Of course the state is constrained by central government's monetary policy, and the fact that the money supply (M_3) nationally has risen by 17.3 per cent over the last year is not AP's fault.[39] Nevertheless there is a worrying trend here.

Secondly, such borrowing by the state must crowd out private borrowing and hence productive investment. Ultimately, whether through a rise in inflation or a fall in productive investment, it is the working people of AP and the "poorest of the poor" who will pay the price for this strategy. In the long run they may face lower real wages and fewer new jobs. In this sense the green card holders can eat cheaply now but will have to pay for it later.

Other States' Poor Suffer

To some extent the state government has played 'beggar-thy-neighbour' with the surrounding states. It did this by quietly reintroducing *de facto* zoning in 1983. At the time of implementing the Rs 2/kg scheme the state government revised the regulations regarding issue of permits to mills to sell rice. Each miller had to prove he had sold 50 per cent of his rice output to the FCI and 25 per cent to the APSCSC before he could receive a permit to sell the remainder.

Though in practice these proportions vary, the effect of the regulations was severe enough that the millers took the AP civil supplies department to court, claiming that it had no right to restrict the sale of rice in this way. The millers lost the case and the regulations are still in force.

To placate the millers (and satisfy central law, that is not purchase at the FCI price), the APSCSC paid a small premium over the FCI price—Rs 5 per quintal initially, Rs 22.7 per quintal in rabi 1984, and Rs 8-10 in recent years (Table 9).

After the FCI levy and civil supplies demand have been met, the miller can sell the remaining rice to any buyer, including out-of-state buyers, so that the policy certainly did not shut AP's borders to rice 'exports' on private account. And Andhra's net contribution to the central pool has not changed: some 5 to 6 lakh tonnes (0.5-0.6 mmt) of rice per year, which is partly offset by growing wheat supplies received through the FCI (Table 14).

But the permit regulations over the years 1983 to 1988 have nevertheless acted as a zoning policy limiting the total flow of rice from AP to other states. This inevitably results in other states' market rice prices being higher than they otherwise could have been, and the poor in other states thus pay a price for AP's rice scheme in spite of FCI's role as redistributor.

The evidence that AP 'exports' have been restricted is of two kinds. First, prices in nearby states have been consistently higher than in AP (though this could be explained by transport costs too). Radhakrishna and Indrakant found the premium for rice 'exports' out of AP was 12 per cent on average.[40] The retail coarse rice prices in different centres in the *Agricultural Prices in India 1982-85* series also support this claim.

In Bangalore and Madras many hotel meals include only limited rice, beyond which one must pay extra, whereas in AP cities unlimited rice is usually given. This suggests the higher cost and relative scarcity of rice in the neighbouring states.

Second, further evidence lies in the fact that in the financial year 1985-86, the vigilance cell of the AP civil supplies department achieved an all-time record in recovering smuggled goods. It has a network of 183 checkpoints (154 on the state borders and 29 on inter-district borders), where permits are checked against intended sale point. An amazing Rs 31 crore worth of goods were seized in one year, all illegally on their way out of the state. Among these goods were 18,000 tonnes of foodgrains (1.8 lakh quintals), 3,500 tonnes of groundnut seeds, and 27,000 tonnes of sugar.[41]

The rice caught on its way out indicate (a) that the net flow on private account i indeed to out-of-state buyers, suggesting tha any price rise in AP has not been far ou of line with rises in Bangalore or Madras and (b) that the flow was not allowed to full equilibrate demand and supply. The smug gling is therefore an indication that withir the AP market rice prices have been held down by the permit regulations, relative to no restriction on 'exports', while prices in neighbouring states have been higher than they could have been.

TDP claims proudly that "it is a matter of great satisfaction that nowhere in the country a 'food subsidy' scheme of this dimension, scope and coverage is implemented"[42] (see Table 1). Would the TDP leaders be just as proud to announce that their policies so far have made rice cheaper for Andhra Pradeshis but more expensive for Tamils, Keralites and Kannadigas?

Recently NTR proposed having the same rice ration scheme in the proposed national Federal Front manifesto.[43] Blinded by their success so far in electoral politicking, the TDP leaders may not have realised that a ration scheme on the scale of Andhra Pradesh's present one would be extremely costly for the nation as a whole. Although NTR "did not agree that developmental works became a casualty due to the populist scheme"[44], this is the obvious problem with such a huge subsidy scheme both at state and national levels.

Other indirect effects of the rice scheme lie in the areas of wages, relative prices and the cropping pattern. After

Table 11: Changes in Andhra Pradesh State Budget 1982-83 versus 1987-88

	1982-83 (Current Rs)	1982-83[a] (in 1987 Rs)	1987-88[b] (Current Rs)	Real Increase over Five Years (Per Cent)
(1) Total revenue received	1639	2280	3600	58
of which:				
Share of central taxes	361	502	733	46
Property taxes	71	99	106	7
State excise tax	235	327	502	54
State sales tax	402	559	950	70
Vehicle, electricity and other taxes	100	139	233	68
Non-tax revenue	260	362	621	72
Grants-in-aid and contributions	210	292	455	56
(2) Total revenue expenditure	1507	2096	3746	79
of which:				
Interest payments and debt servicing	112	156	315	202
Civil supplies	100[c]	139	255	83[c]
All other items	1295	1801	3176	76
(3) Net capital expenditure	243	338	437	29
(4) Balance = (1)−(2)−(3)	−53	−74	−583	789

Notes: a WPI rose from 288.7 to 401.7 giving a price of 39 per cent over 5 years.
b Revised Budget Estimates (RE)
c As the 1982-83 civil supplies subsidy figure was not available the 1983-84 figure has had to be used, thus understating the growth in civil supplies expenditure over the five-year period.

Source: *Andhra Pradesh Budget in Brief, 1988-89*, pp 1, 24, 40; price index from *Economic Survey 1987-88*.

living from April 1986 to June 1987 in a village in western Chittoor district, my impression was that wages in remote areas were at a subsistence level and the food subsidy actually kept them down. Agricultural workers in small hamlets got Rs 2.50 or Rs 3.00 for a full day's work (with meal) in most months, while workers in a central village of 300 houses got Rs 3.50 or Rs 4.00 per day. (The wages for Chittoor district reported in the most recent *Season and Crop Report* (1984-85) are far higher than this, being in the range Rs 5.50-6.00 depending on the month.)

Landlords and large farmers, knowing that the workers got the ration rice cheap, could push the cash wage even lower than usual. In addition they reduced the cash payment to pay for the workday meal. However state-wide wage data available do not support the hypothesis that the rice subsidy reduces cash wages generally (Figure 4). Wage rates rose substantially over the period 1981-82 to 1984-85 and no later data is yet available. This rise suggests that the statement that "over the long run, there is strong evidence that the real wages of agricultural workers have remained constant" is no longer true.[45]

A full analysis of the effect of Rs 2/kg rice on wages might well reveal different effects in deficit and surplus districts. The wage gap between the two areas is huge, even leaving out the fact that the statistics are biased upwards in backward areas by urban data collection. For instance, reported male field labour wages averaged Rs 10.26 per day across the state in 1984-85, but were Rs 11.78 (15 per cent higher) in the six coastal districts and only Rs 8.18 (20 per cent lower) in Rayalaseema.[46]

The scheme's effect on AP market prices is also debatable. I have argued that the permit regulations kept the rice prices lower than they could have been, but on the other hand Radhakrishna and Indrakant seem to conclude otherwise (p 76). No doubt the additional purchasing power in the hands of the rural poor, who have a high income elasticity of demand for food, has increased aggregate demand for rice relative to pre-1983 levels. It is hard to separate this effect on demand from the effects of zoning on supply.

The scheme has indirectly encouraged the production of cash crops on dryland. Unfortunately the extent of this change will be hard to measure, since the drought of recent years and the national scarcity of edible oils have also substantially affected cropping patterns in AP. Small dryland farmers have been induced to replace millets with groundnut through the increasing relative profitability of the latter. While groundnut prices rose over the period 1983-1987, ragi, bajra and jowar prices have stagnated[47] (see Table 15). In addition, as suggested earlier, demand for coarse grains has fallen in AP as poor households substitute cheap rice for millets. The size of this effect is suggested

TABLE 12: OUTSTANDING PUBLIC DEBT OF ANDHRA PRADESH

(Rs crore, by financial years)

Year	Open Market Loans	Loans from Central Government	Loans from RBI etc*	Total Nominal Debt	All-India WPI (1970-71 = 100)	Total Real Debt (1987 Rs)
1979-80	243	1215	54	1512	217.6	2790
1980-81	255	1360	59	1674	257.3	2612
1981-82	299	1470	74	1843	281.3	2633
1982-83	347	1648	72	2067	288.7	2875
1983-84	426	1793	138	2357	316.0	2995
1984-85	501	1999	273	2773	338.4	3293
1985-86	644	2538	91	3273	357.8	3673
1986-87	772	2809	102	3683	376.8	3926
1987-88 RE	924	3127	123	4174	401.7**	4174
1988-89 BE	1106	3397	147	4650	na	—

Notes: * i e, from 'autonomous bodies'.
** 9 months to December 1987 only.
Source: *Andhra Pradesh Budget in Brief*, 1988-89, p 24.

TABLE 13: AP STATE SUBSIDIES 1981-82 TO 1986-87

(Rs crore)

	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
Electricity	21	40	44	48	52	56
Irrigation	92	110	132	159	190	228
Consumer subsidy	1	4	96	137	160	176
Educational subsidy	negl	nd	0.7	0.4	0.7	0.5
Industry	0.2	0.4	1.5	1.5	2.4	1.8
Promotion of film industry	0.3	0.4	0.5	0.3	0.5	0.5
Others	8.5	8.2	7.3	10.8	15.4	15.2
Total	123	163	282	357	421	478

Note: These figures leave out other types of expenditure by the state such as investment expenditure.
Source: K S Reddy, p 13 (Table V. 2.7) (see note 35).

TABLE 14: AP'S CONTRIBUTION TO CENTRAL POOL, 1980-1985

('000 tonnes)

Calendar Year	AP Rice Procured by FCI	Of which: To Central Pool	Of which: Back to AP	Plus Wheat from Centre to AP	Total FCI Supplies	AP's Net Contribution
	(1)	(2)	(3)	(4)	(5)=(3)+(4)	(1)−(5)
1980	515	147	368	180	548	−33
1981	962	546	416	160	576	386
1982	1040	604	436	190	626	414
1983	1683	576	1107	180	1287	396
1984	1617	609	1008	210	1218	399
1985	1704	726	978	375	1353	351

Note: Rice procurement figures exclude APSCSC purchases. Column (5) includes negligible amounts of coarse grains.
Source: *Bulletin of Food Statistics 1985*.

TABLE 15: WHOLESALE GRAIN PRICES IN SELECTED MARKETS IN AP, 1981-85

(Rs/quintal)

Year \ Market	Jowar Hyderabad	Bajra Hyderabad	Maize Khagaria	Ragi Madana	Ragi Nellore	Groundnut Hyderabad
1981	151	137	143	167	148	339
1982	155	124	160	154	127	365
1983	142	140	167	166	150	n d
1984	148	140	149	177	173	510
1985	143	146	163	179	170	651
Per cent change 81-85	−5	+7	+14	+7	+15	+92

Source: *API*; see note 47.

by National Nutrition Monitoring Board data which estimated coarse grains in AP in 1980 to be 18 per cent of total grain consumption for the poorest, and a sharply lower percentage in higher income groups, falling to 5 per cent for the one-sixth of households in the highest income category.[48] A dietary shift toward rice and away from millets among the poor would explain the falling real millet prices and will also directly encourage the switch from coarse grains to groundnut production on their dryland.

The scheme affects the incentives faced by paddy growers too. Because the tax implicit in the low procurement prices is passed on to suppliers, farmers who sell to levied millers in areas where the procurement regulations are enforced are being discouraged from growing rice. In the meantime paddy farmers in non-levied areas—especially irrigated farmers in deficit districts—face higher market prices and are (relatively) encouraged to grow rice. Though this may have boosted this section of farmers' incomes, the cropping pattern that this price structure encourages may be inefficient.

Conclusions

To sum up, the rural and urban poor have gained some Rs 240 per year per household from the rice rationing policy, but it is a temporary, tenuous gain. The subsidy may later be cut as budgetary constraints begin to bite.

If the subsidy and ration are not reduced, the next crisis could come from the physical supply side. As the FCI buffer gets worn down and central government continues to pressure AP to donate its rice 'surplus' to central pool, another drought year, floods, or a concerted rebellion by the rice millers could lead to disaster. Empty, dormant FPS shops; a state government under attack from both voters and central government; soaring market prices as buyers turn to private traders and they throw their hands in the air saying, "civil supplies took all our stocks!"—this is the scenario if and when procurement is not sufficient to meet PDS demand in the state. At that point the "perverse and short-term logic" of state grain trading within a market economy would be obvious; Harriss's paradox could reappear in AP.

The rice rationing scheme helps people but it cannot be said to "eradicate poverty" since it does not tackle the basic structures which have created poverty. An electoral programme to solve the underlying problem must combine support for a targeted food subsidy with a set of demands for more fundamental changes.

Notes

[I am grateful to the various people who have helped me in this work, especially J Rangaswamy, B Prasadbabu, J Heyer and B Harriss. Thanks also to P V S Kumar, D Narasimha Reddy, Sanjaya Baru, Muralidhara and Gundu for helpful comments.]

1 AP Civil Supplies Department, 1988, 'Rs 2 A kg Rice Scheme' (6 pp).

2 R J Rajendra Prasad, 'High Cost of Cheap Rice', *Hindu*, June 25, 1988.

3 D Venkateswarulu, personal communication based on his village surveys in four different districts.

4 B Harriss, 'Policy Is What It Does: State Trading in Rural South India', *Public Administration and Development*, Vol 8, 1988, p 154.

5 Ibid, and B Harriss, 'Meals and Noon Meals in South India: Paradoxes of Targetting', *Public Administration and Development*, Vol 6, 1986.

6 Government of Andhra Pradesh, *Wholesale Trade in Rice and Wheat Take-Over by the State Government*, Report of the Committee on the Take-Over, April 2, 1973.

7 Many such incidents are described by K Balagopal in *Probings in the Political Economy of Agrarian Classes and Conflicts*, ed, G Haragopal, Perspectives Press, Hyderabad, 1988 (reprints from *EPW*).

8 The AP Civil Liberties Union has investigated many such cases in AP; see for example pp 102-108 in ibid. At the all-India level 'Civil Liberties: Alaraming Deterioration' (*Economic and Political Weekly*, August 20, 1988, pp 1712-1713) reports on an Amnesty International review which, among other things, "draws attention to the persistent allegations of torture of political prisoners, extra judicial killings and deaths in custody not only in Punjab but in Andhra Pradesh, Tamil Nadu and Manipur."

9 N Subba Reddy, 'Depriving Tribals of Land: Andhra Move to Amend Land Transfer Laws', *Economic and Political Weekly*, July 16, 1988, pp 1458-1461.

10 The index of all-India wholesale rice prices rose from 205.6 in 1980-81 to 303.3 in December 1986. The same index for Andhra Pradesh only rose from 193.2 to 300.4 over the same period, i e, was not significantly different. See *Index Numbers of Wholesale Prices in India: A Time-Series Presentation (1971-1986)*, GOI, Ministry of Industry, Office of the Economic Advisor, June 1987 and *Economic Survey 1987-88*, GOI, 1988. For AP index see Government of AP, *Survey of Economic Trends and State Plan 1988-89, 1988*, p 11 (hereafter referred to as SET). See also Table 9.

11 R Radhakrishna and S Indrakant, *Effects of Rice Market Intervention Policies in India: The Case of Andhra Pradesh*, Centre for Social Studies, Hyderabad, August 1987, p 80.

12 'Sugar cards' entitle the holder to rations of sugar, kerosene, edible oil and occasionally wheat. 'Rice card' holders may buy all these commodities plus ration rice. Urban yellow card holders in three cities only (Hyderabad, Vijayawada and Vishakhapatnam) are eligible for up to 50 kg of rice per month at less subsidised prices (see text).

13 In the 1981 Census Andhra Pradesh is reported to have had 53,592,605 people in 10,895,760 households. Projecting these figures forward at the (compound) rate of 2.345 per cent per year calculated from AP's 1971-1981 population growth (1971 population 43,502,708), we get an estimate of 12.5 million households in July 1987. In Table 6 the figures for each agricultural year (e g, 1987-88) are given against the population at the start of that year (e g, July 1987). GOI *Census of India, 1981*, Series I: Household Tables (January 1988), Table HH-5.

14 See National Institute of Nutrition, (IMCR), Hyderabad, National Nutrition Monitoring Board Reports for the years 1980, 1981 and 1982. As more recent volumes of the NNMB's survey results come out we may get a clear picture of the impact of the Rs 2/kg scheme on AP diets. The consumption levels can be compared to earlier levels and to neighbouring states' levels. The latter comparison would to some extent offset the intervening effect of drought on diets.

Village data which I have gathered on a random sample of 90 households in western Chittoor districts in 1986-87 will, when fully analysed, indicate the role of Rs 2/kg rice. Besides the brief 'extended census' of 1,200 households covering nearly two villages, we carried out monthly interviews with 90 families over a period of 13 months. The resulting data cover grain consumption, purchases, stocks, and sales as well as harvests, wage labour, and family health. The problem with using such data in assessing the Rs 2/kg rice scheme is that the micro-survey lacks a pre-1983 'control' survey.

15 All-India public distribution of foodgrains over 1980-1983 averaged 1.75 kg per capita per month (including both recipients and non-recipients), compared with per capita net availability of 13.17 kg per month. In Andhra Pradesh per capita distribution in 1985 was 3.16 kg per month. Net availability unfortunately cannot be calculated at the state level because of private trade across state borders. See Table 4 and *Economic Survey 1984-85*, pp 106-07.

16 Compare K Subbarao's estimate of Rs 12.90 per month for 1985-86, calculated in a similar manner, in his *Interventions to Fill Nutritional Gaps at the Household Level: A Review of India's Experience*, Institute of Economic Growth, Delhi, October 1987, p 8.

17 *Study on Rs 2 A Kg Rice Scheme*, Department of Economics, Kakaraparti Bhavanarayana College, Vijayawada, October 1986, p 57.

18 Ibid, p 44.

19 W K Olsen, 'Overview of Extended Census Results', mimeo, 1988. The *Census of India* (op cit, fn 13) household tables show that in AP, 35 per cent of households had 6 or more members in 1981, whereas among non-farmer households this figure was only 29 per cent.

20 K R Venugopal, (ex-commissioner for Civil Supplies of Andhra Pradesh), 'Foodgrains for the Poor', *Indian Express*, November 11, 1985.

21 *State Administration Report of the Civil Supplies Department for the Year 1985-86*, Andhra Pradesh Civil Supplies Department. Hereafter referred to as SAR.

22 The margins given to dealers are Rs 7.38 per quintal for rural shops and Rs 11.57 per quintal for urban shops. These margins are just a few paise per kg but they add up:

(i) Radhakrishna and Indrakant (1987) reported the following breakdown of cards: Urban 2.14 m green rice cards and 1.38 m yellow sugar cards; Rural 8.03 m green and 1.75 m yellow; Totally 10.17 m green and 3.13 m yellow cards for a grand total of 13.30 m cards. In the rural areas there were 9.78 m cards for 27,431 shops or 356 cards per shop in 1985. With 82 per cent of these cards green, that's an average of 292 green and 64 yellow cards. In the urban areas there were 3.52 m cards for 6,257 shops, of which 61 per cent are green, giving 343 green and 219 yellow cards per shop.

(ii) The average sales per card issued can be estimated as 2.1 mmt divided by 12 months and by 10.17 m rice cards. This estimate leaves another 2 lakh tonnes for distribution to yellow card holders in the three cities (1.2 lakh tonnes per year by APSCSC estimates) and to tribal areas and

special programmes. This method also precludes any error resulting from rations not being taken up. Thus the rice actually distributed per card (not eligibility per card) is 17.2 kg/card/month or 206.4 kg/card/year, on average.

(iii) The state provides rice at Rs 192.62 per quintal to rural dealers and at Rs 188.43 to urban dealers, and they sell at Rs 200 per quintal, so:

Rural gain = 206.4 kg × .0738 Rs/kg × 292 cards = Rs 4,447.83 per year per dealer.

Urban gain = 206.4kg × .1157Rs/kg × 343 cards = Rs 8,191.00 per year per dealer.

(iv) The subsidy involved for this group of 33,688 lucky shop owners is— again for ration rice alone—

Rural dealers subsidy = Rs 4,447.83 × 27,431 shops = Rs 12.2 crore.

Urban dealers subsidy = Rs 8,191.00 × 6257 shops = Rs 5.13 crore. In total that is whopping Rs 17.3 crore (173 million) a year.

(v) Note that the potential profits from selling even one bag of rice on the side are large in relation to the monthly dealer's margin. Rice not sold at Rs 2/Kg, can be sold for Rs 3.00, 3.25 or even Rs 3.50 by 'entrepreneurial' dealers. Their margin on these illicit sales are not Rs 8 per bag but Rs 108 per bag or more, the entire amount up to the going market price going into the dealer's pocket. As the ration price gets further out of line with the market price of rice the temptation and potential profit get larger.

23 *A Synoptic Note on the Public Distribution System in Andhra Pradesh*, presented to union minister for civil supplies by chief minister of Andhra Pradesh, Hyderabad, September 18, 1987, p 27.

24 Ibid, calculating the rural all-inclusive dealers subsidy = Rs 9,000 × 27,431 shops = Rs 24.69 crore and urban all-inclusive dealers subsidy = Rs 23,400 × 6,257 shops = Rs 14.64 crore per year. Total is Rs 39.33 crore. The Vijayawada study (op cit, note 13) described how "all the dealers are unanimous in expressing satisfaction at the working of the scheme" (p 11).

25 Radhakrishna and Indrakant, p 50.

26 Ibid, pp 47-48, report this as a profit margin of 22 per cent since the average price received per quintal of rice was Rs 291 (65/291 = 22 per cent). It would be interesting to know the profit per unit of capital stock.

27 A S Kahlon and D S Tyagi, *Agricultural Price Policy in India*, Allied Press, New Delhi, 1983.

28 'Yellow Card Holders Will Get Rice', *Newstime*, July 6, 1988.

29 Ibid.

30 R J Rajendra Prasad, 'High Cost of Cheap Rice', *Hindu*, June 25, 1988.

31 'Reading between the Lines of a Tax Demand', *Hindu*, July 3, 1988.

32 Ibid.

33 'A Synoptic Note on the Public Distribution System', op cit, p 5.

34 SAR, p 29.

35 K S Reddy, no date. 'Trends in Central and State Subsidies', mimeo prepared at Osmania University, Department of Economics, Hyderabad.

36 *Interventions to Fill Nutrition Gaps*. . . , op cit, p 8.

37 Figures are 1987-88 revised estimates. Andhra Pradesh *Budget in Brief 1988-89* (volume VI of the budget documents of AP State Government).

38 K S Reddy, op cit, p 13 (Table V.2.7).

39 See 'Statistics' page, *EPW* August 6, 1988 for details.

40 Radhakrishna and Indrakant, op cit, i e, compared with actual in-state sales by the same mills.

41 SAR, p 2 and pp 21-22.

42 AP Civil Supplies Department, *Rs 2 a Kg Rice Scheme*, p 1.

43 'NTR Wants Rice Scheme in Federal Front Manifesto', *Deccan Herald*, July 26, 1988.

44 Ibid.

45 A de Janvry and K Subbarao, 'On The Relevance of Economic Modelling for Analysis of Food Price Policy', *EPW*, June 20, 1987, p 1003.

46 Calculated from monthly data, *AP Season and Crop Report 1984-85*.

47 The wholesale price of groundnut in Hyderabad rose from Rs 339 per quintal (pods) in 1981 to Rs 651 per quintal in 1985 (*Agricultural Prices in India, 1982-85*, p 155) and the all-India wholesale price index for groundnuts rose from 242 in 1981-82 to 295 in 1984-85 and 348 in 1986-87—a 44 per cent rise over five years (*Economic Survey 1987-88*, p S-59; index base year 1970-71 = 100). By way of contrast wholesale coarse grain prices rose less, on average by only 8 per cent over four years (prices for particular markets from *Agricultural Prices in India 1982-85*, pp 32, 64, 40, 44). In other words coarse grains prices have fallen in real terms. See Table 15.

48 The figures are given in grams per day for four categories: (1) Hhs earnings 0-1 Rupee/day (17 per cent hhs) ate 82 per cent rice and 18 per cent coarse grains; (2) hhs earning Rs 1-2/day (67 per cent) ate 89 per cent rice, 10 per cent coarse grains and 1 per cent wheat; (3) hhs earning Rs 2-5/day ate in the same proportions as those in class (2); and (4) hhs earnings over 5 Rs/day ate 93 per cent rice, 5 per cent coarse grains and 2 per cent wheat. NNMB Report for the year 1980 (op cit, note 14), p 73.

FACOR

NOTICE

1. It is hereby notified for the information of the public that Ferro Alloys Corporation Limited (FACOR) proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (4) of Section 23 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the take over of the whole or part of Vidarbha Iron & Steel Corporation Limited (VISCO).

Brief particulars of the proposal are as under:-

i)	Name and address of the applicant	: FERRO ALLOYS CORPORATION LIMITED Shreeram Bhavan Tumsar-441 912 (Maharashtra)
ii)	Name & address of the undertaking, the whole or part of which is proposed to be taken over and the manner of take over i.e. by acquisition of shares, acquisition of control or management, whether by the acquisition of the ownership of the undertaking or under any mortgage lease or licence or under any agreement or other arrangement.	: VIDARBHA IRON & STEEL CORPN LIMITED Shreeram Bhavan Ramdaspeth Nagpur By taking the mini steel plant installed by VISCO in MIDC Industrial Area, Nagpur together with buildings, other equipments and installations on Leave and Licence basis.
iii)	Management structure of the applicant	: FACOR is managed by its Chairman and Managing Director, Vice-Chairman & Jt. Managing Director and two wholetime Executive Directors under the supervision, direction and control of the Board of Directors consisting of:-

Mr. Umashankar Agrawal	Chairman and Mg. Director
Mr. R. K. Saraf	Vice-Chairman & Jt. Managing Director
Mr. Chandrakant Mor	Executive Director
Mr. Manoj Saraf	Executive Director
Mr. Jayant Dalal	Director
Mr. E. B. Desai	Director
Dr. N. Bhagwandas	Director
Mr. Shravankumar	Director
Mr. K. Srinivasamurthy	Director
Mr. Govinddas Agrawal	Director
Mr. Jamnadhar Mor	Director
Mr. M. B. Thaker	Director

As on 31.3.1989

iv)	Capital Structure of a) the applicant b) the undertaking proposed to be taken over	: Capital Structure of FACOR Authorised Capital: Rs. 1000 lacs. Issued, Subscribed and Paid-up Capital: Rs. 552.26 lacs. Capital Structure of VISCO Authorised Capital: Rs. 250 lacs Issued Capital: Rs. 50 lacs Paid-up Capital: Rs. 48.66 lacs.
v)	Line(s) of business of the undertaking which will or is likely to emerge as a result of the proposed take over	: FACOR is at present engaged in the business of manufacture and sale of various kinds of Ferro Alloys, Charge Chrome and mining mineral ores. With the proposed take-over of VISCO's mini steel plant, it will also be engaged in the manufacture and sale of Steel Ingots/Cast Billets, Light Structurals, Flats and Bars.
vi)	Consideration for the take over	: FACOR will pay to VISCO by way of compensation for use of their plant; machinery, equipments etc. Rs. 4 lacs per month plus 1/3rd of the net profits made by FACOR on the operation of the plant.
vii)	Scheme of finance indicating the source(s) of finance for the proposed take over.	: No scheme of finance is involved and amount of compensation will be paid by FACOR out of its own operations.

2. Any person interested in the matter may make a representation to Secretary, Department of Company Affairs, Govt. of India, Shastri Bhavan, Dr. Rajendra Prasad Road, New Delhi, within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein.

For FERRO ALLOYS CORPORATION LIMITED
sd/-
UMASHANKAR AGRAWAL
CHAIRMAN AND MANAGING DIRECTOR

Dated the 14th day of July, 1989.

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ESTABLISHING AN OFFSHORE FINANCIAL CENTRE IN INDIA: PROPOSAL REVISITED

- PANCHAYATI RAJ AT CROSSROADS
- MEDICINE AT RISK: HEALTH PROFESSIONAL AS ABUSER AND VICTIM
- POLITICS OF ELECTORAL ROLLS IN ASSAM
- PAKISTAN: GLAMOUR ABROAD, TROUBLES AT HOME
- LESSONS OF HINDUSTAN LEVER LOCK-OUT

FEMINISTS, WOMEN'S MOVEMENT AND WORKING CLASS


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Offshore Financial Centre

Far-reaching changes have taken place in the international financial markets in the 1980s. The external financial position of India too has altered markedly. Have the recent international financial market developments made it more opportune for India to establish an offshore financial centre? And has the cost-benefit of such a centre become more favourable today than it was in the early 1980s? **1653**

Panchayati Raj

It is true that the panchayati raj system has not been working well in large parts of the country and there is need to revitalise it. However, the Constitution (64th Amendment) Bill can be said to be at best a partial effort in that direction. A study of the experience of panchayati raj in different states. **1663**

Blind Spot

The government consists of class enemies, but the external policy of class enemies, through some sleight of hand, gains acceptance as a correct policy for the Left to follow, even if it means support to imperialist, and sometimes even fascist, causes. **1623**

Test Case

Among recent developments on the working class front, the lock-out at the Bombay factory of Hindustan Lever was undoubtedly a major one. Apart from the fact that it stretched for a full year and involved 3,000 workers and one of the largest multinational companies in the country, the real significance of the lock-out lay in the fact that in it were crystallised some of the central issues confronting the trade union movement in India today. **1627**

Feminism and Socialism

The relationship between feminism and socialism is an old one, but its modalities are not defined on either side and there is very little open debate. What we do have instead are hardline attitudes and reactions and counter-reactions. **1639**

Doctors and Torture

Health professionals are often involved in cases of torture and use of third-degree methods by the state. By participating in such acts they grossly violate a number of national and international codes of ethics. How can the abuse of human rights by health professionals be prevented? Equally importantly, how can doctors be protected against being coerced by the state to take part in torture? Report on an Amnesty International seminar. **1633**

We are now used to harrowing tales of torture and faked encounters in Punjab, but the national press has been remiss in not reporting police atrocities in Jammu and Kashmir. **1626**

Income and Consumption

Variations in expenditure on consumption items cannot always be explained in terms of differences in income. It is possible to demarcate some income ranges within which the level of consumption expenditure on many items is insensitive to variations in income. Results of a study of West Bengal state government employees in Calcutta. **1669**

Double-Faced

The current controversy over the revision of electoral rolls in Assam shows, once again, how there is no limit to the cynicism of the Congress(I) which is attempting to appease Assamese sentiments in the Brahmaputra valley and simultaneously stoke the fears of the so-called 'illegal foreigners' in the state. **1631**

At Home and Abroad

If the American people were part of the Pakistani electorate, Benazir Bhutto could have become prime minister of Pakistan for life. But successful foreign tours rarely help to avoid dealing with real problems at home. The day Benazir Bhutto left on her US trip, the opposition parties in Pakistan at last got their act together and formed a Combined Opposition Parties group to confront the government. **1638**

Unfulfilled Commitments

The government cannot claim to have acquitted itself creditably in dealing with the issues arising out of the record oilseeds production in 1988-89. It has failed to fulfil its commitments in regard to the two crucial elements in its integrated edible oils policy: building a buffer stock of 5 lakh tonnes of oil and maintaining the prices of the major oils within a pre-specified price-band. **1618**

LETTER TO EDITOR

Reporting Bhopal

I WISH to respond to Padma Prakash's review on my book, *Bhopal: The Lessons of a Tragedy* (December 3, 1988).

The only nice thing that Padma Prakash has to say about my book is in her last sentence and I quote: "And, unfortunately, of all the books on Bhopal, many of them more analytical, this will be the one which will probably be read most widely." However, unlike Padma Prakash, I see nothing unfortunate in people reading my book.

Padma Prakash accuses me at various points of sanitising the horror of the disaster and of falling prey to a UCC disinformation campaign. Of course, she is nice enough to say that I try and document Bhopal "objectively". But she doubts whether this "much-touted principle of good journalism" can apply to such a situation. She also says that my view of the medical tragedy is that UCC failed to give proper information instead of trying to cover up. But the nastiest bit is about how the book is "something of a betrayal of the thousands who died and the generations who continue to suffer from the Union Carbide disaster". She also questions my data base, saying I rely excessively on the *New York Times*, the *Washington Post* and the *International Herald Tribune*.

Let me deal with these points.

On sanitising the tragedy: Padma Prakash contradicts herself in the very next sentence saying, "It is certainly not an unfeeling narration—far from it." Falling prey to a UCC disinformation campaign: that is questioning the professionalism of a reporter who's been in the line for 15 years and I dislike the insinuation. I detect that Padma Prakash's annoyance flows from my reference to UCC's sabotage theory in four and a half pages (including the major flaws in that theory) out of a total of 230 pages. Quite frankly, I do not see how anyone can afford to write a book about a major disaster and not look at all aspects of it. And UCC's sabotage theory has been whispered about but never discussed openly, as if it were some evil thing that will envelop us in its embrace. One must tackle such issues head-on instead of running away from a discussion. And, obviously, discussion does not mean acceptance of a viewpoint.

This is scarcely the place for a debate on what makes good journalism. Or what doesn't. But since Padma Prakash mentions it, let me say that dodging issues is not a barometer of good journalism or honest criticism eit' er.

On the medical tragedy and UCC's failure: I think that Padma Prakash should read that part of the book which deals with the UCC's medical response a bit more carefully. I say quite clearly there that the doctor at the Bhopal plant recommended using a wet cloth only although he knew "as did other key Carbide personnel who had read the company manual on MIC, that the chemical was deadly. . . was both toxic and flammable and overexposure could lead to fatal pulomonary oedema". Then I describe how the Carbide medical director in the United States sent off a telegram that said that "if sodium cynide poisoning is suspected, use Amyl Nitrate. If no effect, sodium nitrite 0.3 gms and sodium thiosulphate 12.5 gms". And sodium thiosulphate, as Dr Hireesh Chandra, the forensic expert at the Hamidia Hospital, pointed out and which is reflected in the book is the recognised antidote to cyanide poisoning. I think it is a gratuitous insult to readers that they should be told at every page that there is a cover-up. It has been my experience that we often underestimate our readers and they can easily follow complex issues when laid out clearly. Carbide's dishonesty is clearly shown in a series of incidents.

On the activists: they won one major battle in getting the sodium thiosulphate theory accepted and have, especially in the past months since the Supreme Court judgment, kept the issue alive through rallies, demonstrations and their work. I speak of the way the government disrupted their work. No one is seeking to undercut their struggle. But the tragedy of the activist movement in Bhopal is that it is splintered, divided by ideological differences and personal disputes. That is why it has not had the impact that it should and could have had on the country. Take just one example: how does one explain the lack of response or the failure to create a Special Bhopal Fund in nearly five years despite the public interest? Such a fund could have given some sustenance to the most wretched of the victims, at the least. I don't think that there are any sacred cows which must go unchallenged.

On the data base: of 377 references to sources, etc, 20 are to the *New York Times* (no, I did not quote my own reports as you presumed, Padma Prakash), a major portion of which are reports which appeared about the complex litigation in the United States and about Union Carbide operations there, not here, their violations of safety norms, etc. There are two references to the *International Herald Tribune*, one to the *Washington Post*, one to *Newsday* and another to the *Asian Wall Street Journal*. I personally conducted more than 250 interviews for the book—well, I guess that doesn't really qualify for a data base in Padma Prakash's perception. After all, I'm a prejudiced, "thick-skinned objective reporter". If it is Padma Prakash's point that I haven't read the national press on the issue, then I must hasten to correct that impression.

I think that her remark about betrayal reflects a viewpoint that is prejudiced: basically, this says my view right or wrong, and is intolerant of others. The book seeks to rouse public awareness to the dangers from haphazard industrialisation and misplanned development and the unscrupulous interests (including multinationals) that promote these pressures. Bhopal may have happened in 1984. But it's there all around us, lurking and waiting to strike. Are we any more ready than we were five years ago? I think not. And if Padma Prakash were able to turn her ideas and energies to that as much as to the present (and the past) then she would understand what I've been trying to say.

SANJOY HAZARIKA

New Delhi

ECONOMIC AND POLITICAL WEEKLY

Bofors Again

THE ghost of Bofors, which the Congress(I) had thought it had laid to rest with the highly contrived report of the so-called Joint Parliamentary Committee (JPC), has returned to haunt the ruling party. The report of the Comptroller and Auditor General (CAG), which the government at last presented to parliament this week after dilly-dallying for three months, contains no startling new disclosures. It was not, in any case, expected to throw any light on the one vital aspect of the Bofors deal which still remains to be ferreted out—the identity of the ultimate Indian beneficiary(ies) of the huge commission or bribe or whatever one chooses to call it that Bofors, it is now abundantly clear, paid to clinch the 155 mm field-gun deal. All the same, the vicious reaction of Congress(I) spokesmen, such as that of the party's deputy leader in the Rajya Sabha, N K P Salve, makes it clear that the party leadership has been touched to the quick by the CAG's report.

As the fact of underhand payments having been made has become increasingly difficult to deny in the face of evidence that has been unearthed despite the government's best efforts to suppress it, the Congress leadership has taken its stand on the argument that, be that as it may, the decision to go in for the Bofors gun was nevertheless correct and that the objective of equipping the army with the best armaments, from among the choices available, had not been compromised in any way. What the CAG's report has now done is to question this presumption. It has found that the procedures followed for evaluating the different offers and for field-testing the competing equipment had left a great deal to be desired. It has also drawn pointed attention to the fact, already known, that all along, at different stages, the army establishment's preference had been for the French gun, Sofma, with the Bofors gun figuring as the second choice till February 1986 when suddenly the army headquarters reversed its preferences and the contract with Bofors was signed the next month. The JPC had recorded at some length the then army chief General Sundarji's explanation for the change, but the CAG is sceptical about the reason advanced, pointing out that the intelligence about the supply of a certain type of radar by the US to Pakistan, which according to Sundarji had overnight tilted his preference in favour of the Bofors gun, had in fact been available for quite some time. The CAG's report also refers to the minimum acceptable standards for ammunition being diluted to accommodate Bofors. On the subject of agents and commission the report draws attention to the fact that while the French firm manufacturing the rival gun had written to the government confirming that it had dispensed with the services of its Indian agent, the government had not sought and secured any such undertaking from Bofors in spite of the fact that the Indian high commission in London had informed the defence ministry that Bofors indeed had an Indian agent.

What is as much, if not more, damaging to the government in the CAG's report are the clear indications it contains of efforts on the part of the government to keep back information from the CAG, indeed of veiled suggestions that since the Bofors guns purchase was being enquired into by the Joint Parliamentary Committee the CAG need not go into the matter at all and should consider his job done with assisting the JPC, provoking the CAG to write to the defence secretary in August 1987 thus: "I need hardly emphasise that this [assisting the JPC] does not circumscribe our authority to go into this or any other connected transactions in the usual manner separately or later on, if considered necessary." A number of specific instances quoted by the CAG make it clear that the government throughout behaved as if it had much to conceal which it would rather the CAG did not go into.

Having avoided making public the CAG's report for as long as possible, the Congress(I) is now all for a debate in parliament on it. Indeed a great deal of populist self-righteousness is being vented against the Comptroller and Auditor General—a mere bureaucrat ("that Charlie", as the deputy leader of the Congress Party in the Rajya Sabha put it) who has dared to contradict the conclusions arrived at by the elected representatives of the people as expressed in the report of the Joint Parliamentary Committee. The fact is that the leadership of the ruling party is once again seeking, as it did earlier through the JPC, to use democratic institutions and processes to shield its wrong-doings. This it is able to do time and again thanks to its huge parliamentary majority and thanks to the manner in which all Congress(I) functionaries, including the party MPs, have been reduced to the position of loyal courtiers and retainers of the prime minister. The whole episode thus also serves to underscore what is happening more generally to the political system itself—the progressive infusion of authoritarian content into the formally democratic shell.

INDIA AND SRI LANKA

Dangerous Direction

NONE of the thirty heads of government he met in Paris nor Soviet president Gorbachev seemed to be worried about Sri Lanka and "nobody asked us a question about it", says our prime minister in the course of his press conference at the airport on his return from the trip that carried him to three capitals, Paris, Moscow and Islamabad. This observation was made by the prime minister towards the end of his severely critical, indeed belligerent, remarks castigating Sri Lanka for the "sloppy" manner in which it was conducting relations with India on the matter of the IPKF's withdrawal from its territory and sounding a warning that the situation in Sri Lanka was taking "dangerous directions" with the government there backtracking "on contractual obligations to devolve power to Sri Lankan Tamils".

Whether or not Premadasa is being "sloppy" in having made his correspondence with Rajiv Gandhi public, it is a grave matter when the latter speaks of a "dangerous situation" and that too when in the same breath he asserts that no other country is worried what happens in Sri Lanka.

Rajiv Gandhi is rattled that Premadasa is not responding to the Indian invitation to sit together to work out a time-table for the withdrawal of Indian troops. Instead, he continues to insist that the date he had set for withdrawal, namely, July 29, must be observed. India refuses to commit itself on a date for the withdrawal of the IPKF on the ground that sufficient devolution of powers to the provincial government of the north-eastern region has not yet taken place, a position that Premadasa simply does not accept. Sri Lanka takes the clear stand that under the India-Sri Lanka accord the Indian troops went to Sri Lanka at the request of its president and were obliged to withdraw when requested by him and that the president's authority to ask for the withdrawal of the Indian troops was not in anyway tied to the pace of devolution and certainly not subject to the view India would take on whether or not devolution was taking place at the right pace. The latter would virtually subject the Sri Lanka president's power to an Indian veto. The Sri Lankan government's commitments with regard to the devolution of powers to provinces, and in particular to the north-eastern province, according to this view, stand on their own. Rajiv Gandhi, on the other hand, takes the view that India is the guarantor of the devolution of power to the Tamils. Although he doesn't quite say so, it is clear that he would link the withdrawal of Indian troops to the progress in devolution and that too to the Tamils of his choice, namely, Varadaraja Perumal and company who came to power in the so-called free elections from which 90 per cent of the electorate stayed away.

Whether or not the Indian troops stay on in Sri Lanka beyond July 29, the possibility of the current dispute taking "dangerous directions" has got to be averted. The fond belief that the rest of the world will not lose sleep over what happens in Sri Lanka is pure and simple delusion which Rajiv Gandhi should get over the soonest. The temptation to do something hasty must be resisted. Sri Lankan Tamils may still want and may fight for an independent Eelam, but not for a phony one ruled over by Indian stooges.

POLITICS

Exporting Congress Culture

IF the west is accused of 'cultural imperialism', we also have our own brand of 'cultural imperialism'. It is no longer confined to the commercial endeavours of flooding south-east Asian countries and certain parts of Africa with the tawdry Bombay films. The culture of the Congress(I) is now being inflicted upon other parts of the world, in all its pugnacious and lecherous forms.

At the recently concluded International Youth Festival in Pyongyang in North Korea, the Youth Congress(I) and NSU(I) delegates—who naturally formed the bulk of the Indian delegation—gave a performance which could be described as a fitting representation of the culture of the ruling party. Their passion for projecting the culture took various forms ranging from attempts to molest women delegates from other countries and public drunken brawls to physical assaults on women members of their own team. Taruna Gurjar, a joint-secretary of the Youth Congress(I), who was a part of the team, has submitted a written complaint to the prime minister alleging that another joint-secretary of the organisation beat her up. When she sought help from Mukul Wasnik, the president of her organisation, who was also a delegate at the festival, he was reported to have advised her to keep silent as it was a "family matter". Margaret Alva, the union minister of state for youth affairs, who was also in Pyongyang at that time, and was informed of the incident, chose to remain silent. According to Indian delegates who have returned from the festival, the Youth Congress(I) and NSU(I) hoodlums had earned such notoriety for their behaviour that participants from other countries shunned them all through the festival—an international testimony to the Congress(I) culture!

But whatever the Congress(I) high command chooses to do about the Pyongyang scandal—if anything at all—there are several interesting and intriguing questions about the whole affair. First, the Youth Congress(I) and NSU(I) for several years now had earned a notoriety for its behaviour. In 1984, during a conference in Nagpur, the young Congress(I) ruffians went berserk and set a record of sorts which is still remembered by the people there. The scenes of rowdyism which marked their canvassing for the coveted delegates' tickets to the Youth Festival in Delhi prior to their departure, should have been taken as a warning about what was to happen in Pyongyang. For several days, members of the Youth Congress(I) and NSU(I) fought among themselves for air-tickets, mobbed their leaders, making a nuisance of themselves in the streets of Delhi.

What is surprising is that the Congress(I) high command seems to show some discerning instinct in choosing delegates for the India festival held in western countries. They may be favourites of some bureaucrats in the ministries, but at least the latter ensure that they do not go around chasing women and getting involved in drunken brawls in the western capitals. But when it comes to selecting delegates to Moscow-sponsored festivals like the Youth Festival, New Delhi leaves it to the local bosses of the Congress(I) organisations. Incidentally, this is not the first time that Congress(I) youth delegates have behaved in an obnoxious way at international conferences. Earlier, at a youth conference in Moscow they posed a menace to women delegates there. The Moscow-based youth organisations appear to take such things lightly. In spite of a series of incidents of misbehaviour by Congress(I) youth hoodlums, they are not reported to have taken up the issue with the Indian government. Is it because of the policy to woo India as a so-called 'non-aligned' ally?

There is a footnote to the Pyongyang incident. The Youth Congress(I) president Mukul Wasnik issued a statement on July 13, in his capacity as chairman of the national preparatory committee for the Pyongyang Youth Festival, stating that "some incidents have been blown out of proportion, while certain totally baseless stories have also appeared in a section of the press"—thus trying to whitewash his cohorts. Curiously enough, the co-signatories to the statement by Wasnik were M A Baby, a CPI(M) MP and D Raja of the CPI, both co-ordinating secretaries of the national preparatory committee. One wonders whether the Indian communist support to 'non-alignment' also embraces the moral values of the Congress(I) culture!

ASSAM

Repeated Folly

WITH the promulgation on July 6 of the Assam Disturbed Areas Act, 1955 and of the Armed Forces (Special Powers) Act, 1958 as

amended (in 1972) on July 12 by the government of Assam in Kokrajhar district, the prospects of a political settlement of the 'Bodoland' demand appears bleaker than ever before. The promulgation of these acts also suggests that at least for the present the government has decided that there is no use seeking a dialogue with the leaders of the agitation and that more administrative action may yield results.

The notification under the Assam Disturbed Areas Act, 1955 is to remain valid for six months while that under the Armed Forces (Special Powers) Act, 1958 is to remain valid for three months. Both the notifications are presently applicable only to Kokrajhar district though other parts of Assam, especially the Udalguri sub-division of Darrang district and parts of Barpeta and Nalbari districts, have also been wracked by violence in connection with the agitation by the All Bodo Students Union headed by Upendranath Brahma (ABSU-UB) for the creation of a separate 'Bodoland' with additional safeguards for the plains tribals in the southern bank of the Brahmaputra and in the Karbi Anglong autonomous district.

It is true that there has been considerable violence in connection with the 'Bodoland' agitation but the kind of problems that have given rise to the present situation in Assam have never been solved by taking recourse to these laws—a point that hardly needs to be made in the context of Assam and indeed of the region. On the contrary, the use of the special and indeed extraordinary powers available under these two acts may well become an end in itself, as has been the case in Manipur where the Armed Forces (Special Powers) Act has become a permanent feature. The abuses that these acts give rise to are now a matter of wide knowledge.

The irony of the present situation in Assam is that the leaders of the Asom Gana Parishad (AGP) had themselves severely condemned the use of these very laws during the height of the Assam agitation, as leaders of the All Assam Students Union (AASU), and had accused the security forces of indulging in atrocities in the wake of the notifications under these acts in North Kamrup area in early 1980. There is no reason to believe that the wide and untrammelled powers under these acts will not once again be misused by the security forces in Kokrajhar area where already the state police functioning under normal laws has been accused of indulging in atrocities.

For, given the reality in India, any police-force even under the strictest control needs watching since it already has extraordinary powers. Moreover in Assam, already the state government has armed itself with special powers under the Terrorist and Disruptive Activities (Prevention) Act and hundreds of activists of the ABSU-UB have been held without trial. The intensity of the attacks on the police forces (16 police personnel were killed in the just concluded 340-hour bandh) only reflects the hatred that the police forces have already earned in the Bodo-dominated areas. With these additional powers (and the immunity against any action even if these powers are misused), such depredations will only increase, further intensifying the divide not merely between the police and security forces and the Bodo masses but also between the state government and a section of the people who the AGP leaders still claim (and probably also sincerely believe) are an inalienable part of the 'greater Assamese society'.

The most self-defeating aspect of these promulgations is that the AGP government seems to have given up, at least for the present, all attempts to deal with what is admittedly a very grave problem in a political manner. The oft-repeated statements by the AGP leaders, including chief minister Prafulla Kumar Mahanta, that the demands of the ABSU-UB are basically political now appear mere statements meant for record; the situation, the AGP leaders appear to believe, admits only an administrative approach. Such surrender of a political initiative on the part of a party whose very existence is deeply rooted in an agitation first perceived to be merely a law and order problem but later acknowledged to be political shows how far the AGP has travelled from its roots in barely three and a half years of political office. The tragedy is that just as the adversaries of the present AGP leaders learnt that mere counter-violence could not break the back of the Assam agitation, the AGP leaders too will have to learn their lesson in turn. But the costs of such repeated folly, already very high in Assam, is going to be even more prohibitive.

SOVIET UNION

Coping with Inflation

ABEL AGANBEGYAN, the Soviet economist supposed to be leading the think-tank for Gorbachev spoke sometime back about making the rouble convertible, though not immediately. Now, another Soviet economist has appeared in the firmament of perestroika. He is Nikolai Shmelyov who accompanied Gorbachev to Paris, a visit Gorbachev would not postpone for the sake of Gromyko's funeral.

Like Aganbegyan, Shmelyov too speaks of establishing the market "as a matter of survival for us", but he realises that prices cannot be suddenly freed. So he calls for putting together some $ 30 billion "to import consumer goods over the next two or three years" while more far-reaching reforms have a chance to take effect. This in itself is important for Indian policy-makers to note because with timely and appropriat steps it should be possible to meet part o this additional Soviet demand, particularl if they are going to pay for it in convertibl currency. But there is much more to it.

Shmelyov suggests raising the abov money principally by borrowing against gol reserves, but he also recommends stoppin projects requiring costly imports, a cut-bac in the Soviet Union's international obligations such as subsidies to Cuba, and resor to normal commercial bank loans.

Not only would Shmelyov import consumer goods in sizeable quantities and flood the Soviet market but he would also take special measures to revive Soviet agriculture so that Soviet imports of agricultural products, especially foodgrains, can be reduced, if not altogether eliminated. Shmelyov recommends paying the Soviet farmers hard currency to spend as they choose for the surplus output they market and figures that by taking just this single measure it should be possible for the Soviet Union to save as much as $ 5 to 6 billion on food imports annually. As he puts it, "more Soviet-grown grains is lost now than imported, 15 per cent of meat produced is wasted, 60 per cent of fruits and vegetables".

Shmelyov's programme for the revival of Soviet agriculture goes further. He would (1) give land to anyone wanting to farm—no ceiling is mentioned; (2) stop obligatory deliveries; (3) free most agricultural administrators; and (4) reduce the gap between the prices farmers get and the prices they pay for supplies.

Basically, as Shmelyov sees it, the Soviet economic problem, in the short run at least, is that of inflation, already running at 10-11 per cent per annum but threatening to go out of control, and this he attributes primarily to large budget deficits. Shmelyov's biggest short-term worry is some $ 225 billion in "loose roubles" which he hopes to mop up with the help of imports "as cheaply as possible". Every dollar's worth of goods would fetch 8 to 10 roubles at home and goods like personal computers would bring in 25 roubles for every dollar. Without mopping up these loose dollars, there could be astronomic inflation.

Shmelyov does not speak of aiming at the convertibility of the rouble. He evidently figures that only if the danger of domestic inflation is averted fully, even though it means raising sizeable funds abroad, will there be any chance for the Soviet economy to be stabilised. And only if first the economy is stabilised and freed from the threat of runaway inflation can the economic reform envisaged by Gorbachev's perestroika have a chance to take root. So the matter of convertibility of the rouble is likely to remain on the back-burner for quite some time.

VEGETABLE OILS

Government Fails to Fulfil Commitments

SELDOM before has the vegetable oils scenario been so very reassuring as it is this time. Despite the drastic cut in edible oil imports from a record 18.4 lakh tonnes during the 1987-88 oil year (November-October) to an estimated 4.5 lakh tonnes in 1988-89, the prices of vegetable oils—edible as well as non-edible—are ruling well below those a year ago. Linseed oil is cheaper by 28 per cent, edible grade rice bran oil by 21.7 per cent, mahuva oil by 16.8 per cent, castor oil by 14.8 per cent, inedible rice bran oil by 13.9 per cent, refined rape/mustard oil by 13.5 per cent, cottonseed oil by 8.2 per cent, groundnut oil by 7 per cent and refined soybean oil by 4.5 per cent. Only sesame oil is quoted at around its previous year's level.

The decline in vegetable oil prices appears all the more significant when seen in the context of the rise in the official wholesale price index—the 'all commodities' index being about 8.5 per cent up over the year. Among the various major commodities comprising the index, only oilseeds and edible oils are down over the year—by 20.5 per cent and 4.3 per cent respectively. Quite apparently, the cutback in edible oil imports has been more than offset by the impressive increase in indigenous supply. Oilseeds production this season is now generally reckoned at 165 lakh tonnes against 123.8 lakh tonnes in 1987-88—up 33.3 per cent. This is the biggest-ever increase in any single year.

Nobody really apprehends any shortage of vegetable oils during the traditional lean period (August-September) which could cause a worrisome rise in prices. In fact, for the first time in several years the current season is expected to end with a reasonably satisfactory carryover stock of seeds/oils.

Market psychology has been influenced in no small measure by the promising kharif crop prospects. Based on forecasts of a normal monsoon and good-to-ideal weather condition so far in the major kharif oilseed growing states of Gujarat, Andhra Pradesh, Karnataka and Madhya Pradesh, groundnut and soybean production could well surpass the 1988-89 record output of over 88 lakh tonnes. By the end of the first week of July, 32 out of the 35 meteorological sub-divisions were reported to have received excess or normal rainfall. According to knowledgeable persons in the oilseed trade, weather conditions this year so far have been more favourable than last year. Production prospects have also improved because the government has considerably strengthened its machinery for the timely supply of crucial farm inputs.

If oilseeds production turns out to be appreciably higher than in 1988-89, the government will have to think very seriously of evolving an appropriate strategy to deal effectively with the emerging situation. This will not only call for hard decisions covering diverse issues relating to prices, procurement, buffer stock and storage facilities, finance, imports and exports, but also bold steps to implement these decisions.

One hopes the government has learnt a good lesson from its acts of omission and commission during the current season. New Delhi cannot claim to have acquitted itself well in dealing with the issues arising from the record oilseeds production in 1988-89. It has failed to fulfil its commitments in regard to the two crucial elements in its integrated policy—buffer stock of 5 lakh tonnes of oil and the price band of Rs 20,000/Rs 25,000 per tonne in respect of groundnut oil as well as rape/mustard oil. The price of groundnut oil moved above the lower limit of the price band only after the bulk of the kharif crop had already been marketed. Mustard oil is still quoted Rs 2,000 to Rs 2,500 a tonne below the revised lower limit of Rs 17,000 announced at the end of June. And total procurement by NDDB and the state-level agencies is estimated at 2.25 lakh tonnes in terms of oil which is substantially below the buffer stock target (inclusive of imported oil).

Apparently, while formulating its integrated policy for oilseeds/oils, the government had not envisaged the kind of increase in oilseeds production that came about—by over 40 lakh tonnes in a single season—which reflects poorly on the official crop information system. The government could not therefore assess properly the likely impact of increased supply on prices as also the magnitude of procurement effort needed to implement the price band.

It is not merely that the government could not arrange procurement operations on a requisite scale to effectively operate the price band. If the government were earnest about the minimum price and it found that it did not have adequate infrastructural facilities and organisational capabilities to perform the task it could have easily sought the co-operation of the private trade to build large inventories in order to absorb excess supply by relaxing the stock limits under the storage control order supported by credit facilities. This it did not do.

In view of the continuing pressure of mustard oil supply, which is amply borne out by oil prices keeping substantially below the revised stipulated minimum of Rs 17,000 a tonne, causing considerable embarrassment to the government and the procurement agencies there seems little sense in imposing any restriction on the use of this oil by the vanaspati industry. Why the government should have persisted with the curb—restricting the usage to 20 per cent of the industry's total oil requirements—is hard to appreciate.

Worst still is the government's decision to import one lakh tonnes of palmolein to meet PDS requirements. Import of palmolein is said to have been necessitated by the "sharp rise in groundnut oil prices". But this hardly makes sense. How can the government feel concerned about the price rise when groundnut oil prices are still well below the upper limit of the price band of Rs 25,000 a tonne?

The emerging edible oils scenario and the implementation of the integrated policy for oils have brought into sharp focus certain conceptual weaknesses in the policy (fixing a common price band for groundnut oil and mustard oil which have their own demand-supply equations because of marked consumer preferences is a good illustration of this) and infrastructural and organisational inadequacies for undertaking procurement on the desired scale.

Despite reassuring new crop prospects it would perhaps be too optimistic to expect oilseeds production to touch the Seventh Plan target of 180 lakh tonnes set for 1989-90. It would therefore be unfortunate if a further increase in production next season were to be allowed to develop into a 'crisis of plenty' pushing prices down to levels which adversely affect farmers' intentions to cultivate oilseeds. This would also be politically inexpedient in an election year.

While one cannot be too sure about oilseeds production in 1989-90, the government will need to keep ready with various policy options to deal effectively with the emerging situation. It will have to make up its mind on the pricing policy it wishes to pursue, measures which will be required to be taken to implement the pricing policy, strengthen the procurement machinery and creation of adequate storage facilities. Improved supply should provide a good opportunity to further reduce edible oil imports and step up exports.

INDUSTRIAL FINANCE

Free Flow

OVER the 25 years of its existence, the Industrial Development Bank of India (IDBI) has played a laudable role in the industrial development of the country. During the nine-month period, July 1988 to March 1989, overall sanctions and disbursements of the bank under various schemes of assistance aggregated Rs 4,746.5 crore and Rs 3,381 crore, recording a growth of 46 per cent and 27.3 per cent, respectively, over the previous corresponding period. Growth in sanctions during this period under the direct finance, refinance and bills financing schemes was 80.7 per cent, 30.6 per cent and 22.5 per cent respectively. The total assistance outstanding at the end of March 1989 was Rs 15,643.9 crore.

Industries which were sanctioned significantly higher amounts of assistance during July 1988-March 1989 included electricity generation, fertilisers, textiles, miscellaneous chemicals, electrical machinery, sugar and rubber. Assistance sanctioned to backward areas and no-industry districts during the period amounted to Rs 1,812 crore as against Rs 1,208.8 crore during the same period of the previous year and its share in total assistance increased from 39.1 per cent to 40.4 per cent. IDBI has also been paying greater attention to the needs of the small-scale sector in the last few years. At Rs 1,260.8 crore, assistance to small-scale industries and small road transport operators through the IDBI's refinance scheme during the nine-month period under review registered a growth of 29.8 per cent over the previous corresponding period. In addition, the assistance sanctioned through various schemes operated under the Small Industries Development Fund (SIDF) recorded a growth of 29.6 per cent during this period to Rs 1,490.9 crore.

With a view to extending a measure of protection to borrowers of foreign currency loans against exchange risk, a scheme called the Exchange Risk Administration Scheme was evolved by the three all-India financial institutions in respect of projects supported by institutional assistance and involving import of capital goods costing Rs 25 crore or more.

In keeping with its promotional role, IDBI assisted 276 Entrepreneurship Development Programmes (EDPs), including 64 for science and technology entrepreneurs, 35 for women entrepreneurs and six for ex-servicemen. The integrated scheme of assistance to women entrepreneurs which provides for identification, selection, training, consultancy and escort services, apart from term loan facilities on concessional terms, continued to receive increasing response. Assistance to women entrepreneurs during July 1988-March 1989 rose to Rs 10.4 crore in respect of 323 units against Rs 3.5 crore sanctioned to 210 units during July 1987-March 1988.

The offtake from the newly constituted National Equity Fund has been rather poor. The equity fund with a corpus of Rs 10 crore contributed equally by the government of India and IDBI was launched to provide a fillip to the development of small industry. The IDBI's report says that a review of the National Equity Fund was undertaken to widen its scope and coverage. Accordingly, the scheme has now been extended to the State Bank of India and its associate banks. With this extension, the entire public sector banking network is now covered under the scheme.

In view of its expanding operations, IDBI had to raise substantial resources internally as well as externally. Total internal resources raised during the nine-month period, July 1988-March 1989, amounted to Rs 4,971.2 crore comprising: (i) increase in share capital contributed by central government of Rs 45 crore, (ii) borrowings/grants/deposits of Rs 2,409.1 crore, and (iii) internal generation of funds by way of repayment of past assistance, receipt of interest, discount, commission and sale of investments of Rs 2,517.1 crore.

As for foreign currency resources, IDBI has so far contracted nine lines of credit from the World Bank group totalling US $ 520.35 million. Since July 1988, it has raised a loan of 10 billion yen from a Japanese bank, 250 million Deutsch marks from West Germany through a public bond issue and a second line of credit equivalent to $ 40 million from Nordisca Investeeringbannken (NIB). Further, its drawals from the government against IDA/World Bank credit lines aggregated Rs 80.9 crore during the period. According to reports, IDBI would soon raise a credit of 20 billion yen in Japan and it is negotiating a large loan from the World Bank.

While the operations of the IDBI have registered significant growth, the attention paid to the rehabilitation of sick units and technology upgradation appears inadequate. As at the end of March 1989, IDBI had on its portfolio as many as 235 sick units involving outstanding term loans of Rs 484 crore. Rehabilitation assistance during the period under review was a meagre Rs 16.3 crore to 21 weak/sick units. Under the technology upgradation scheme, assistance sanctioned during this period amounted to Rs 5.1 crore to four projects against Rs 11.2 crore to three projects during the corresponding period of the previous year.

TWENTY YEARS AGO

EPW, Special Number, July 1969

From 'Capital View' by Romesh Thapar

It's been a long haul for Indira Gandhi. Three years of self-imposed indecision, status quoism, *ad hocism*, frustrations and inhibitions, and the inevitable loneliness at the summit of power. Then, suddenly, as if out of the blue, critical decision-making—bank nationalisation.

The Indira Gandhi who has been handling affairs since the end of the Bangalore AICC Session is in many important and significant respects very different from the woman the so-called 'chieftains' of the party have been dealing with—or pushing around!—until now. It's a wonder that the oldsters haven't collapsed from the shock because many of their comfortable confabulations are now a heap of wreckage.

Everyone in the Capital is asking the same question: what persuaded Indira Gandhi to choose this moment to launch her ferocious and sustained assault on the men who have been trying to hold her captive. The pen-pushers who have been projecting their own survival stratagems into the prime minister's reasoning conveniently forget that if she had so decided she could have continued as a 'leader' subservient to the Syndicate or any other cabal of powerful managers.

She decided to take an opposite path—and for very good reasons. The nation had to be lifted, dramatically, with courage, to a new plateau of hope and aspiration or else the system would not have been able to cushion the mounting tensions. The nationalisation of leading banks in the country marks the opening of a qualitatively new phase in Indian development.

* * *

Brezhnev's broad hint that the Soviet Union would like to see the emergence of a collective security system in Asia and Nixon's visit to a number of south and south-east Asian countries are indicative of the urgency with which the two super-powers are approaching the problem of adjusting their policies and postures to the changed realities in Asia. In all probability neither Moscow nor Washington has yet decided what its Asia policy in the seventies ought to be and the moves recently made by them may be viewed as part of the spadework that precedes fundamental changes in the Great Powers' policies. While the exploratory nature of Nixon's trip is obvious, the Soviet Union also is trying to keep a number of trial balloons aloft at the same time and there is a degree of lack of finality in what various Soviet dignitaries have been talking and writing about Asia. It is certain, however, that both perceive a number of new elements in the Asian situation and that both are anxious to revise their Asia policies in the light of the emerging realities.

The three major factors making for a systematic change in Asian politics are by now clear. First, western influence which has for long been preponderant in large parts of Asia, particularly in the regions bordering the Indian and Pacific Oceans, is now declining and can at best play a relatively muted role in the affairs of the continent. Second, the Sino-Soviet conflict is replacing the Soviet-American and the Sino-American conflicts as the central feature of power rivalries and strifes over a large area, extending from North Korea to Mongolia to Afghanistan to India to North Vietnam. Third, some Asian countries, particularly Japan, are now ready and willing to play a greater role in Asian affairs. The new system of Asian politics that will evolve in the seventies will be determined by all these three factors and the attempt of the Great Powers is to begin to influence the course of history in a manner that will best serve their national interest.

NOTICE

It is hereby notified for the information of public that **BOMBAY BREWERIES LIMITED** who hold a COB Licence for setting up a Beer manufacturing unit at Village Savla, Dist. Colaba in the State of Maharashtra, propose to make an application now to the Central Government in the Department of Company Affairs, New Delhi, under Sub-Section(s) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the change of location of the proposed undertaking to the MIDC Industrial Estate at Taloja, Dist. Raigad, where they have been allotted the required Industrial Plot for setting up the unit. The change in location of the undertaking has been necessitated by the earlier site being included in the Green Zone by the MBRDA. Brief particulars of the proposal are as under:-

1.	Name & Address of the Applicant	: **BOMBAY BREWERIES LIMITED** Ewart House 22, Homi Mody Street BOMBAY 400 023
2.	Capital Structure of the applicant organisation	: Authorised Share Capital : Rs. 75,00,000 Issued, Subscribed & Paid-up Capital : Rs. 3,00,100
3	Management Structure of the applicant organisation indicating the names of the Directors, including Managing/Wholetime Directors & Managers, if any	: Mr. P.Y. Navalkar — Director Mr. R.S. Shroff — Director Mr. S.J. Diwadkar — Director
4.	Indicate whether the proposal relates to the establishment of a new undertaking or a new Unit/ division	: The proposal relates to the changing of location of the undertaking holding a valid COB Licence issued by the Government of India from Village Savla, Dist. Colaba to Taloja Indl. Estate of MIDC, which change stands approved by the Government of India, Ministry of Industry vide their letter no. 1(46)/88-IG-cum-IA.I dated 23.5.89, subject to the issue of formal approval.
5.	Location of the new undertaking/unit/division	: Taloja Industrial Estate of MIDC, Dist. Raigad.
6.	Capital Structure of the proposed undertaking	: As given against '2' above.
7.	In case the proposal relates to the production, storage supply, distribution, marketing or control of any goods/articles, indicate:	:
	i) Names of goods/articles	: Beer.
	ii) Proposed licenced capacity	: 50,000 HL per annum
	iii) Estimated annual turnover	: Rs. 5.0 Crores
8.	In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover, etc.	: Not Applicable
9.	Cost of the Project	: Rs. 9.2 Crores
10.	Scheme of finance, indicating the amounts to be raised from each source	: The project cost would be met through Equity share Capital, Debentures etc. Equity Capital — Rs. 92 lakhs Debenture — Rs. 92 lakhs Public Issues — Rs. 736 lakhs TOTAL — Rs. 920 lakhs

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi within 14 days from the date of publication of this notice, intimating his views on the proposal and the nature of his interest therein.

for **Bombay Breweries Limited**

S C MARFATIA
(Secretary)

Dated this 21st day of July, 1989.

SINGARENI COLLIERIES

Applying Modern Technology

SINGARENI COLLIERIES has a tentative investment for the Eighth Plan period of Rs 2,358.00 crore to achieve a targeted production of 335.90 lakh tonnes in 1994-95, i e, the terminal year of the Eighth Plan. Singareni Collieries has taken a number of steps to modernise their mines by introduction of a number of mechanisation schemes. Load haul dumpers/side dump loaders have been successfully used in some of the underground mines for mechanised coal loading and it is planned to extend the same to other mines wherever feasible. It was for the first time in the country that load haul dumpers have been utilised for extraction of pillars at GDK-9 Incline. This technology would be extended further to other mines for speedy extraction of coal standing in pillars. Singareni was the first coal company in India to introduce AM-50 road headers for drivage of gate road ways for forming retreat longwall faces in 1978. At present road headers are working in Kothagudem, Yellandu, Mandamari, Srirampur and Godavarikhani group of mines for formation of longwall faces. The first longwall face was commissioned at GDK-7 Incline in 1983 using double ended ranging drum shearer, self advancing powered supports and twin chain armoured faced conveyor for winning coal. The second face at Venkatesh Khani No 7 Incline was commissioned in June 1985. Singareni would like to progressively increase its mechanisation plans in the years to come by introducing 12 more longwall faces in Jawahar Khani-5, Godavarikhani-11A, GDK-10A, GDK-9 Vakilpalli block, Ravindrakhani-1A, Ravindrakhani-NT, Goleti 1 and 2 and Prakasham Khani-2 Inclines during the Seventh and Eighth Plan periods.

Thick coal seams occurring at shallow depths are suitable for opencast method of mining. Singareni Collieries has adopted this method of mining with advantage wherever conditions are favourable by introducing the heavy earth moving machinery available in the country. The heavy earth moving machinery mainly used in the company's opencast mines are RBH drills up to 250mm diameter, rope and hydraulic excavators up to 5 cu mtr capacity, 50T dumpers, 400/410 HP dozers, scrapers, etc. A large sized dragline with 96 metre boom and 24 cu mtr bucket is in operation at the opencast mine at Ramagundam. There are 8 opencast mines in operation and two more opencast mines are under construction at Ramagundam. Some more opencast mines are planned to be opened in the near future. It is also proposed to introduce 10 cu mtr shovels in combination with 85 tonne dumpers at the Manuguru Opencast-II mine and RG-OC III mine and the latest method of opencast mining with inpit crushing technology in conjunction with belt conveyors and spreaders at our Opencast-II, Ramagundam.

The Opencast Project-II, Ramagundam is a major project planned by Singareni with a targeted production of 2.00 million tonnes per annum. The project has been contemplated on 'Inpit-Crusher-Conveyor Technology' for the removal of overburden as well as coal. This project has technical and financial assistance for implementation on A to Z concept basis from the Federal Republic of Germany.

No 3 coal seam at Godavarikhani-10 Incline underground mine is 11 metres thick. Presently Singareni does not have an efficient method of extraction of such thick seams. As such, it was planned to introduce French technology for mining the thick seams using a special method known as 'Blasting Gallery Method' which will start production during 1989-90. The help of USSR experts was taken for preparation of a master plan for Godavari Valley Coalfield, and also for preparation of technical recommendation and reports for PK 1 and 2 Inclines, Goleti-1 and 2 Inclines and RK New Tech for achieving optimum production of coal. It is proposed to utilise the assistance of USSR, UK and Poland for development of new coal projects and sinking of deep shafts for underground mining.

KALPATARU IRRIGATION SYSTEMS

Agribusiness Venture

KALPATARU IRRIGATION SYSTEMS, promoted by Kirloskar Consultants, will produce and supply drip irrigation equipment. The dripper or the emitter is the heart of the drip system. There are two types of drippers. One is imported from HB Plastics, Austria, which manufactures a pressure compensating dripper which is self-flushing and non-clogging. This dripper gives a uniform discharge over a wide pressure range. Further it goes into flushing mode every time the system is started which makes it non-clogging. Kalpataru are the exclusive dealers for HB Plastics, Austria. The other dripper is an indigenously developed one. It can be opened and cleaned whenever it gets clogged. It gives a discharge of 4 litres per hour.

Besides the drip system, Kalpataru has plans of entering into other agriculture-related fields like tissue culture, seed production and green houses technology. Kirloskar Consultants has funded experiments on tissue culture at the Dharwad University. The government has recently liberalised the imports of seeds. The company will start with importing vegetable seeds and later on produce vegetable seeds on associate farms. Tissue culture technology will come very handy for this venture. Negotiations with some foreign seed producing companies are already under way. Kalpataru also intends to bring in green house technology, after appropriate modifications, taking local needs into consideration.

APSFC

Cumulative Sanctions Cross Rs 1000 Crore

ANDHRA PRADESH STATE FINANCIAL CORPORATION (APSFC) sanctioned an amount of Rs 169.5 crore during 1988-89, recording a growth rate of 29 per cent over the previous year. The corporation disbursed an amount of Rs 113.24 crore against an amount of Rs 102.49 crore during 1987-88. The corporation's cumulative sanctions at the end of 1988-89 were Rs 1039.2 crore.

The corporation has decided not to collect service charges for loans upto Rs 1 lakh to help the tiny sector units. It has reduced the interest rate by 1 per cent for industrial units who employ women to the extent of at least 50 per cent of its employees with the objective of creating better job opportunities for women in the industrial sector. The corporation gave priority to tiny and small enterprises. It sanctioned an amount of Rs 124.48 crore to 3776 tiny and small-scale units. This constitutes 94.42 per cent of total number of sanctions and 73.41 per cent of total amount sanctioned. During the year, the corporation sanctioned an amount of Rs 103.95 crore to 2283 units located in centrally declared backward areas. Total sanctions to the industrial units located in all the categories of backward areas during the year were Rs 113.84 crore to 2472 units. This constitutes 69.5 per cent in terms of amount and 68.8 per cent in terms of number.

PSSIDC

hifting Emphasis

PSSIDC has reported a corporate turn-er of Rs 17.89 crore and agency turn-er of Rs 32.89 crore in 1988-89. The cor-rate turnover, sales from production its and supplies from the marketing sistance scheme are slightly lower than e levels achieved in 1987-88. The cor-ration's working results show a net loss Rs 28.45 lakh; the loss was Rs 45.23 kh during 1987-88. While the corpora-on had in its earlier years covered several ctivities like capital participation, con-ruction of industrial estates, supply of quipment on hire purchase, supply of raw aterials, running production units and eneral engineering workshops and pro-iding marketing assistance to small-scale dustries, there has been a shift in em-hasis and concentration on only raw aterial supply and marketing assistance, ollowing the suggestions given by PEMB 1985-86.

IYDERABAD ALLWYN

Decline in Profitability

IYDERABAD ALLWYN has completed he financial year 1987-88 (17 months) with a profit (before tax) of Rs 4.48 crore s against Rs 3.47 crore in 1986-87 (12 nonths). The company achieved a turn-over of Rs 192.48 crore as against Rs 108.00 crore in the previous year. At the end of financial year, the book value per hare and the earnings per share respec-ively stood at Rs 33.70 and 4.71. The company has declared a dividend of 15 per cent. The company has registered growth in all its contract products, viz, buses, *Shaktiman* cabs and floors, and LPG cylinders. Production and sale of refrigerators stood at 1.37 lakh. Sales of watches have touched a level of 1.6 million compared to 1.1 million during the pre-vious year. The production and sale of watches would have been much higher but for the fact that the production and sale of quartz analogue watches was seriously affected by inadequate supply of a canalised item, namely electronic circuit board to a tune of 0.2 million.

COLGATE-PALMOLIVE (INDIA)

High Profitability

COLGATE-PALMOLIVE (INDIA)'s directors have recommended an issue of bonus shares on a one-for-one basis by capitalising Rs 15.72 crore out of the general reserves of the company. They have also proposed a final dividend of 9 per cent a total of 45 per cent for 1988. The company has produced good working results. Sales have amounted to Rs 206.07 crore against Rs 162.79 crore in 1987 and gross profit is Rs 46.03 crore against Rs 32.48 crore, reflecting enhanced profit margins. Net profit is Rs 21.24 crore compard to last year's Rs 16.81 crore in spite of higher necessary provisions, leaving as much as Rs 14.17 crore (Rs 8.80 crore) for transfer to reserves. Total equity dividend is covered 3 times by earnings as against 2.40 times previously.

The company received a licence from the government for producing 24,000 tonnes of fatty acids. It has also registered with DGTD for production of 30,000 tonnes of toilet soap which falls in the category of delicensed industries. Orders have been placed for setting up a fatty acid pland with a capacity of 20,000 tonnes and a toilet soap plant with an initial finishing capacity of 15,000 tonnes per annum. These manufacturing facilities will be locatd in the Waluj Industrial Area at Aurangabad in Maharashtra where the company has already acquired a large plot of land to provide for present and future requirements. Production equipment for toothpowder has been transferred from the Sewri factory in Bombay to the new factory built at Aurangabad in order to reduce congestion in the Sewri factory. Production of toothpowder has commenced in Aurangabad from the beginning of this year and has been discontinued at the Sewri factory since December 1988. This shifting of toothpowder production from the Sewri factory to the Aurangabad factory has been done after obtaining necessary approvals from the appropriate government authorities and assurance has been given that there will be no retrenchment of workers at the Sewri factory as a result of this move. The total capital investment in Aurangabad over the two year period 1988 and 1989 is estimated at around Rs 30 crore. The company is in the process of setting up a modern R and D facility at Aurangabad, which will undertake the development of new products and packaging in body cleaning and other related product categories. During 1988, the company was able to generate export earnings of Rs 41 lakh. Further, export orders worth Rs 200 lakh booked in 1988 have been executed in 1989. The total foreign exchange utilised during the year amounted to Rs 707 lakh.

Calcutta Diary

AM

The government consists of class enemies, but the external policy of class enemies, through some sleight of hand, gains acceptance as the right and proper policy for the Left to follow, even if it in effect means support to imperialist—and sometimes even fascist—causes, lock, stock and barrel.

THE international fraternity of socialism has ceased to be, no communist party is any longer its brothers' keeper. So the Left in our land need hardly feel apologetic over either the convulsions in east Europe or the tragedy in China. If they nonetheless have to be shame-faced in the current season, it should be on account of other reasons, reasons touching on developments nearer home. A socialist or a communist is a fake if he is not, in the first place, against imperialism. But how many within the ranks of the Left in the country have taken the trouble to go on record against the manner the national government has gone about, and continues to go about, to establish its hegemonic status against the regimes of Sri Lanka and Nepal? To argue that none others have protested will be fakery too. A communist or a socialist is not supposed to hang with the conformist crowd; he or she is expected to have his or her moorings in ideology. He or she, in other words, must not be afraid of being marked out as a non-jingo. Instead, there are torrents of convoluted sentences which place ambivalence on the pedestal, heap after heap of ifs and buts, absurd syllogisms in justification of equally absurd official standpoints. It could be the unquiet memories of 1962, and the fear of being charged, once more, of treasonous conduct. Or it could be a more straightforward sojourn towards the direction of Calvary: socialist convictions are all right, but look here, Left ideology must not interfere with our pan-Asian aspirations; since our system is more progressive than either Nepal's or Sri Lanka's, our troops and our intransigence will be good for the people in these minor countries, it is our socialist task to teach them how to curtsey and obey; it is as if we were selling coconut water which, they could take it from us, was good for their daughter.

And it is assumed that protests emanating from these countries have no objective basis. Since Nepal is an absolute monarchy, its government has no business to demur if we insist on foisting unequal treaties on it. Given its class alignments, our government in New Delhi cannot be faulted for the kind of argument it has mounted: to it, the existence of one category of exploitation provides the rationale for the introduction of a second category. In any case, the unscrupulous Indian traders and businessmen who, for decades on end, have squeezed the Nepalese countryside dry can legitimately look for protection and support to the Congress(I) leadership; there is a filial link. This convenience is not available for the parties on the Left; between the hucksters operating along the border and them, it would be awesomely difficult to establish any ideological or class links. It is, rather, classical 'tailism' at work: our government rails against Nepal, it is our patriotic duty to forsake both thinking and ideology and follow, blindly, the government's line.

In regard to Sri Lanka, the ideological betrayal is of a much graver nature. In tired-sounding resolutions that faithfully follow one another, the point continues to be made that the IPKF presence in the island is a blow against the United States navy's malevolent intentions apropos of Trincomalee. This is tommyrot. The IPKF went into Sri Lanka with the full blessings of the American administration, which, for its own reasons, will not for the present mind India's playing the role of regional constabulary. It is unsporting on the part of the Americans but, as of now, they are not particularly interested in bailing out the purveyors of hackneyed phrases along Indian shores. What get written or, rather, re-written are yesterday's resolutions by persons who are reluctant to face today's truth.

Is there any means of walking away from the basic truth? In Sri Lanka, the Indian troops are an army of occupation. The established government there wants it to go. The official opposition wants it to go. The insurgency opposition wants its departure. The Sinhalese-speaking never liked it; the overwhelming majority of the Tamils now abhor it; the Muslim community, otherwise known as moors, have declared that the country's problems cannot be resolved till as long as foreign troops interfere with the country's administrative processes. Just ask the Left in Sri Lanka, ask the Communist Party, ask the Sama Samaja Party, or ask Vijaya Kumaranatunge's widow: they are all agreed that no ground exists justifying the continued presence of the IPKF on Sri Lankan soil.

The Left, if they cannot afford to be honest with the world, must at least be honest with themselves. They have to admit, at least to themselves, that the people of Sri Lanka have the absolute right to abrogate the terms of an agreement initialled by their past president. This is

the core of national sovereignty. It is here irrelevant whether Ranasinghe Premadasa is a skunk or a scoundrel, whether his government is tottering, whether he has pitched his demand in the manner he has because the Janata Vimukthi Peramuna has caught him by the throat. It is equally irrelevant whether, following the departure of Indian troops, a dark night of anarchy descends on Sri Lanka. It is a free people's inalienable right to choose anarchy if they so decide. One who believes in exporting order, and enforcing such order through the intermediation of foreign troops, is no socialist. The resolutions he composes cannot cloak the nakedness of the fact that his or her claim to belong to the Left is sheer flippancy, or worse.

Hypocrisy of course does not believe in conforming to the bounds of consistent behaviour. Thus, at one end, the government in New Delhi will insist that the IPKF is for ever, because Junius Jayewardene's commitment cannot be brushed aside by his successor, and Indian troops will see to it that it is not brushed aside. At the other end, the same government has not the least doubt in its mind that, as far as Nepal is concerned, continuity in policy is an invalid concept: way back in 1978, Morarji Desai might have agreed to sign with the northern neighbour a transit treaty which was separate from a trade treaty, but indulgences of this nature are not to be permitted circa 1989.

Must the Left go along with such chicanery? Should these great issues which involve relationship and behaviour with foreign nations be left to the care of a handful of professional drafters of resolutions who, perhaps for their private reasons, seek the easiest way out and toe the government's line? The government consists of class enemies, but the external policy of class enemies, through some sleight of hand, gains acceptance as the right and proper policy for the Left to follow, even if it in effect means support to imperialist—and sometimes even fascist—causes, lock, stock and barrel.

On their way to the aspired popular democratic revolution, the Left must have stumbled, and stumbled badly. Otherwise how does one explain such extraordinary developments as that while furious debates are pursued over the merits and demerits of perestroika and glasnost, and a central committee can meet over and over to decide whether the students at Tiananmen Square were misled by alien ideology entirely on their own or whether their deviation is attributable to some confusion over ideology and praxis right at the level of the China party's leadership, no notice is taken of the fact that we, one of the poorest nations on earth, have been the world's largest importer of armaments—amounting to, on the average, Rs 7,000 to Rs 8,000 crore annually—for the past three years. The prime minister, in his altogether freewheeling manner, brands as anti-national whoever criticises the launching of the intermediate range ballistic missile, Agni; there is not one statement from the Left condemning the prime minister's wild charge. To oppose Agni and similar other resource-wasting defence projects and to deploy the funds thus saved for expanding programmes for primary education, irrigation, health and nutrition could, in certain circumstances, be manifestation of the highest forms of patriotism. But, sorry, to utter this basic home truth is no longer considered to be a compulsory obligation of a Left ideologue.

The Left are learning, and learning fast. Once upon a time, it was a simple world, the Left consisted of star-struck idealists, they had their undeviant, undeviable morality, they could distinguish good from evil and vice versa. The Left have left behind, or so it seems, those innocent days. They can now discover streaks of good in evil. And they compose their spidery resolutions accordingly.

Is there a wrench in the heart? But, don't you know, the heart has ceased to matter.

POTOMAC MUSINGS

Law's Aim Is Crime

Deena Khatkhate

The overweening position of lawyers in American society points to the way social and political relations have evolved in the US over the last 200 years. It is bargaining all the way and constant striking of deals. In this setting, the lawyer is king.

LAW is a binding covenant of a civil society because the condition of man is a condition of war of everyone against everyone. The predators have to be reigned in by law, this was the ancient gospel. Reason is and should be the life of law. If freedom is traduced, honour is besmirched, violence runs amok and if human life is to be more than an interregnum between birth and death, some codification of behavioural rules is necessary. But we are not presently living in a Lockean world where the beginning of law marks the end of tyranny. In these civilised times, laws become a burden, weighing us down at every stage of the conduct of our business. Democracy they say is rule by law, which gives you security, certainty and a certain predetermined course for your actions. Yes, democracy is the antithesis of dictatorship with its law of the jungle. And yet living here in the world's most enlightened democracy, to which not only ordinary people like us but also the Gorbachevs and the Zhaos of the declining communist empires are paying homage we are constantly lost in the jungle of laws and their diabolical practitioners. If you are born, the lawyer is there, like a doctor at the birth of an heir to the throne of the British empire, lurking in the distance to verify whether you are a test-tube baby, a baby of a surrogate mother or a baby by your legal father. In a society where 50 per cent of new marriages are dissolved in two years, and 40 per cent in the next five years, it is the lawyer who becomes your guardian angel and also godfather. If you fall ill, lawyers hone their wits to save you, not necessarily from death, not even from the doctor's bills, but from his maltreatment if only he can prove it so. You may be touched by his kindness when he tells you that you should not worry about his fees. He is a do-gooder, with the interests of all at his heart. You just give your consent and he will get you the compensation by proving in court that the treatment by your doctor or his coadjutors was wrong. He will be modest enough to keep for safe custody one-third of what he would collect from the doctor. If you survive, you will be a millionaire, if not your progeny will inherit the windfall, if your lawyer does not get into the act further to settle your inheritance.

But you should not be a sloppy moron to shed tears for your doctor. The doctor is safe with his malpractice insurance policy and an ever growing phalanx of lawyers has seen to it that they and those insured are well protected. The laws devised are complex, periphrastic; institutional memory is non-existent; case law is law which changes with every case. Lawyers are touchingly humanitarian; they have large hearts and have an abiding interest in those who are indicted for crime or fraud. Isn't presumption of innocence a basic tenet of their praxis? A Chinese was indicted a few days ago for the old-fashioned crime of murdering his wife for the old-fashioned reason that his wife had a paramour. A clever-clever lawyer and a cleverer-cleverer judge saw this tragedy through a prism of sociology and a bit of anthropology. They put the blame for the murder on the cultural background of the husband and he was set free. The Chinese in China, perhaps because of their preoccupation with the struggle against Deng

and Li Peng, may not have heard of this verdict. Otherwise they would have rediscovered their lethal weapons of punishing others.

Lawyers in America have spawned such a strange culture that one benign soul despaired for the future for this society: "There is no tragedy without liability, no vice without villains." See what havoc this litigious frame of mind of the Americans has caused them. There is a pregnant woman in California who guzzled half a bottle of bourbon every day during her pregnancy at the end of which she delivered a retarded child. On the advice of her lawyer that it could be a product liability suit, she filed a case in court against the makers of Jim Beam bourbon for failure to warn her that drinking bourbon during pregnancy would cripple her child. There is another who smoked incessantly and was hospitalised with cancerous lungs. Since the cigarettes she smoked caused the cancer, she sued the tobacco company and was awarded $ 4,00,000 compensation. A young couple rented an apartment in a condominium owned by an orthodox Catholic lady. When she knew that the couple renting the apartment were not married, she gave them notice to quit on the ground that an unmarried couple could not indulge in sexual activity, at any rate in her condominium. The couple was awarded handsome compensation.

Bizarre as these cases may be such suits have been elevated to a fine art by lawyers and political interest groups to mulct their rich clients. For the lawyer who won the case of the cancerous woman against the tobacco company, it was his investment in future tobacco litigation. The Bhopal disaster might have killed thousands of innocent people in that unfortunate city, but lawyers here were roused not by moral outrage, not by the gigantic human tragedy; they saw in it a golden opening for plunder and booty.

Even the simple prank of a teenager is exploited to the hilt by the lawyers for self-aggrandisement, without any concern for its social and moral consequences. A little black girl, intrepid, callow and footloose, absconded from house for fear of being smacked by her stepfather for absence from home late at night. She allowed her imagination to run wild and told the police who found her on a heap of garbage that she had been raped by some white boys, beaten up and left unconscious. The lawyers saw their chance for both money and publicity. Knowing fully that the story was a fib, they created a brouhaha about race relations and made unsubstantiated charges against the defence attorney. They almost succeeded but the truth was eventually out. The girl made up the story to save herself from a battering. But the lawyers, knowing the truth, did not relent and almost ignited a racial conflict.

It is a great conundrum of American society why lawyers and their cohorts are dominating not only the government but all other echelons of the social structure. Look around and you will see lawyers in the ranks of politicians, economists, academics, sportsmen and even the scientists. The overpowering position of lawyers points to the way social and political relations have evolved over the last 200 years. The president of the United States seems all-powerful and yet he is not; the Congress is supreme and yet it is not; the Supreme Court is the apogee of justice and yet it is not. Every organ of the government is a hostage to every other hand each one can be strong if it is allowed to be. It is bargaining all the way which ultimately climaxes into policy for the nation for good or evil. The government is only a mirror image of the society which is a potpourri of the diverse national and cultural groups which emigrated to America and they all survive through striking deals. And deals have to be negotiated. Social intercourse is conducted as a business. If guns are sought to be restricted, there is a lobby to fight the move, if restrictive practices in the medical profession are to be torn down, there is medical association to wage a battle to prevent it. If some foreign country wants a change in US policy to favour it, there are consulting firms galore staffed with people with talent for casuistry. Even law and order is negotiable with those who break it with impunity. Judges interpret the law but also encourage plea bargaining. You commit a heinous crime, then make pleas for lesser punishment by squealing on someone or the other. This is a game theoretic model of democracy; for every move of yours, there is a countermove. Who can do it better than a lawyer who, like Scarlet pimpernel, is everywhere. The American educational system may not throw up scientists, mathematicians, biologists, but lawyers are cheaper by the dozens, though the price they command defies the laws of demand and supply. They have made a bargain out of everything, uour life, your death, children, patriotism, justice, wife and marriage. If you don't play that game, you will be thrown by the wayside. In this kind of democracy, the lawyer is a necessity. Oliver Cromwell said of law and the lawyers: "Necessity has no law. Feigned necessity, imaginary necessities are the greatest cozenage that men can put upon the Providence of God and make pretence to break known rules by." But then who called Cromwell a democrat? Law and lawyers and part of democracy's kit. Those innocent Chinese students slaking their thirst for democracy, were shouting hoarse in Tiananmen Square in Beijing for "law and not party". If only they had known the worlds greatest democracy with its laws and what the lawyers have made of it all, they might perhaps have asked instead for "not party, not law, not rarefied democracy but reification of democracy".

Repression in Kashmir

A G Noorani

Cases of police atrocities are being reported with increasing frequency in Jammu and Kashmir. The national press and civil liberties groups appear to be unaware of this situation.

WE are by now used to harrowing stories of torture and faked encounters in Punjab but the national press has been sorely remiss in not reporting police atrocities in the state of Jammu and Kashmir. The task is being nobly performed by the daily *The Kashmir Times* edited by Ved Bhasin, a journalist highly respected for his integrity and fearlessness.

The issue of June 10, 1989 carries a report from the paper's Jammu correspondent on the death of Sarabjit Singh in police custody. He was one of the two alleged terrorists arrested in the evening of June 7 and "was allegedly meted out torturous (*sic*) death in the police custody though the interrogators claimed that he committed suicide". He was brought dead to the hospital where his post-mortem was conducted. The correspondent adds "Initial investigations revealed that the 'youth was tortured to death', with multiple injuries on his body." The government alleged that he had "consumed some poisonous substance as a result of which he died". A magisterial inquiry was ordered. The truth will be known.

The father of the deceased, Sher Singh, alleged torture and said that the body was blackened by it. It bore marks of multiple injuries and his knees, chest and legs had the signs of severe torture. "Isn't that enough proof of what the police had done to my son?"

In the Kashmir valley similar charges have been heard. On June 5, the People's Conference chairman Abdul Ghani Lone alleged the systematic practice of torture in interrogation centres, according to *The Kashmir Times* Srinagar correspondent Jafar Meraj who bears the torch of his late uncle Shamim Ahmed Shamim. Lone urged the central and state governments to find some political solution to the problems facing the people instead of resorting to brutal methods.

The correspondent reported:

> Lone charged the government with having hatched a conspiracy to make the arrested youth physical and mental wrecks by subjecting them to unprecedented physical and mental torture, both.
>
> He said that most of the arrested youth had fallen prey to one or the other disease and in this connection cited several examples. Habibullah Mir of Lonehari village in Handwara had developed heart trouble in the interrogation centre and was lying in a critical condition in Soura hospital. Ali Mohammed Mandoo of Gonipora in Handwara presently lodged in Hiranagar jail had lost his mental balance and had virtually turned mad. Both the legs of Abdul Ahad Butt of Wadipora Handwara had been broken in the interrogation centre and he was now fast losing his sight also. Mehmood Ahmad Sagar had developed heart trouble and none of his family members was allowed to see him nor was he being given any medical treatment.
>
> Mr Lone also doubted the government's claim about the alleged escape from police custody of the two prominent militants, Mohammad Ahsan Dar and Mohammad Nayeem Butt and said there were apprehensions in the minds of the people here that both had been physically liquidated by the police.

The charges are as grave as they are specific. If the people of the valley are not to feel alienated from the rest of the country a citizens' committee set up by the PUCL or PUDR or jointly by both should visit the state and report on the civil rights situation in both the valley as well as in Jammu.

Consider another detailed report in *The Kashmir Times* of June 2 by Arun Sharma:

> All the persons arrested from time to time in the state on the charge of being 'enemy agent' have been awaiting judicial trial for the last several years.
>
> Even after several years of their arrest the police has yet to present challans again[st] them in the competent courts. The accuse[d] in almost all such cases have, however, bee[n] bailed out by the courts.
>
> Though released on bail, a number of th[e] alleged 'enemy agents' who claim themselve[s] to be 'innocent' are awaiting judicial trial o[f] their cases to remove the stigma. However many others are reported to have crossed ove[r] to Pakistan, after securing bail from a com[-]petent court and yet the police appears to b[e] in no mood for presenting challans agains[t] the persons to whom it had once accused o[f] being 'enemy agents'.
>
> Such is the sordid state of affairs of th[e] law and order agency in the state.

Sharma's despatch is detailed and set[s] out the facts fairly enough. The net resul[t] he says is that not one alleged 'enemy agent' has so far been convicted by th[e] court either for want of police challan o[r] prosecution evidence. Meanwhile, no doubt the accused languished in jail til[l] they secured bail. What happens in jails we all know.

In a case decided on August 11, 198[8] (Mohan Lal Sharma vs State of Utta[r] Pradesh) by the Supreme Court, the chief justice R S Pathak remarked "we may note that we are gravely concerned at the increasing number of deaths which are reported of persons detained in police lock-ups". The court directed the CBI to make "a thorough and detailed investigation". It rejected the magistrate's report as unsatisfactory. The court acted on a telegram from the petitioner saying that his son Sanjay aged 17 years, was arrested by the Agra police on October 10, 1986 in the morning. He was not produced before a magistrate the next day as the constitution requires. He alleged that Sanjay was murdered by the police in the lock-up.

THE WORKING CLASS

Lessons of Hindustan Lever Lock-Out

Radha Iyer

The year-long lock-out at Hindustan Lever's Bombay factory, which was lifted last month, poses a crucial question for trade unions: can unions contain or reorient the development of larger economic forces in society? If not, then what policies ought unions to adopt during major phases of industrial transformation such as the present one? Is surviving to fight another day the only available option?

AMONG the recent agitations on the labour front the lock-out at Hindustan Lever was a major one. Apart from the fact that it involved 3,000 workers and one of the largest multinational companies and stretched a full year, the real significance of the lock-out lay in the fact that in it were crystallised the major issues confronting the trade union movement today.

Indian industries in general have been going through a phase of restructuring both internally and externally. The post-independence period saw the expansion and consolidation of a large organised private sector under the aegis of the 'licence and permit raj'. Protective state regulations nurtured Indian industries and helped them strike roots both in terms of technology and markets. All this gave birth to a stable skilled and organised workforce. This workforce was protected too. Laws governing arbitrary hiring and firing, reckless closures, retrenchments and lay-offs governed the organised workforce.

As industry outgrew this phase, it began to seek optimum utilisation of capital and labour. The small-scale sector grew in a big way with the help of numerous concessions and exemptions from licensing laws, excise duties and other industrial regulations. The organised industrial sector began to farm out unskilled and low technology jobs to the small sector. All this gave rise to a large unorganised workforce comprising workers in the labour-intensive small sector and the contract workers under labour contractors. The large industries retained the high skill, high technology jobs and the skilled workforce. The small sector was exempted from the protective labour legislation. Here hiring and firing, retrenchments, closures and lay-offs were simple. Employment of contract labour came to be legalised. With this, Indian industry was poised for further radical changes. The licence and permit raj has given way to liberalisation and protection to competition. Mergers, amalgamations, takeovers, diversifications and geographic relocations have become the characteristic features of this phase of industrial development. For the labour, these changes have had the most far-reaching consequences, throwing out of gear established trade unions, and protections gained through years of struggle, leaving them disoriented and groping for new ways and methods of protecting their interests.

Between 1947 and the late sixties the principal pre-occupation of trade unions was to fight for rights and privileges. The next phase from the late sixties to the late seventies was a turbulent phase in industrial relations, with numerous prolonged strikes and lock-outs throughout the country. The focus of these struggles was increase in wages, and invariably the increases in wages (often in the form of incentives) came to be traded off against rise in productivity and introduction of new technology in the organised industries. Since the eighties, however, the primary pre-occupation of unions in organised industries has become protection of jobs and the interests of workers in the face of inevitable job losses.

Sub-Contracting and Dispersal of Production

Hindustan Lever was a part of these processes and so was industrial relations in the company. During the mid-fifties and sixties the company grew as the premier unit in the field of soaps, detergents and edible oils. During this period trade unions were formed. The 1956 settlement between the union (then known as the Lever Brothers Employees Union) and the company (then known as the Lever Brothers (India) Private Ltd and the Hindustan Vanaspati Mfg Co Pvt Ltd) classified jobs after evaluating them. Each job and operation was classified on the basis of the job content, the mental ability required to perform it, the physical exertion, responsibility, education, training and so on, and on that basis grades were evolved and pay fixed. Earlier in 1[...] Standing Orders came to be introduc[...] laying down the conditions under wh[...] employees' services could be terminat[...]

By the seventies, the company began [...] develop the Garden Reach factory [...] Calcutta as the second most import[...] plant after its Bombay factory. It a[...] developed the Ghaziabad factory a[...] shifted part of Vim and vanaspati produ[...]tion there. The expansions were slow a[...] the pace steady. The thrust of the chang[...] during this period was in the producti[...] processes in the Bombay factory. Duri[...] this time, contract labour came to [...] employed in a big way in the Bombay fa[...]tory. Regular maintenance jobs, cleani[...] jobs, electrical and engineering jo[...] within the factory came to be handed ov[...] to labour contractors. Around the mi[...] seventies the company is estimated to ha[...] employed nearly 800 contract labours [...] the Sewree factory, which was a little le[...] than one-third of its workforce. Durin[...] this time the contract labourers too bega[...] to organise and demand absorption[...] which issue became the most sensitiv[...] issue in union-management negotiation[...] At this stage the permanent employee[...] through their union took considerabl[...] interest in the absorption of contrac[...] workers on the permanent rolls of th[...] company. The company absorbed a hand[...]ful of contract workers and signed a set[...]tlement with the union that employees[...] children would be given preference in th[...] matter of employment. With the job[...] becoming 'hereditary', so to say, the union lost interest in the absorption of contrac[...] workers.

From 1977 onwards, the compan[...] began to sub-contract production in a bi[...] way. This was quite a different thing from employing contract workers on the fac[...]tory's premises. Sunlight soap noodle[...] came to be sent out to small factories fo[...] cutting and packing. Inserting of tooth[...]paste in tubes was sub-contracted. The company began to plan sending other pro[...]ducts like Lifebuoy and toilet soap noodles to small factories for cutting, stamping and packing. This threatened the jobs of the permanent workers directly. 1980 saw a 40-day strike by the workers on the issue of sub-contracting of jobs. In 1980 came the new industrial policy statement. Winds of change began to blow, and the new catchword was modernisation. Geographical relocation became an important aspect of growth. It became clear to the company that it must take optimum advantage of these changes in the industrial climate. Modernisation meant reduction in the workforce. In 1981 the company stopped all new recruitment at its Bombay factory. This policy continued, except for a small break in 1985 when about 58-60 workmen were recruited.

Taking advantage of the concessions to backward areas for new industries, the company set up detergent plants at Jammu and in Chindwada around 1980. The Tiruchi plant which had been closed was restarted around 1978. The company also set up a vanaspati plant at Shamnagar. However due to the boom in the detergents and soap industries it was not yet necessary to actually reduce the output at the Bombay factory. In fact 1985 was the peak production year for the Bombay factory when production levels were the highest since the commencement of the factory. The company went ahead with the modernisation of its Bombay factory, investing nearly Rs 30 crore. A new cogeneration plant was set up. All this required extensive redeployment of existing workers.

Good-Bye to 'Participatory Management'

As pointed out earlier, the settlements arrived at during the first phase had detailed strict job descriptions, gradations and norms. These settlements continued to operate and were binding. They became major constraints in redeployment of labour. The present situation required flexibility in shifting workers from one job to another and one department to another. A showdown over this issue could lead to work stoppages which at that stage the company could ill-afford as alternative production facilities had not been organised fully and markets were becoming increasingly competitive. Modernisation could not be effectively implemented by antagonising workers, yet it had to be done. In industrial relations after 1981, the company adopted a policy of settling all issues with the union. 'Participatory management' became the keyword in industrial relations. After 1964 there had been no wage revision in the company for ten years as the issue was pending adjudication before courts. The next wage revision which was due in 1979 was settled bilaterally after agitation by the union. In 1981 the workers agitated for bonus, as over 50 per cent of the workers were outside the scope of the Bonus Act, their wages being above Rs 750 per month. This issue was also settled.

In 1982 a new wage revision became due. This time the company had decided to push the modernisation issue and barter modernisation and redeployment in exchange for wage increases. The charter was settled in September 1983. This settlement was qualitatively different from the previous ones inasmuch as for the first time the union agreed to modernisation on a limited scale and agreed to redeployment of 150 workmen in the modernised departments by mutual agreement. (The actual redeployment however was much higher as nearly 200 workmen were redeployed due to modernisation and 300 due to closure of certain departments.)

At this time it appears that the company had taken a long-term view of modernisation and had long-term plans stretching over 7 to 10 years—with another agreement like the 1983 settlement and the union agreeing to further modernisation and reorganisation, with another 300-350 workers due to retire, and with a voluntary retirement scheme inducing some 500 to 700 workers to go. So industrial relations could have gone along in conformity with the modernisation, restructuring and geographical relocation which was taking place in a big way.

Quickened Restructuring

By 1984-85 the pace of restructuring quickened. The company had completed the acquisition of Lipton India by May 1984. It planned to transfer production of all food products to Lipton. This meant closure of the vanaspati department in the Bombay factory. Between 1985 and 1987 the company set up a synthetic detergent factory at Sumerpur in UP, a toilet soap factory at Orai, also in UP, the installed capacity of the synthetic detergent factory at Chindwada was increased, a processed vegetable oils plant at the Kandla Free Trade Zone, it took on lease Union Home Products at Mangalore for manufacture of soaps and it acquired Stepan Chemicals and another company known as Shekar Engineering Industries. Later the Board of Industrial and Financial Reconstruction directed the company to take on lease Sunrise Soaps and Chemicals at Rajkot. The company had also set up a unit at Kamgoan. All this was in the field of soaps, detergents and vegetable oils—the industries to which the company had belonged in the past. Besides these the company also set up a garment factory at MEPZ and a functionalised biopolymers plant at Pondicherry for manufacture of footwear. The Haldia factory, which was basically a chemical factory, now came to be expanded for the production of Zeolite and synthetic detergents. Except the Haldia project, most of the other projects have already been completed or are likely to be completed and commissioned by the end of 1989 and the beginning of 1990.

By combining restructuring with 'participative management', i e, by a process of bargaining for modernisation and redeployment, introducing voluntary retirement schemes and banning all new recruitment in place of retired employees the company could have brought down its workforce in the Bombay factory to 1,000 by 1990-91, i e, by two-thirds of its present strength without any major showdown with its workers. But by 1986 the company's products began to face serious challenges in the market. Nirma took on Surf, then the bar soaps came to be challenged, and with Nirma coming out with soaps along with other smaller companies, the company seems to have been gripped with a sense of market insecurity. Added to this insecurity were certain policies and perceptions of the situation by the union. It is necessary to pause here and turn to the union and the developments within it.

The Union: Distinctive Features

Two important features of the trade union organisation in the company stand out clearly. One, the company has always had an internal union. The union was never part of any general union at any time since its inception. Second, the internal leadership was invariably influenced by persons who politically sympathised with the most radical trends in the communist movement in the country. In the fifties G Sundaram of the undivided Communist Party was the general secretary of the union. He was also the most militant and influential trade union leader then. During the early sixties, even though the union president was Raja Kulkarni of INTUC, the internal leaders and other office-bearers continued to be persons influenced by communists. When the CPI split, CPI(M) leaders emerged as militant left leaders and CITU's influence spread in Bombay. The Hindustan Lever Employees Union came to be presided over by the leaders of the CITU. Then CITU's influence in the trade unions waned and Bombay was gripped by the Samant phenomenon. By 1981, D R Samant became the president of the union but at least some of the internal leaders were either influenced by or sympathetic to the CPI(ML). All this had left the union with a certain strong tradition and ethos. Compared to other unions it was democratically run and at all times relatively free of corruption. Unlike many of the newer unions in the city, it was run at all times by persons who knew the basics of collective bargaining and trade unionism, and to that extent were more professional. Above all, whatever internal disagreements and contradictions that existed within the union and its active members, these never led to a split in the organisation. Hence there was never any overt trade union rivalry amongst the workers

By the early eighties it became clear to the union that job losses were going to emerge as the most important issue. In 1983 it was compelled to give some concessions regarding modernisation and redeployment. In 1986 the company decided to reduce the production of 'Rin' soap by more than half. The leaders at the Bombay factory were once again compelled to negotiate the issue and settle it in return for certain concessions in the form of grades and increments. It may be mentioned here that while the leaders of the Bombay factory against whom the company carried out a hysterical campaign during the lock-out, calling them extremists, naxalites and what not, settled the issue of partial closure of the Rin

department, in the Garden Reach factory in Calcutta, where also the production of Rin came to be stopped partially, the workers went on a prolonged agitation leading to wage cuts, dismissals and retrenchment notices by the company which was turned down by the government. In both cases the company achieved what it wanted objectively, namely, cutting down Rin production. In Bombay it was organised and smooth while in Calcutta it was through a show down with the union and workers.

Fear of Federation

By now it was clear that even if the restructuring of the company was smooth and done in a manner acceptable to the workers presently employed, at the end of it all the bargaining power of the union would be drastically reduced. The contribution of the Bombay factory would be reduced to 25 per cent of the company's profits at its best. It was at this stage that the union decided to activise the federation of Hindustan Lever employees. The federation had already existed, but had been ineffective. The Garden Reach factory, which was the second largest, had been outside the federation. The Bombay factory union established links with the Garden Reach factory. The Bombay factory and the Garden Reach factory together accounted for nearly 70 per cent of the company's production. The federation meetings in 1987 were euphoric. When the company imposed wage cuts and dismissals in Garden Reach, the Bombay workers went on a token strike and organised protest marches to the head office of the company.

A strong federation was considered to be fatal by the company. It could be a major obstacle to its restructuring plans. The nature of the company's products was such that it could not give out major production processes to smaller factories. Superior technology and economies of scale were needed to maintain its lead over its rivals in the market. It was therefore necessary for the company to set up its own capital intensive plants in backward areas with cheap labour, state incentives and savings on transportation costs. A federation would mean rise in wages and more bargaining power for the workers all over the country. Caught between market insecurity and the federation factor, the company seems to have decided to go in for a decisive show down with the Bombay factory union.

The first signs of this change in strategy became clear with the changes in top factory management personnel. Adherents of 'participative management' ideas gave way to hardliners in industrial relations. From 1987 the company began preparing for a show down. Production was diverted to other sources and units. The pace of subcontracting production to other industrial units was stepped up. In 1987 Rin production was stopped completely.

The immediate reasons for the lock-out were quite obviously provocative. In April 1988, the company directed some of the workers who had been rendered surplus due to closure of Rin department to do 'mathadi' work, i e, loading and unloading work. Loading and unloading work in Bombay is regulated by the Maharashtra Hamal and Other Manual Workers (Regulation of Employment and Welfare) Act under which Grocery Markets and Shops Board for Greater Bombay is established. The 'mathadi' workers are workers registered with the board and their service conditions are regulated by the board. The Mathadi Act prohibits employment of non-registered workers where registered workers are allotted by it. The company's demand was bound to be resisted and the company knew it. It may be mentioned here that the negotiations for wage revision had come to a dead end. The last wage settlement expired in June 1986 and a new settlement was being negotiated. For three years the company procrastinated over the issue. During the negotiations held in this period the differences had been reduced to minor issues. On all major issues it had been possible to arrive at some understanding. Yet the finalisation of the settlement dragged on, leading to discontent amongst workers.

Calculations Gone Awry

With effect from June 21, 1988 the company declared a lock-out. The principal object of the lock-out was to smash the union as an organisation. The decision to lock-out was founded on three important calculations. First was the company's assessment of its workers. The company did not think Hindustan Lever workers were capable of a prolonged fight. A few months of economic hardships would compel them to return to work, even if it meant bypassing the union and the leaders. If a large group returned, the company would have locked out the rest for as long as it wanted, since the internal restructuring had made it possible to carry on profitably with a minimal workforce. Even the most highly paid worker is in the final analysis a worker. To succumb and return, bypassing the union, is always a painful decision which every worker will try to avoid as far as possible. And none of the workers returned.

The company's second calculation was that there was bound to be some violence somewhere. Once this happened all the leading union activists could be implicated in criminal cases and detained in custody. The workers would then be without leadership and direction. The focus of the union's activities would shift from tackling the lock-out to defending their leaders. The company carried out a high-pitched propaganda against the important leaders in the press and particularly in government circles branding them as extremists and naxalites. In retrospect it appears that this was done so that if the leaders came to be arrested getting them released on bail would become extremely difficult. Even the chief minister made statements at his 'Janata Darbars', press conferences and public meetings that he would not intervene unless the workers had rejected the naxalite leadership. This calculation too failed. The company's aggressive campaign had made the union leadership extra cautious about violence. For this it was essential that the active workers did not get restless and go beyond the bounds of organisational discipline, which invariably would happen after a few months. It was essential that they were kept pre-occupied. It was at this stage that the union quite accidentally struck upon the idea of manufacturing and selling a symbolically parallel detergent powder which was given the brand name 'Lock-Out'. This move sustained the union in several ways. It kept the active workers pre-occupied with some activity and helped maintain union discipline. It created a great deal of sympathy amongst workers in the other factories in Bombay who enthusiastically welcomed 'Lock-Out' detergent. And it had great propaganda value amongst sections of the middle classes and the press.

The company's third calculation was that a rift between Datta Samant and the internal leaders given their totally different perceptions and policies was inevitable at some stage. Between Samant and the internal union, Samant was the lesser evil in the company's perception. When the rift occurred the company would deal directly with Samant. That would affect the credibility of the union and the internal organisation would become ineffective. This calculation too failed.

Stalemate

By the end of December 1988, the lock-out was reaching a stalemate. In December 1988 the company closed down its catalyst plant. Even though the company had arranged alternative sources and means for keeping its production lines going, the company was in no position to do without the Bombay factory altogether for an indefinite period of time, more so when competition in the market was very keen. The union was also under pressure by this time, but in December 1988 the workers re-elected the same internal leaders and decided to stand by the union. This boosted the morale of the union, but the pressure remained.

In February 1989 the company introduced a voluntary retirement scheme. The company calculated that workers would start leaving on a big scale and the union would buckle under the pressure of this large-scale exodus. The retirement scheme however proved to be another shot in the arm for the union. For all those workers

who had lost their staying power, this was an opportunity to get out honourably. About 450 employees out of 3,000 accepted voluntary retirement. As a result those that stayed on were workers who were willing to see the lock-out through till the end.

It was only at this stage that the company began to seriously seek the intervention of the government for resolving the dispute. Until then, though numerous discussions had been held before the labour commissioner, most of them were at the instance of the union and the company did not make any serious effort to meet the union half-way. By the end of May the chief minister began to take interest in the lock-out for the first time. By this time, numerous litigations came to be filed in various courts regarding different aspects of the lock-out and there was the added fear that somewhere some court order may go against the company. The workers coming back to work waving a court order would have been an impossible situation for the company.

Since the thrust of the lock-out was to smash the union, there were hardly many irreconcilable points when it came to negotiations. In June 1988, at the commencement of the lock-out, the union had approached the labour commissioner for intervention. At that stage the company had imposed nine conditions for the lifting of the lock-out. Of these the first one was that the 1983 settlement would be adhered to and the second the 1985 production levels would be maintained. Others related to redeployment, maintaining discipline in the factory and performance of jobs pending fresh job evaluation. Of the nine conditions the union had accepted seven. The one unacceptable condition was linking wages to productivity. This was opposed by the union. Such a practice does not exist anywhere in the country and is against the well established principles of region-cum-industry as the basis of fixation of wages. The other condition related to permanent workers doing 'mathadi' work which the union had agreed to resolve in consultation with the Mathadi Board. The company's demand for withdrawal of court cases the union was willing to consider upon some part of the lock-out wages being paid to the workers.

About-Turn

After one year of lock-out the chief minister himself came out firmly against productivity-linked wages. The company now insisted that they would not sign any settlement until the composition of the union committee had been changed and the president Samant, the vice-president and the general secretary had been excluded. Finally, even on this point it had been agreed that these three persons would not sign the settlement. At this stage the company did a complete about-turn. It abandoned tripartite negotiations and settlement altogether and made one last ditch attempt to throw the union out of gear. From June 21, 1989 it decided to unilaterally lift the lock-out, bypassing the union altogether. The pre-condition was that the workers were to sign an undertaking in the form of an individual settlement. The terms of the settlement were substantially what had been agreed to by the union in June 1988.

Once again the company's calculation was that a big section of the workers would immediately rush to the factory gate. Others would oppose the workers going back under the conditions imposed by the company and there would be confusion and chaos. Police had been mobilised in a big way at the factory. On the first day of the lifting of the lock-out the union too had fixed a general body meeting. All workers reported at the general body and none at the factory gate. The second day too none reported. The third day onwards groups were formed and workers reported in organised groups. At the general body meeting, workers decided everyone should go back and continue with the cases and challenge the individual undertaking, in the form of settlement, taken by the company. Though all workers returned, the union as an organisation had not been compelled to sign any compromising settlements. At the end of it the union remained and the leaders remained. Except one leader none had been dismissed. The litigations continue. For the worker it was no doubt a big come down to have to submit to individual undertakings. But looked at from the point of the purpose for which the lock-out had been imposed, namely, to smash the union organisation, things have come a full circle. Three days after lifting of the lock-out there was a morcha to the head office over a small issue.

Only Option?

The restructuring of the company which was the context of the lock-out continues even after the lifting of the lock-out. More than eight departments have been closed since then. The hard soaps and toilet soaps departments are partially closed and the process continues. But the wounds inflicted by the lock-out are likely to fester for a long time.

The Lever lock-out poses a crucial question for the trade unions, viz, can the trade unions, which are merely defensive organisations of workers within the existing framework, contain or reorient the development of larger economic forces in society? The answer is an obvious no. Then what policies ought unions to adopt during such phases of transformation as the present? Is surviving to fight another day the only available option?

Politics of Electoral Rolls

Congress (I)'s Two-Faced Role

On the issue of revision of electoral rolls in Assam, the Congress(I) is playing a two-faced role—appeasing Assamese sentiment in the Brahmaputra valley and simultaneously stoking the apprehensions of the so-called 'illegal foreigners'.

THE current controversy over the revision of electoral rolls in Assam shows how there are virtually no limits to the cynicism of the Congress(I) which is playing a double-faced role—of appeasing Assamese sentiment in the Brahmaputra valley and simultaneously inciting the passions and apprehensions of those sections of the state's population viewed by the majority of the people in the Brahmaputra valley as 'illegal foreigners'.

The revision of electoral rolls now going on according to a set of guidelines provided by the Election Commission has been attacked by virtually all opposition parties in the state—the Congress(I), the two factions of the United Minorities Front (UMF), the Congress(S), the CPI(M) and the Janata Party. Though all these parties have formally lodged protests with and submitted memorandums to the Election Commission, it is the protest by the Congress(I) (which has also threatened to seek legal redress in the Guwahati High Court) that deserves a closer examination.

The guidelines were issued by the Election Commission which, given the state of the institutions in the country, surely could not have acted without clearance from the union home ministry (read Congress(I)). And yet, the Congress(I) has been among the most vociferous in protesting against these guidelines. The Asom Gana Parishad (AGP) government which assumed office on the wave of the euphoria generated by the signing of the Assam Accord is sitting pretty over this simulated outrage of the Congress(I) leaders in the state, sure in the knowledge that the more the Congress(I) leaders foam at their mouths (even if only for the record), the greater will be its claim to be viewed as a party which had made advances in the implementation of the Assam Accord. But the AGP leaders too know very well that the guidelines cannot be fully followed in the revision of electoral rolls because of some grave lacunae: the crucial 1966 electoral rolls, which the Election Commission's guidelines say ought to be the reference point in establishing who is a foreigner and who is an Indian citizen in the cases of persons enumerated but about whose Indian citizenship the Electoral Registration Officers may have 'doubts', simply do not exist in their entirety.

The 'Guidelines'

But first, what are these 'guidelines' that have created so much of some genuine but mostly simulated indignation by the political parties of the opposition and only slightly less simulated sense of satisfaction by the AGP government?

As is well known, the Assam Accord provided for identifying two streams of illegal migrants into the state: one, those established to have entered the state illegally between January 1, 1966 and March 24, 1971; and two, those established to have entered the state illegally after March 24, 1971, the date on which erstwhile East Pakistan declared itself independent Bangladesh. Those in the first stream are to be *detected* in accordance with the provisions of the Foreigners Act, 1946 and the Foreigners (Tribunals) Order, 1964, after which their names are to be *deleted* from the electoral rolls in force; and "on the expiry of a period of ten years following the date of detection, the names of all such persons which have been deleted from the electoral rolls shall be restored"—in other words, *disenfranchised* for a period of ten years.

The second stream of illegal migrants, (post-March 24, 1971) "shall continue to be *detected, deleted* and *expelled* in accordance with law".

In other words, every illegal foreigner who entered Assam after January 1, 1966 is to be 'detected'; every such foreigner's name is to be 'deleted ' from the electoral rolls—those coming under one category (January 1, 1966 to March 24, 1971) for a period of ten years and the post-March 24, 1971 category permanently; and the latter category is also to be 'expelled'. It should be noted that the 'expulsion' of the second stream of illegal migrants is to be done according to the provisions of the Illegal Migrants (Determination by Tribunals) Act, 1983 (IMDT Act) while the first stream of illegal migrants (who are only to be disenfranchised for a period of ten years) are to be tackled under the provisions of the Registration of Foreigners Act, 1939 and the Foreigners Act, 1946, and the rules framed thereunder. These acts which were effectively (perhpas over-effectively) being applied to cover all the illegal foreigners in Assam till 1983 were deliberately made applicable selectively after that date by the passing of a new legislation, the IMDT Act, which is applicable only to illegal foreigners in Assam. Thus, an illegal foreigner who has to be detected and expelled is covered by the IMDT Act while a person in exactly the same situation in neighbouring Meghalaya is covered by the provisions of the Foreigners Act, 1946. The rationale behind such a transparent anomaly, involving the political calculations of the Congress Party in Assam and its traditional vote banks in the state (appropriated by the UMF briefly before the December 1985 elections but now in the process of being regained), is too large a subject to be gone into here.

AGP Reconciled

Predictably, the Assam agitation leaders who within weeks of signing the Assam Accord transformed themselves into leaders of a new regional party, the Asom Gana Parishad (AGP) and soon thereafter captured political office, found the going tough when it came to implementing the Assam Accord, especially those provisions of it covering the detection, disenfranchisement and expulsion of the impugned foreigners. They had anyway already made substantial compromises in signing the Accord and agreeing to 'regularise' all the presumed illegal foreigners established to have arrived before January 1, 1966, though one of the stated demands of the Assam agitation was that all illegal foreigners from 1951 (later 1961) were to be 'deported' (no vague reference to expulsion). They had also agreed that the post-March 24, 1971 illegal foreigners were to be 'expelled' without any indication in the Assam Accord how, and more importantly to which part of the world, such detected illegal foreigners were to be 'expelled'—and knowing fully that this stream of illegal foreigners was by then covered by the already enacted IMDT Act whose provisions are such that virtually no one can be 'expelled' under them.

Most importantly, after maintaining throughout the Assam agitation that the electoral rolls in Assam had become hopelessly contaminated because of the inclusion of the names of 'lakhs and lakhs of illegal foreigners' (the beginnings of the Assam agitation have to be traced to the efforts of the All Assam Students Union,

with the help of sympathetic officials in the state administration, to secure the removal of the names of tens of thousands of such presumed illegal foreigners from the electoral rolls of the Mangalaoi Lok Sabha constituency, before the by-election in the middle of 1979 which anyway could not be held) and indeed after enforcing a boycott of the February 1983 elections to the state assembly on the same grounds—and further boycotting the 'illegal' ministry headed by Hiteswar Saikia that assumed office after the February 1983 elections, the AASU leaders as AGP leaders fought the December 1985 assembly elections when electoral rolls based substantially on the 'tainted' 1983 electoral rolls were used. Since assuming office, the AGP has fought three by-elections as well as elections to the district councils in the two autonomous districts in all of which the electoral rolls used have been based on the electoral rolls of 1983.

Thus it appeared as if the AGP government had more or less reconciled itself to the realities of political office and had learned to live with the 1985 electoral rolls, though the campaign for revision of the electoral rolls in such a manner as to exclude from them the post-1966 illegal migrants was kept on—by the AGP in the form of statements and by the AASU through some low-key agitation programmes. The state government had anyway more serious problems on its hand including the agitation for a 'Bodoland' by the All Bodo Students Union led by Upendranath Brahma (ABSU-UB).

It was in such a situation, while the revision of electoral rolls was going on in a routine manner accompanied by low-key protests from the AASU, that the Election Commission issued its 'guidelines' on May 17 for the revision of electoral rolls in Assam. AASU which had threatened to launch an agitation on the issue happily withdrew the threat.

The guidelines provide for the preparation of two lists of all enumerated voters in the state. List I is to contain the names of persons enumerated about whose Indian citizenship the Electoral Registration Officer (ERO) does not consider it necessary to make further inquiries. List II is to contain the names of persons in respect of whom the ERO has reason to entertain doubts, "that is, persons who cannot be directly or through their parentage linked to the 1966 electoral rolls". These 'doubtful' persons' claim to be included even in the draft electoral rolls will depend upon their producing any of the following four documents (none of which an ordinary Indian citizen carries or possesses): (1) citizenship certificate issued by competent authority; (2) certificate of date of birth; (3) copy of the 'National Register of Citizens', a document prepared at the time of the 1951 Census about whose validity or even existence there has been some controversy; and (4) extract from the 1966 voters list or any pre-1966 voters lists establishing links with that document. According to opposition political leaders in the state, the 1966 voters list are available in respect of only some 52 or 53 out of the total of 126 assembly constituencies in the state. The guidelines clearly lay down that "any other document which is not free from doubt should not be relied upon". But on recent representations by the opposition parties the Election Commission is believed to have modified this directive and allowed the EROs to consider other documents admitted under the Evidence Act (like ration cards, etc) also as proof of citizenship. It is against these guidelines, which have come as a sort of a windfall to the AGP government that the opposition parties including the Congress(I) are protesting.

Curious Protest

That the UMF or the CPI(M) or the Congress(S) would protest against these guidelines is no cause for surprise for their stand on the Assam Accord itself is well known. But the protest by the Congress(I), which fully supports the Assam Accord, is most curious. For the guidelines arise directly from the commitments made in the Assam Accord regarding the disenfranchisement for a period of ten years of the January 1, 1966-March 24, 1971 stream of illegal foreigners. Indeed, the Citizenship Act, 1955 was especially amended by the Citizenship (Amendment) Act, 1985, by the introduction of a new clause (6-A) which gave legislative sanction to the commitment made in the Assam Accord about such disenfranchisement. Clause 6-A provides that "every person of Indian origin who came to Assam on or after the first day of January 1966 but before the 25th day of March 1971 from the specified territory, and has since the date of his entry into Assam been ordinarily resident in Assam, and has been detected to be a foreigner, shall register himself in accordance with the rules made by the Central government in this behalf under Section 18 [of the Citizenship Act, 1955] ...and if his name is included in any electoral roll for any assembly or parliamentary constituency in force on the date of such detection, his name shall be deleted therefrom". The Election Commission's guidelines only provide the necessary administrative direction to enforce this constitutional obligation—however unfair and potentially further divisive the legislation and the constitutional obligation itself might be.

For, it is the union government under the Congress(I) which signed the Assam Accord; it is the union government under the Congress(I) which amended the Citizenship Act, 1955; and one has to assume that it is with the clearance of the union government under the Congress(I) that the Election Commission has issued these guidelines. For the Congress(I) in Assam now to raise a hue and cry about these guidelines, even while maintaining that it is committed to the implementation of the Assam Accord, can only mean two things: one, that it is anxious not to alienate the majority Assamese opinion in the Brahmaputra valley without whose support no stable government is possible in Assam (so the guidelines had to be issued); two, but it is equally important to retain its traditional vote banks among the migrant population, apart from being sensitive to the opinion in the Barak Valley to which the influential union minister of state for home affairs, Santosh Mohan Dev, who is articulating the opposition to the Election Commission's guidelines belongs (and so the guidelines have to be opposed).

Now that the issue has become alive, some sort of a modification of the guidelines has become inevitable. But the guidelines cannot be modified unless the 1985 Amendment to the Citizenship Act, 1955, itself is further amended, if not scrapped. It is to be seen whether the union government will introduce such a controversial legislation in the current session of parliament (almost certainly the last session before the Lok Sabha polls). Any action in this regard will naturally depend on the Congress(I)'s assessment of the relative gains and losses to be made in Assam by letting things be, but allowing its unit in Assam to make some more noise, or tinker with the guidelines and once again rouse passions in the Brahmaputra valley.

Perhaps a slightly modified form of the old English saying would best explain the stand of the Congress(I) in Assam: that it is hunting with the hare and hunting with the hounds.

Medicine at Risk

Health Professional as Abuser and Victim

Amar Jesani

Health professionals are often involved, one way or another, in incidents of state torture. By participating in such acts they grossly violate several national and international codes of ethics. How can this abuse of human rights by health professionals be prevented? Equally importantly, how can doctors be protected from being coerced by the state to participate in torture? A report of the recent Amnesty International seminar on the subject.

AFTER the second world war the Neuremburg Trial exposed and punished scientists, including health professionals, who willingly or under duress participated in the large scale murders and torture and the cruel experiments on human beings in the Nazi concentration camps and elsewhere. It also highlighted the grim predicament of health professionals in the modern systematic organisation of oppression and repression by the state power. Just as the fascism scarred human history beyond repair, the findings of the Neuremburg Trial shook the health profession because it remained no longer possible to argue that inhuman misdeeds of these doctors were exclusively committed under duress. In fact research done later on established that a majority of doctors had thrown ethics overboard and had willingly accepted the fascist ideology of 'racial hygiene' which actually had inspired many to collaborate in inhuman acts at that time. Now we know that the period of fascism in Germany was marked by three types of doctors: The first category of fascist doctors dominated the scene; the second succumbed to the physical might of the fascist state and ended up as unwilling participants in the inhuman acts; the third resisted the pressure and paid for it with their lives, spent long years in jails while a few could escape out of Germany. Clearly, medicine under fascism shows the dual predicament of the health professional—the abuser and the victim.

Following the second world war, in the wake of the Universal Declaration of Human Rights by the United Nations, several codes of ethics related to human rights were adopted by various international organisations of health professionals. For about two decades after that no improvement in these codes was effected, although some discussion on a need to improve them took place. However, from 1968 the world political scene underwent a sea change. The mass upheavals in the developed countries, the Vietnam war, the anti-war movement, the killing of Allende in coup in Chile followed by massacre, etc, once again sensitised broader strata of people to the question of human rights. In the strife-torn world the health professionals suffered as well and many of them got sensitised to the larger ethical issues concerning human rights. Thus, the discussion which had begun in the late 1950s and the early 1960s on the inadequacies of the existing code of ethics related to human rights started getting crystallised in the form of concrete proposals in the 1970s. In 1975, in Singapore, the International Council of Nurses (ICN) adopted a resolution on the 'Role of the Nurse in the Care of Detainees and Prisoners'. In the same year, the World Medical Association (WMA) adopted its famous Tokyo Declaration on 'Guidelines for Medical Doctors Concerning Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment in Relation to Detention and Imprisonment'. The organisations of other health professionals, such as, psychiatrists, psychologists, etc, also formulated their own codes of ethics in this field at the same time. As a consequence, on December 18, 1982, the United Nations General Assembly adopted, 'Principles of Medical Ethics Relevant to the Role of Health Personnel, Particularly Physicians, in the Protection of Prisoners and Detainees Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment' (for full text of these codes see *Radical Journal of Health*, issue on Human Rights and Health, September-December 1988).

Several other organisations also carried out investigations concerning the role and problems of health professionals in relation to human rights. The Committee on Scientific Freedom and Responsibility, formed by the American Association for the Advancement of Science investigated the behaviour of health professionals in relation to the violation of human rights in Chile, South Africa, the Philippines and Uruguay. The Anti-Apartheid Movement highlighted, among, other things, the death of Steve Biko, a leader of the Black Consciousness Movement, in th[e] hands of the South African authoriti[es] and the gross negligence and collusion o[f] doctors in his death. A team of doctor[s] appointed by the British Medical Associa[-]tion compiled an informative and posi[-]tional document titled 'The Tortur[e] Report'. Doctors and forensic scientist[s] assisted numerous human rights investiga[-]tion teams to unearth and reconstruct th[e] torture and deaths of thousands of indi[-]viduals—who had 'disappeared' in Lati[n] American countries. The Chilean Medica[l] Association's (CMA) fight against th[e] fascist regime of Pinochet and the inter[-]national campaign to save the CMA'[s] office-bearers from repression made the health professionals acutely aware of thei[r] vulnerability while upholding ethical principles. The Amnesty International (AI) in its worldwide campaigns helped bring into focus the behaviour and problems of health professionals in the face of human rights violation.

These developments posed two major problems for the health professionals at the national and the international level: (1) How to prevent human rights abuse by health professionals? What is to be done to get the codes of ethics in relation to human rights implemented in various countries? How to identify and punish health professionals violating these codes? (2) How to protect health professionals who are victimised for upholding ethical principles? How to develop the necessary mechanism to express solidarity with such victims and to bring pressure on the concerned governments? That is, the health professional must be addressed to as the abuser of human rights as well as the victim of human rights violation.

A recent seminar in Paris on 'Medicine at Risk: The Health Professional as Abuser or Victim' organised by the medical division of the French section of the Amnesty International (AI) from January 19 to 21, 1989 discussed some of these issues. For the AI, this seminar was in a way a major step forward after its earlier such effort in 1978 in Athens, in which some 100 health professionals from 13 countries had discussed, 'Medical Detection and Effects of Torture, the Need for Treatment, Rehabilitation and Compensation of Torture Victims and Other Work of Medical Profession Against Violation of Human Rights'. In the Paris seminar, over 100 health professionals from more than 20 countries participated. Underdeveloped countries were represented by participants from Chile, Uruguay, Pakistan, India, South Africa (Black doctors), Sudan, Tunisia, Turkey, etc.

The seminar began with a plenary session and broke up into groups discussing one of the four topics: (1) A universal and unequivocal definition of the principles of medical ethics; (2) finding an interna-

tional cure for medicine at risk; (3) finding a cure for medicine at risk at the national level; and (4) ethics, education and information.

Defining of Ethical Principles

In the world of differing ethnic and political characteristics, each harbouring its own traditions and prejudices, to evolve universal principles of medical ethics and their unequivocal definition is a formidable task. It took nearly 40 years after the Nazi genocide to develop and get accepted the existing codes of ethics related to human rights by the international organisations of health professionals and the United Nations. Now the task is to make them more meaningful and precise so that they can encompass numerous and specific situations in various and possibly in all countries. Therefore, the aim of the participants was to identify relevant issues and to develop, wherever possible, consensus, through organised discussion on certain contentious issues, so that some advances could be achieved.

A major debate took place on the Islamic Code of Medical Ethics. The Declaration of Kuwait (January 1981) on the subject was circulated as background document for the seminar. The problem with this declaration, as some participants pointed out, is the same as most of the codes of ethics devised at national level. Such codes are worded in a manner that does not go grossly contradict the 'universal principles' of medical ethics. However, they remain silent on the customary and the state-sponsored practices which are violative of human rights. For instance, in the Islamic countries, the so-called Islamic punishments such as, flogging, stoning, amputation, etc, are given official sanction by custom, religion and the state power.

The Declaration of Kuwait satisfies 'universal principles' by stating that "the physician shall not permit any of his special knowledge to be used to harm, destroy or inflict damage on the body, mind or spirit, whatever the military or political issues". However its interpretation and definition in the context of the concrete situation prevalent in Islamic countries is kept, to say the least, ambiguous. That is, it does not specifically forbid health professionals from participating in any way in the Islamic punishments.

Some participants on the other hand argued that the Islamic code is a comprehensive document and it is concerned with all aspects of Islamic society. Secondly, according to them, under genuine Islamic laws, these Islamic punishments cannot be passed indiscriminately. There are severe restrictions and conditions to be fulfilled before an individual can be subjected to such punishment. In the light of these arguments it should be noted that the Declaration of Kuwait, despite its liberal use of religious terminologies and invocation of god in every paragraph, does cover the doctor's duties and rights in many aspects of health care, including preventive and promotive aspects. But the coverage does not justify the content. The point is, if the general principle forbids a doctor to use his or her special knowledge to harm, destroy or inflict any damage on the body, mind or spirit, it cannot under any stretch of the imagination allow the doctor to be a party to or assist in the execution of any Islamic punishment, irrespective of whether such punishment has fulfilled all Islamic criteria or not. Therefore, as some participants strongly felt, the general principle should be defined in the context of the concrete situation in the Islamic country by specifically opposing Islamic punishments. One participant argued that in such interpretation the religious sentiments should not come in the way and in any case, historically, these punishments are not strictly and specifically Islamic in the sense that they existed even much before Islam was born.

Some participants from underdeveloped world criticised the western countries for not taking a very firm stand on this issue. One participant criticised the BMA's 'Torture Report' wherein the issue of a doctor administering anaesthesia before the amputation of hands of the prisoner is kept open under the plea that such action would at least help minimise the pain suffered by the prisoner.

Despite heated debate in the group meeting, during the plenary session it become clear that since the majority was not ready to force the issue, no concrete and unequivocal interpretation would emerge. Ultimately, the consensus remained universal but not concrete and equivocal for it was simply agreed that the health professional should not participate in the corporal as well as capital punishments.

Two other important issues which were not so controversial also came up for discussion. The first was the doctor's role in the forced feeding of hunger strikers. In general, the participants agreed that the health professionals should never participate in the forced feeding and no authority must force the doctor to force-feed the hunger striker. The second issue was regarding the independence of health professionals from the authorities. That is, health professionals must have the right to uphold their professional ethics when the rules of authority conflict with these ethics. Such a right could well be exercised only when they have real independence from public authorities and penal institutions. It was felt that organisations of health professionals should actively strive

for such independence of the health personnels.

International Cure for Medicine at Risk

Experience shows that international remedies are useful in stopping the use of medicine in violation of human rights and to help health professionals under arrest or facing difficulties due to their resistance to such use of medicine. Several international campaigns and other actions carried out in the past were briefly reviewed and it was felt that more could be done in this respect. For such collective endeavour, it is essential to upgrade and disseminate information on opportunities for international action. In this context, some participants felt that there is a need to improve liaison between governments and between non-government organisations (NGOs). The medical NGOs have an important responsibility in playing an active role in the international efforts. Here too it was felt that for all such actions to survive and be effective at the national as well as international level, the independence of the health professionals and their organisations from the governmental authorities is a necessary pre-condition.

While reviewing past actions it emerged that visits by international teams to the detention centres are having a positive impact in improving the situation. Therefore, it is necessary that such efforts are continued and to make them more effective two suggestions were made. Firstly, such effort should not get restricted to a few countries; our aim should be to cover as many countries as possible and its regularity should make it a universal system. Secondly, we should create conditions so that we are able to organise such visits any time to any detention centre in the world.

Punishment to the torturer cannot be left to the country's government and law. Our reference point should be the international law under which torture is a crime. Thus our campaign should uncompromisingly demand severe punishment to the torturer. The health professionals and their organisations at the national level should not merely wait for the governmental and legal actions. They should also impose professional punishment on the health professional who colludes in any way in the torture. Similarly torture linked to medical and other scientific experimentation is also outlawed by the UN covenant. Further, it was felt that we should pay more attention to train health professionals to equip them to diagnose and treat torture victims. Such training should help in bringing more cases of torture to light and make known the information on who participated in such cruelty.

For organising international actions and campaigns, it is necessary that information is received from countries concerned. Further, the health professionals would know where to send information and specific complaints. Thus, there is an urgent need to set up some international mechanism to receive complaints from individual countries, disseminate them as widely as possible and to organise necessary action. The participants decided that the World Health Organisation (WHO) should be approached and persuaded to undertake responsibility to set up such a mechanism to process complaints at the international level.

Some issues of immediate concern in certain countries were also raised. The situation in Turkey was discussed and it was decided that some representation to the Turkish authorities should be made through the World Medical Association (WMA). The situation in Algeria also came up for discussion. However, the issue that generated heated debate and led to sharp exchanges was the doctors' collusion in torture in South Africa. This was an important issue which once raised in this group meeting kept on generating passionate debate till the seminar ended.

National Cure for Medicine at Risk

Whatever may be the usefulness of international actions, they cannot substitute the need for concerted action at the national level, to rescue medicine from the risk of human rights violation. Further, international actions are more effective if they come in addition to the actions at national level. Moreover, international advances in ethics would come to naught if we fail to translate them in actual practice at the national level. Indeed there is a wide gap between the international principles and their implementation at the national level, more so in the underdeveloped countries. In fact, the underdeveloped countries, where medicine is at the greatest risk, are yet to incorporate these principles in their legal systems and in their official codes of medical ethics.

Since these ethical principles go against the state's tendency to inflict torture, at the national level they can be upheld in the best manner provided there are strong local and national organisations of health professionals working independent of government controls. The talk of medical ethics related to human rights perhaps may not have desired effect on the health professionals if the code of ethics related to medical and health care practices is not strictly followed and implemented by these organisations. Further, for general democratic environment in the organisation freedom of information is a must. In addition, the health personnel should be adequately educated and trained to diagnose and treat torture victims. The organisations of health professionals at the national level should incorporate codes related to human rights, establish severe penalties to punish their violators and also devise necessary mechanism/machinery to efficiently implement such penalties on the erring members.

The group discussing this topic also made very significant contribution by devising certain objective criteria for suspecting human rights violation in the prison. In all, the group could put together seven criteria, the existence and occurrence of any one of which should raise suspicion on possible human rights violation in any prison anywhere in the world. Not only that, these criteria could become important indicators for evaluating and judging the penal system of individual country from the perspective of human rights. These criteria are listed below:

(1) The standard of health care inside and outside the prison should be uniform. Any indication that health care available inside the prison is substandard should raise suspicion that the prisoner's human rights are being violated. On this criteria we should add certain reservation of our own. In the countries where inequalities in health care are very sharp and extreme, as is the case in most underdeveloped countries, it would become very difficult to talk about uniformity inside and outside the prison. The problem might be solved by talking about the average standard of health care prevalent outside the prison being made available to the prisoners. But the averaging of standard of health care itself would create lots of practical and ethical problems. This criteria needs to be concretised further.

(2) In every prison there should be strict regulation for conducting autopsy (postmortem) on every death in the prison, whether natural or otherwise. Any death in the prison not followed by autopsy should indicate the possibility of human rights violation.

(3) The autopsy of such death should be conducted by an independent doctor, i e, the doctor not in the employment of penal institution.

(4) Certification of death in the prison must be by an independent doctor. If the death certificate is issued only by the establishment doctor, one should suspect human rights violation.

(5) The prisoner should have absolute right to consult a doctor without requiring even the presence of the establishment staff.

(6) At the time of the doctor/health professional and the prisoner encounter, if the health professional is unable to identify himself or herself, and conversely, if the full identity of the prisoner is not disclosed to the health professional, one should strongly suspect human rights violation.

(7) There is a very high potentiality of

abuse in research and experimentation on prisoners. While research and experimentation can be conducted in the prison, ethical provision of full informed consent must be strictly implemented and the burden of proof of the ethicality should be solely on the authorities.

ETHICS, EDUCATION AND INFORMATION

The group discussing this topic dealt with the issue of human rights and ethics in minute details. It was asserted that the human body and mind must not be violated under any condition, for any purpose and by any individual or authority. Any penalty or situation which violates human body and mind must be unacceptable. Thus, ethics should be understood in the broadest perspective and should be a concern of not only health professionals but of all in the society. The enforcement of ethics should be a task shared by everybody in society.

Beginning from such idealist and all encompassing premise, it was natural that issues from death penalty and corporal punishment to debt trap were raised. One participant even contended that when we are against all terrors, the debt burden of the third world countries acting as an international terror mechanism could not be ignored.

Death penalty which was discussed in another group where the consensus had emerged that a doctor should not examine victim's body to issue death certificate until several hours after the execution had been carried out, came up for discussion in this session too but from a different angle. In this group it was agreed that health professionals should not participate in any way and in any capacity in the capital punishment of any type. The group went beyond that by stating that we should not remain a passive non-participant but also involve all others, namely, the maker of rope for hanging, makers of electric chair, etc. That is we should actively strive for the acceptance of our opposition to death penalty and torture by everybody in the society. In short, we should treat our ethical principles in an active way for getting them accepted in the society as a whole rather than just confining to our profession.

Not only that, human rights and ethics cannot be confined to 'exceptional' cases of torture and death penalty, but should encompass day-to-day ordinary cases of human rights violation. For, such cases form the real bulk of cases and they have not received sufficient attention. For instance, use of coercion in family planning programme or denial of medical care to an individual who is not able to pay, etc, are day-to-day violation of human rights in health.

How can the health professionals be educated and trained on the human rights issue? Many suggestions were made: (1) The study of ethics and human rights should be introduced from the first year of training in the medical and nursing schools; (2) The Tokyo Declaration, the UN principles of ethics, etc, should be used for teaching human rights; (3) The trainees should be imparted adequate skills to diagnose and manage torture cases. For this purpose, lectures, discussions and case presentations should be organised; (4) In refresher courses and continuous training, human rights and skills to manage victims should be incorporated; (5) The associations of health professionals should educate their members about human rights and train the trainers; and (6) People should be informed about the type of education and training given to doctors so that they can set up expectations and thus reinforce training.

CONTROVERSY ON SOUTH AFRICA

Sometimes a small incident tells us more about the individuals and organisations concerned than the long drawn sophisticated discourse. Something similar happened in this seminar and it served as an eye opener to many participants. In the group discussion, 'International Cure for Medicine at Risk', issues regarding the current situation in many countries were discussed. Here, the participant from Turkey mentioned reports on doctors' collusion in torture in South Africa. There are two medical associations in South Africa. The Medical Association of South Africa (MASA) is the oldest and it has dragged its feet over supporting the fight against apartheid. In 1982, after the MASA failed to properly investigate and punish doctors involved in the murder of Steve Biko, the anti-apartheid doctors formed a separate association called the National Medical and Dental Association (NAMDA). Due to concerted efforts by the NAMDA, an increasing number of cases pointing to doctors' collusion in torture in South Africa have been brought to light. The MASA has, of course, consistently denied that its members are participating in torture.

In this seminar, the secretary general (SG) of the World Medical Association (WMA) participated in this group. In fact he had earlier agreed that the WMA would make a representation to the Turkish authorities on the question of human rights violation and doctors in Turkey. However, he felt most upset when

the question of South Africa was raised. For, the WMA is already facing a rough time over its association with the MASA. After the MASA was readmitted to the WMA a few years back, the WMA has come under increasing criticism. To this was added a new rule which gives the member national medical association of the WMA votes in proportion to its membership. This rule has replaced the earlier one country, one vote system. As a result many countries have withdrawn from the WMA. Currently, the WMA has a membership of associations from only 42 countries. From western Europe, only the French and German medical associations have still maintained their membership. The Indian Medical Association has also withdrawn from the WMA. Against this background, when MASA was criticised and the WMA was taken to task for not enforcing its own declaration on the MASA, it was natural that the SG of WMA reacted in a very hostile way. Fuel was added to the fire when the Turkish participant converted his submission into a resolution on South Africa for discussion in the seminar. The issue, of course, could not be resolved in the group discussion and so came up for discussion in the plenary.

This must have irked the SG more. For he reacted very angrily. In the plenary, initially he opposed any discussion on the issue. However, in response, one participant strongly objected to this suggestion of not discussing the resolution and said that it would be in gross violation of the democratic rights of the participants. The SG of WMA in turn issued a threat by saying that if the resolution was accepted, he and the WMA would dissociate completely from the proceedings of the seminar as the resolution criticised the WMA. He also challenged the mover of the resolution to prove with documentary evidence that MASA members were colluding in torture. While most participants deplored the threatening attitude of the WMA, on the challenge to prove 'allegations' there were some difficulties. First of all many participants found it shocking that they were asked to 'prove' something that should be obvious given the situation in South Africa. Secondly, it was clear that the challenge was directed at the black doctors who are members of NAMDA and were participants in the seminar. This was done knowing that the emergency laws in South Africa forbid the black people to divulge information about the domestic situation to the outside world. That is, if the South African participants were to open their mouth to substantiate 'allegations', they would face criminal charges and immediate arrest on their return home. In spite of these difficulties, it was proposed to the SG of WMA that if WMA was ready to provide protection through its good office in the MASA, a case-by-case report with names, places and dates could be openly provided in the seminar. The WMA, however, was not interested in doing any such thing.

At this juncture a representative of the Amnesty International (AI) intervened. He contended that on this issue sufficient documentation was not available. Secondly the AI's mandate is to deal with individual cases while the country-specific resolution cannot be accommodated in it. Thirdly, the AI does not sign any statement or resolution along with any other organisation or individual. That is, the AI always issues a statement of its own but never in association with others. From this standpoint he tried to persuade the supporters of the resolution not to press for its acceptance in the seminar.

After this debate on the second day the discussion was cut short due to lack of time and it was decided that the issue would be decided upon on the last day. However, later on the participants came to know that the last day plenary was an open meeting which would make it difficult to discuss contentious issues. This situation really disappointed supporters of the resolution. They however continued to press for its acceptance in the evening in informal discussions. Ultimately a consensus emerged that the resolution would not be placed for voting in the seminar but could be retained with an explanation by the WMA for the signature of participants who wanted to support it.

In the meanwhile two more participants had put their names as movers of the resolution. The final resolution that was signed by large number of participants read as under:

> Instances have been illustrated where doctors are either passively or actively involved in torture and degrading or inhuman treatment or punishment in South Africa. In light of the above, we, the undersigned participants of the seminar, resolve and call upon:
>
> —All NGOs, including WMA of which the MASA is a member to implement the Declaration of Tokyo and other related declarations on human rights with regard to its membership in WMA.
>
> In addition, we call upon
>
> —All governmental organisations to actively address this problem and sanction South African doctors involved either implicitly or actively in the maltreatment of detainees.
>
> We propose that an appropriate body be requested to monitor torture and participation actively or passively by medical doctors in South Africa.
>
> Resolution moved by: Umit Kartoglu, MD, Turkish Medical Association, Turkey; Amar Jesani, MBBS, Medico Friend Circle (Bombay), India; Mahboob Mehdi, MBBS, Voice Against Torture, Pakistan.

This controversy on South Africa and the failure to allow the resolution to be voted upon in the seminar brought to light many uneasy questions which such international gatherings will have to resolve in future. One of them is the vulnerability of participants from the underdeveloped countries. At home they face a particularly oppressive, dictatorial and even apartheid or fascist state. At best, they have very weak democratic governments. Thus, their need to receive international support for long-term survival in their fight for human rights is the greatest. In this situation when they face an international gathering on human rights participants who do not have a strong will and need to take positions on the contentious issues, they become doubly vulnerable. In my personal discussion with the participants from such countries I was particularly struck by the fact that they were over-cautious about alienating international groups which are providing them support through international campaigns.

Another important limitation of this seminar was the almost complete lack of discussion on women's issue. Not that women were not present in the seminar. In fact almost half of the participants were women. In addition, some of the central organisers of the seminar from the French section of the AI were women. Yet, not a single co-ordinator of the group discussion and the presidium of the plenaries had representation from women. Further, in one of the background papers circulated by an Egyptian participant, there was a derogatory reference to women and when it was brought to the notice of the participants in the group discussion, no discussion ensued. This particular passage in the paper stated that "For every individual in the Islamic state, the government should provide: suitable house, clothing for summer and winter, wife to satisfy his desire, social and medical care"

Despite these limitations, the seminar was another step forward in the international effort to stop the use of medicine in human rights violation. It is indeed necessary that these ethical advances are implemented at the national level both to prevent the health professional falling a prey to the ideology and actions of repression and to protect those who are fighting against the violation of human rights.

In our country the participation and specific medical input in the human rights efforts by health professionals is very negligible. Given the manifold rise in instances of human rights violation and even the victimisation and killing of doctors upholding human rights, the need for progressive health professionals and human rights organisations to come closer on this issue is becoming urgent.

Glamour Abroad, Troubles at Home

Babar Ali

Benazir Bhutto gives the impression of having been bowled over by the receptions she has got in China, Turkey and the US. But foreign tours rarely help avoid dealing with the real problems at home. As if to drive home the point, the day Benazir left on her US trip, the opposition parties got their act together and formed a Combined Opposition Parties group against the government.

IF the American people were part of the Pakistani electorate, Benazir Bhutto could have become prime minister of Pakistan for life. She has been presented to the American people, at times as a glamorous woman of the east and a sex symbol, and at others as a very brave woman who fought against severe odds, was incarcerated, lost members of her family and eventually won the hard-fought battle against tyranny and oppression and emerged as the leader and torch-bearer of democracy in Pakistan. The reception she got on her recent tour to the United States was indeed historic and the US media went out of its way to dazzle the American public with this daughter of the east. The US government was charmed by her eloquent address to the Congress. President Bush must have been amused when he was told by Benazir Bhutto that both of them were born under the same astrological sign, and given the adherence of the most recent ex-president of the US to his daily star chart, both Bush and Benazir would have gotten along like a pair of twins, knowing and understanding why the other was behaving and feeling in such a way. The tour was an unparalleled success. She has even set the stage for a designer *gharara* and *shalwar kameez* revolution amongst the glitterati of the United States.

Sixty F-16s have been ordered by Pakistan along with other military hardware. Economic 'aid' has been approved and attempts by the US government to help Pakistan rescue its economy, and thus the government of Benazir, are to be given priority. US business concerns have been given all sorts of guarantees and have been encouraged to come and invest in Pakistan. "An identity of views" have been found on the troublesome Afghan question, where both parties want Najib and his government ousted, to be replaced by a "government of the people" to be elected by the people. The controversial nuclear issue seems to have been discussed in the open for the first time and reassurances by Benazir seem to have hit the mark and there now seems to be some belief amongst US policy-makers that indeed Pakistan does not have grand designs of building nuclear weapons and intends to use nuclear technology for "peaceful purposes". This belief and confidence in Pakistan's nuclear programme is an important stepping stone to more confidence and thus more aid, assistance and goodwill. Indeed, Benazir has made a mark on the US people and on their government. But foreign tours rarely help avoid dealing with the real problems at home. Benazir should have learnt that from Rajiv Gandhi.

The day she left for her US trip this year—her third major foreign tour in six months, along with a few smaller pit-stops—the opposition parties got their act together and formed a Combined Opposition Parties group with seven parliamentary parties united against the government. (Of the seven, the largest, the IJI consists of nine parties, some of which do not have a representative in parliament.) The COP is a collection of parties with little ideological coherency amongst the different groups and the only thing which unites them is the fact that they are not in government at the federal level. The COP claims that it has at best a handful of seats less than the People's Party and could, after some lobbying, be in a position to topple the government, although for some very strange reason, the spokesmen of the COP have been saying that it has not been formed to topple the government but to act as a pressure group. One assumes that politicians are in politics to assume power.

The main reason for this pressure-group nonsense could be that the third biggest party in the National Assembly after the People's Party and the IJI, the Mohajir Qaumi Movement (MQM), the Karachi and Hyderabad based chauvinistic organisation, is not part of the COP. The MQM has 12 seats from Karachi and 2 from Hyderabad, a city 160 km from Karachi. In the provincial assembly in Sindh, the MQM has 31 seats to the People's Party's 68 and the two have worked together in government in the province. The MQM and the PPP have had a rough and troublesome liaison in Sindh, thanks mainly to the Sindhi-Mohajir ethnic divide where the PPP represents only the Sindhis and the MQM the Mohajirs of Sindh. The Sindhi-Mohajir strife, now a routine affair in Sindh, has had major consequences on the relationship between the two parties. Nevertheless, for the moment at least, the MQM has decided not to join forces with the IJI and become the most important member of COP. If it does indeed join, Benazir should be prepared to face an uncertain future.

The province of Sindh from where the People's Party derives its greatest strength is also the most troublesome region for the PPP. The ethnic divide has grown wider and the law and order situation in this province has deteriorated. Dacoities and kidnappings have become a common occurrence, and as unemployment has grown, resentment amongst the people who elected the People's Party has also increased. Extremist nationalists within the People's Party are clamouring for a harder line against the Mohajirs and against the MQM. Indeed, the economy and the political situation in Sindh are causing great worries to the Benazir government. An attempt to appease the Sindhi nationalist lobby in her party means annoying her main ally in Sindh and the centre, the MQM. Attempts to 'bridge' the ethnic divide means that a large disgruntled section of her party looks towards the Sindhi nationalist groups in the province, weakening the position of the People's Party. One does not envy Benazir; against a few moments of glamour on the American screen, there are severe and serious problems confronting her constantly.

The latest addition to her problems is the imminent fall of the PPP government in the province still called the North West Frontier Province (NWFP), now that the once progressive Awami National Party has decided to join the Combined Opposition Parties at the federal level and the Islami Jamhoori Ittehad at the provincial level. With some wheeling and dealing, the People's Party could be out of office in the province. If this move succeeds, three of the four provinces will be governed by non-People's Party governments and the fourth, Sindh, is so strife-ridden that it has no effective government in the first place.

The result of these new alliances and moves means that the People's Party will begin to be reduced to a provincial power and the country will become even more ungovernable. If the COP pressurises the PPP, there is a possibility that one could see a mid-term election by mid-1990 and given the fast moving changes on the political canvas in Pakistan, the likely possibility would be a further weakened People's Party government in Islamabad, with nationalist trends getting transformed into electoral seats in the provinces.

Pakistan is an extremely difficult country to govern and Benazir must confront major issues more boldly and maturely if she is to stay in power. At times one gets the feeling that she is not doing so and has been smitten by the receptions she has got in China, Turkey and the US. She will have to give Pakistan more time and interest in order to ensure her own survival.

Feminists, Women's Movement, and the Working Class

Ilina Sen

It is only right that we constantly question the form and content of women's organisations and the directions the women's movement is taking. But when the process of rational questioning is suspended and distrust substituted in its place the result is not merely confining, it is misleading as well.

ABOUT a year ago, a document titled *Feminists and Women's Movement* authored by Vimal Ranadive and published by the All India Democratic Women's Association (AIDWA), became available to the reading public. Because Vimal Ranadive is known to have been working in the cause of women's rights for a long time, and since AIDWA is a federation with a large base of working women, one expected that the document would explore and comment on the relationship between the working class movement and the women's movement.

Having gone through the document however, one is bound to admit that one is disappointed. For not only has the author not recognised the positive aspects of the relationship between the working class and the women's movements, she has chosen to focus almost entirely on feminism's 'destructive' potential. Her presentation contains so much obvious prejudice and betrays such distrust and fear that some of the valid questions she raises—about the role of funding in women's organisations for example—lose their impact. The women's movement, at least in our country, is new. The dangers and pitfalls facing it are many. It is only right that we question the form and content of women's organisation constantly. But when the process of rational questioning is suspended, and distrust substituted in its place the result is not merely confusing; it is misleading as well.

Ranadive's main arguments are as follows:

(1) In the nineteenth and early twentieth centuries, women in Europe, Britain and America faced blatant discrimination in wages, employment, and received unequal treatment in several spheres. The feminists of this period justifiably fought for rights to education and the vote, for equality under law in matters of marriage, property rights and child custody. Feminists of this period turned the edge of their attack against the policies of discrimination of capitalist society which wanted to utilise women's cheap labour while denying them their rights. While the demands of the feminists were justified in those times, they are today directed against men and hence are uncalled for. It is of course perfectly true that the demands for women's equality were first articulated in a modern context in Europe and America in the aftermath of the general democratic currents raised in society in the aftermath of the industrial revolution. Western women in the late 19th and early 20th centuries fought for the vote, for the right to legal equality and education. The constitutional equality that Indian women (and women in many other countries) today enjoy is the result of the struggles waged by these women. The constitutional guarantees that women in socialist countries enjoy also originate from these struggles, and many of the early socialists were also strong fighters for women's rights and saw the two struggles as linked. The names of Engels, Bebel and Zetkin come most obviously to mind in this context, but there were many others.

At the same time not all those who fought in the cause of women's rights were necessarily socialists. The liberal feminist current was strong in the England of 1880 and subsequent years, and middle class women agitated for higher education, the vote, legal changes and birth control. The women from the Pankhurst family—Sylvia, her mother and sister—Marie Stopes and Margaret Sanger were among those in the vanguard of this movement, and the issues these women raised could not be ignored by the socialists. The extent and nature of the interaction between feminists and the various socialist groups affected both. Sylvia Pankhurst in a later phase attempted to link up women's issues with those of the working class and was rejected in the process by her family and many of her former comrades.

While this long history has helped to achieve in practice many of the demands of women for equality in liberal democratic and socialist political structures, can the same be said for the situation in our own country? Is it not true that in our country these rights exist often only in name? Do women have here, in practice, equal access to education? Do personal laws for women in different communities see them as equal under law? Is it not true that for the majority community in our country the natural guardian of the child is assumed to be the father? And as for exploitation of cheap labour, is it not true that women's paid work in agriculture and most sectors of unorganised industry (where over 80 per cent of 'working' women toil) is undervalued, and that sex-based wage discrimination is rampant? What then is Ranadive saying? Is she saying that it is unreasonable to struggle against such discrimination? These are the issues feminists in India are taking up, and precisely such struggles she finds justifiable in the west in a historical context. Or does she say that these struggles are not justified outside the sphere of left and trade union politics? In which case one can ask whether these structures have breadth and depth enough to take these issues up fully, or if not, whether one should ask Indian women to shelve their demands until such time as left structures are capable of shouldering the complete responsibility for voicing them?

Patriarchal Dominance

(2) Ranadive says that feminists today, while they have differences among themselves, are united in attributing the exploitation of women to patriarchy. This, she goes on to explain, means that unless women fight men, they will not achieve emancipation.

It is true that feminists today have many differences among themselves. What they do have in common however is a commitment to equality and social justice for women. The analysis of patriarchy and the structures of patriarchal dominance has developed through feminist practice, but once again details and precise positions vary depending on positions the feminists take *vis-a-vis* the rest of society. To define it as 'fighting men' is both malicious and ridiculous and hardly befits the author's attempts to be taken seriously. As a matter of fact here, and elsewhere in the document Ranadive shows her extreme discomfort with the term 'feminist' and appears to interpret it in an oversimplified way to mean radical feminists only. At least in India radical feminists are a minority.

(3) Feminists are synonymous with action groups who work among backward sections of women with the idea of disrupting the left and the organised women's movement.

It is true that many 'action groups' are today working among backward sections of the population. Many of them began with religious affiliation or as charitable organisations and developed through their experience and acquired a gradual understanding of the structural reasons for social injustice. Many of them were and are funded by foreign donor agencies, and from what one knows of the ways of Uncle Sam, it is quite possible that some are bolstered to play the proverbial destabilising role. The scale of their operations is, however, often of laughable proportions before the might of the Indian state. What often brings these groups into conflict with the organised left is not that

they are working in the interests of the ruling class, but that many of them, while they use a Marxist methodology and analysis, remain for historical reasons outside the party fold. Class action launched by such groups from non-party platforms challenges the hegemony that the organised left feels it has in these areas, and the result is often confrontation and hostility between the official left and the 'pretenders'. To come back to the question of feminists and action groups, there are, of course, many action groups which do no work on women, and many feminists outside of action groups. It is true, however, that small non-party groups are often more supportive of work with women. This is both because the groups' small size enables them to be more open and flexible than large monolithic structures, and also because women activists in such groups often push for and achieve a distinct space for their work with women. Such actions often pose further problems for the left, for the official left is often structurally unable to adapt to these newer issues and can only respond by branding them as heresy and proclaim that such actions are launched with an idea of disrupting the left, etc, etc... more or less exactly on the lines of Ranadive!

(4) Ranadive accuses the feminists of being critical and distrustful of left parties and trade unions, and especially of being critical of patriarchy in these organisations.

The official left's hostility to the articulation of women's issues from independent platforms has been commented on above. Feminists, including socialist feminists do sometimes respond with counter hostility. Once again the practice of left parties and trade unions provided them with ready ammunition. For, the uncomfortable fact is that for many years left parties and trade unions have ignored and suppressed the women's question and assigned a peripheral role to women activists. These structures have thus become open to charges of patriarchy. It must not be forgotten that the promises of socialism extends to women as much as to men and that women have just as many expectations from socialist liberation as men do. Hence the criticism levelled at left formations by women and women's groups should not be regarded as disruption but rather as the anger born of disappointment and frustration.

On Autonomous Organisations

(5) Ranadive is critical of the feminist demand that women should organise independently, that their organisations should be autonomous, and that decision making in such organisations should be in women's hands.

The issue of the 'autonomy' or otherwise of the women's movement and of women's organisations is an old one. It dates back to the early days of both socialism and feminism. Revolutionary theory has had a strange dichotomous position on this, and this is nowhere more clearly illustrated than in Lenin's famous interview with Clara Zetkin. For, Lenin says at one point, "Our ideological conceptions give rise to principles of organisation. No special organisation for women. A woman communist is a member of the party just as a man communist with equal rights and duties." But more or less in the next breath he adds "The unpolitical, unsocial, backward psychology of ... (women)..., their isolated spheres of activity, these are facts. It would be absurd to overlook them. We need appropriate bodies to carry out work among women, special methods of agitation and forms of organisation. That is not feminism, that is practical revolutionary expediency." This illustrates beautifully both the fear and the felt need of separate forms of organisation for women. These two trends have continued to guide the thinking of left organisations on the women's question, and have stunted the growth of political work with women from a class perspective. Decisions on how far to take or not to take the women's question at any particular time have been taken in accordance with 'larger' considerations.

Socialist states have similarly taken extremely contradictory positions on state policy regarding women. In the Soviet Union the stress on releasing women for social production and decreasing her family responsibility in the early years of the republic contrasts with the pro-natalist policies following the devastations of the second world war. All this has meant in practice that the democratic women's movement has not proceeded smoothly in association with revolutionary politics, and that revolutionary organisations have continued to be myopic about women's issues. Part of the reason also why such organisations have continued to be dominated by men is that their half-hearted attempts to bring the masses of women into the fold of revolutionary politics have not been too successful. The demands for autonomy and independence of decision making arise from here. However, while acknowledging its historical importance and relevance, it is important to keep in mind that this can only be a principled stand. It is equally important for feminism to clarify its relationship with broader social movements and political currents. If all women took all decisions only for and by themselves, the only political solution for them would be a lesbian state, and this certainly does not form part of the vision of every feminist for a just society.

(6) Ranadive criticises feminists for making the question of women's unpaid labour in the home an issue and finds their attempts to ascribe value to it laughable. While some of them presumptiously attempt to rewrite Marxist theory to ascribe value to housework, others demand wages for housework.

Is it possible that she means this as a serious criticism? Women's exclusive responsibility with housework has been recognised as a major reason for her unequal participation in social life by all those who have put in even an iota of thought on the present situation of women. Lenin refers in his interview with Zetkin to women growing "worn out in petty, monotonous household work, their strength and time dissipated and wasted, their minds growing narrow and stale...". And, of course, the most sensitive exploration of this issue from within the socialist tradition is to be found in the writings of Alexandra Kollontai. In several places she discusses these issues, for e g, "The wife, the mother who is a worker sweats blood to fill three tasks at the same time: to give necessary working hours as her husband does, in some industry or commercial establishment, then to devote herself as well as she can to her household and then also to take care of her children. Capitalism has placed on the shoulders of the woman a burden which crushes her: it has made of her a wage worker without having lessened her cares as a housekeeper and mother. We, therefore, find the woman crushed under her triple insupportable burden, forcing from her often a swiftly smothered cry of pain..." (Kollontai, A, *Communism and the Family*, 1918, Bookmarks, London, 1984). That communism has no readymade solution to these problems is also acknowledged by Kollontai, viz, "These problems... derive from the fact that the question of motherhood is being tackled but has not yet been completely solved" (Kollontai, A, *Selected Writings*, Allison and Busby, London, 1977).

Once we accept the fact that women's exclusive and unrecognised preoccupation with housework is a problem, the next question is what our stand on this should be. Women have taken many different positions, depending on their understanding. The wages for housework position is only one of several stands on this issue. Other feminists have tried to ascribe 'value' to domestic work theoretically. Ranadive ridicules this effort, but the argument is at least worth listening

to seriously. Yet other feminists have demanded equal and joint responsibility for domestic work by domestic partners, and yet others have advocated a rejection of heterosexual family life. Feminists have all recognised the problem, and have worked towards ascribing freedom of choice and dignity to household work that is crucial for sustenance and survival.

Participation in Social Production

(7) Ranadive accuses feminists of denying the educative and liberative importance of the participation by women in large scale social production.

Given the sacramental relationship of women with housework and domestic labour, it is really an open question to what extent public productive labour liberates her and to what extent it crushes her further. Nevertheless equality of employment opportunity and access are no doubt important demands. As such it is amazing how, with the left and trade unions supposedly committed to this equality, the shrinkage in the female labour force has taken place to the extent that it has. Leaving aside for a moment all estimates of female employment in the agricultural and unorganised sectors, large scale reduction in the female workforce has taken place in independent India in mining and textiles, the traditional female-intensive industries, along with the workforce in general.

Vimal Ranadive's own writing (Ranadive, V, *Women Workers of India*, National Book Agency, 1976, chapter II 'Dwindling Job Opportunities') documents this trend. Between 1963 and 1972, the percentage of women in total employed in factories decreased from 10.36 to 8.73. Jhabvala has shown how women's retrenchment in the Ahmedabad textile industry was preceded by an agreement in 1933 (to which the majority trade union was party) which stipulated that the unemployment resulting from rationalisation would selectively apply to married women whose husbands are benefited by the rationalisation process. (Jhabvala, R, *Closing Doors: A Study of the Decline of Women Workers in the Textile Mills of Ahmedabad,* SETU, 1985.) Similarly it has been documented that the percentage of women workers in the entire mining sector declined from 20.1 to 11.9 between 1951 and 1971. Even today, in the captive mines of the Bhilai Steel Plant, details of the voluntary retirement scheme are circulated to women workers by the recognised union which is affiliated to the AITUC. If equal participation in public productive labour is liberating for women, what is one to make of a left trade union's stand on this? On the other hand, much of the defence of women's rights to paid employment has come from non-party women activists, the feminists.

(8) Another point that is raised is that feminists ignore the major advances made by women in socialist countries. Feminists also ignore major enemies like imperialism and the danger of war.

Not only women, but all people in socialist countries have achieved major advances and tremendous improvement in their levels of living. If feminists or the upholders of any other cause negate this, it is of course incorrect. However, socialist countries have by no means solved all the problems in the way of awakening humankind to a truly liberated existence. They are themselves trying out new strategies. In the past, self-righteous dogmatism has led to tremendous human misery and oppression in several socialist states, and if it is not constructive to ignore positive developments, it is not constructive either to eulogise the socialist states as paradise on earth. And since the democratic duty of the women's movement is to struggle for women's rights, one should not fault it or feminists for criticising the socialist states if they feel the socialist states have fallen short of expectations on the women's question.

Imperialism and war are today major dangers facing humankind and its survival. Not only feminists but all people should fight these trends but the platform of the women's movement is meant to fight women's oppression, and even if feminists confine their struggles to women's issues from this platform, nothing is seriously wrong. There can be other organisations to oppose imperialism and war, which feminists may join or support. Can one fault the feminists for taking their own work seriously?

(9) Ranadive contradicts herself when she says on the one hand that feminists are not willing to join united fronts of toiling people and they raise issues of the relationship of the women's movement to wider revolutionary politics, and on the other hand accuses them of trying to disrupt organisations like CITU and AIDWA by entering them and subsequently trying to subvert their work. Contrary to what Ranadive says women from many walks of life and from several organisations did take part in mass movements like the anti-price rise agitation. Mutual wariness between feminist and class organisations is, of course, very much there, for all kinds of reasons, which we have been discussing above. Ranadive goes on to add that feminist groups like the ones based in Bombay and Delhi limit themselves to taking up individual cases of women in distress and discourage mass action and politicisation of these issues. This allegation has greater substance, but one must remember that the city-based groups represent a particular type, and that they do, through legal forums and the media, achieve a different kind of political action.

(10) The coverage that the activities of the feminists receives in the media comes in for criticism next. The motives of the bourgeois press in giving such coverage are questioned, and Ranadive goes on to add that feminist magazines like *Manushi* are expensively produced, indicating access to (dubious) funds.

When we are talking of media coverage, is it not the publicity that certain issues g that is important rather than which grou gets a mention in the press? If city-base feminists have done a service to the interest of women by drawing public attention t issues like amniocentesis and uneven per sonal laws, what should our problem be wit such a situation? The questions of fundin and the 'professionalisation' of activist in tervention in the cause of women are, o course, serious issues. But the particular ex ample chosen is not a good one. *Manush* focused attention on Indian women's contri butions and struggles at a time when n other such paper existed. To deny credit t *Manushi* for this is churlish. And can on seriously criticise *Manushi* for being well produced, for doing its job well? It mus have had to do this on a thin budget and th Hindi edition of *Manushi* has had to clos down for financial reasons.

(11) And finally one is puzzled at the wa Chhaya Datar has been personally single out for attack as a (deviant) feminis theorist. The last two decades have seen i India a large body of theoretical and em pirical writing on the women's question. Chhaya Datar has been one of the many such writers, and one may agree with some of her positions and disagree with others. But she is certainly entitled to develop her arguments just as her writing is open to discussion and debate, in the context of the debates going on today on the women's question.

The pity is that today there is very little open debate going on these issues. What we do have is hardline attitudes, and reactions and counter-reactions. Even the present reply to Ranadive's document reads necessarily like a reaction whereas it should really have been in the spirit of a dialogue. The relationship between feminism and socialism is an old one, but the modalities are not defined on either side. The issues of family, sexual relations and organisational structures for women are important and must enter public debate. At the same time it is not possible to confine women's politics to 'the personal'. The tasks are incomplete, and both have a long way to go. Being living ideologies, both contain within themselves much variety, diversity and room for growth. The dialogue between them has as much potential for mutual enrichment, provided we are able to enter into it with honesty and openness. If this paper goes even a small way in setting such a process in motion, it would have been more than justified.

TATA STEEL

Chairman's Statement

Controls — A Retrograde Anomaly

The following is the statement of Mr. Russi Mody, Chairman of The Tata Iron and Steel Company Limited, for the year 1988-89.

The spirit of commitment and harmony, which continues to exist in the Company, has for the eighth successive year played a large part in achieving the highest ever production of 1.944 million tonnes of saleable steel during the year.

PROFITS

2. This performance has also resulted in the highest ever profits, enabling the Company, with a measure of confidence, to launch yet another programme of modernisation. To support this, the Company introduced the largest ever debenture issue in the private sector a few weeks ago and the response has been overwhelming.

PERFORMANCE

3. Performance in all the divisions of the Company was very good, with the blast furnaces improving upon the previous year. The further lowering of the coke rate achieved substantial energy savings. There was a substantial improvement in the operations of the Raw Materials Division. The Marketing Division did not lag behind and played a notable part in achieving the profits that the Company has earned. I would like to take this opportunity of bringing to your attention the outstanding performance of our Export Division, which showed a three-fold increase in turnover over the previous year, reaching a figure of Rs. 93 crores of which Rs. 10 crores were deemed exports. Our next year's target has been set at Rs. 130 crores. Whatever the Government may feel about the poor performance of Big Houses and large companies, the accusing finger can now no longer be pointed at Tata Steel. I would like to add that the time has now come for the Commerce Ministry to evolve a scheme whereby exporters of this and greater magnitude are given an incentive in the form of being permitted to retain a very small percentage of their export earnings for their own unfettered use.

TRAGEDY

4. Our happiness at these achievements is, however, marred by a tragedy the like of which we have not experienced before. You must all know of the fire that broke out on Founder's Day and which claimed 59 precious lives, largely women and children. We are doing everything possible to alleviate the sufferings of the affected families and a permanent and suitable memorial to those who have perished in the fire will be erected in the form of a Burns Unit in our medical complex. The people of Jamshedpur rose to the occasion and rendered every possible assistance, led by our magnificent medical team. This effort has been acclaimed by everyone, including the families of the sufferers. I have no doubt that Jamshedpur will carry on as usual, but it will be many, many years, if ever, before we can efface the effects of this tragedy.

SUPERSTRUCTURE

5. Your Company has launched a Rs. 1500-crore Modernisation Programme which, together with the continuing Investment Programme, over the next five to six years, will see the Company invest a total of Rs. 2600 crores in additional steel capacity, in the implementation of new technologies, additional power and a host of infrastructural facilities. It will be our endeavour throughout this massive programme of modernisation/expansion to carefully husband our financial resources so that our debt:equity ratio continues at the present very satisfactory level and the ability of the Company to pay dividends is safeguarded. Government approval in principle was received in October 1988 for increasing the saleable steel capacity from 2.1 to 2.7 million tonnes. Government's approval was also received for the import of a Blast Furnace from Portugal and the agreement with the International Finance Corporation, Washington, for DM 35 million was signed in May of this year.

DIVERSIFICATION

6. Apart from our main preoccupation with the production of more and better quality steels as also enhancing skills and training methods, your Company has been steadily pursuing a programme of diversification, which includes a new slag-based cement project now underway, and the setting up of a separate company, namely, Tata Metals and Strips Limited to roll out special quality strips in Western India. Side by side, Tata Steel's men, materials and expertise have been engaged in stabilising and turning around various associated units in which the

PERFORMANCE

	Increase
1. Gross Revenue Rs. 1861.77 crores	21.9%
2. Profit before Tax Rs. 180.34 crores	60.8%
3. Profit after Tax Rs. 154.34 crores	67.5%

Company holds a substantial interest. As regards the Kharagpur Bearings Plant, while the technical collaboration agreement with Steyr of Austria for expansion could not be implemented, an interim investment plan for increasing the Plant's capacity from 4.24 to 5.20 million numbers has been recently approved and is under implementation.

PROSPECTS

7. Confidence in the future, however, must be tempered with a measure of cautious optimism because costs are continuously rising largely due to factors beyond our control. Whilst it is appreciated that State Governments must raise resources, an over-emphasis on royalty and cess on coal for this purpose eventually puts undue pressure on the consumer of steel. Costs are also rising because of the slow implementation of policies and continuance of unnecessary controls over the pricing of steel products. India's new policy of liberalisation, launched by the Prime Minister in 1984, has been held back in many instances by vested political and other interests who do not relish change. Collectively, these interests have managed in the past, and may manage in the future, to slow down the progress of many of Rajiv Gandhi's more forward-looking policies.

HAMPERING PROGRESS

8. In the socialist world, particularly in the USSR, the loosening of State control is now equivalent to a directive principle of State policy, vigorously implemented by the top leadership. Contrariwise, in the world's largest democracy, State control over the means of production and over distribution continues to hamper our progress and it is a sad commentary on our thinking processes that socialist dogma should continue to prevail over our desire to end poverty.

ABSURDITY

9. All of you are aware of my views in regard to controls. I am not against controls if they are necessary, but controls for the sake of controls are retrograde steps in a progressive society; for instance, at the present moment – with our economy performing the way it is – there appears to be no need for most controls, except perhaps those necessitated by our depleting foreign exchange resources. Certainly, there is no need for an Iron and Steel Control. The absurdity of the present position in regard to the Iron and Steel Control can best be understood if I quote the relevant portion of the Annual Report for 1988-89 of the Department of Steel, Ministry of Steel & Mines:

Distribution of Iron & Steel

There is no statutory control on distribution of iron and steel.

There are shortages in certain categories of iron and steel material. Therefore, to ensure equitable distribution and fulfilment of supplies to important sectors, the Joint Plant Committee (JPC) have laid down broad guidelines. These guidelines apply only to production from main producers, i.e. SAIL and TISCO. The secondary producers do not have to follow the guidelines.

Pricing of Steel

There is no statutory control on the prices of iron and steel. These are determined and announced from time to time by the Joint Plant Committee, a body set up under the Iron & Steel (Control) Order, 1956. The Committee is headed by the Development Commissioner for Iron & Steel and the main producers of iron and steel, i.e. Steel Authority of India Ltd., Tata Iron & Steel Co. Ltd. and the Ministry of Railways are represented on it as members. The prices announced by this Committee are applicable only to major items of iron and steel produced by the integrated steel plants in the country. The re-rollers, mini steel plants and alloy steel producers etc. fix their own prices for their products.

10. In spite of the professed nature of decontrol over distribution and pricing, the office of the Development Commissioner for Iron and Steel continues to exert pressure in various ways to deny free market conditions to major producers. Surely one is entitled to ask whether there is control or there is no control!

DISCRIMINATION

11. There is yet another unfortunate and discriminatory aspect of the above control. The present control applies only to SAIL and Tata Steel – in other words, the main producers. All others, such as mini steel plants, re-rollers and secondary sectors have no price or distribution control. Since they constitute roughly one-third of the total steel production in India, the discriminatory nature of the Iron and Steel (Control) Order is evident.

12. At present, quite a few varieties of steel are sold at high premiums; these premiums are denied to the integrated steel plants, but are allowed freely to be garnered by the uncontrolled sector of the Industry. In other words, Government are encouraging those who provide for themselves against those who would utilise the additional resources by ploughing them back into the development of this Industry. Without, however, labouring the point, I would most sincerely urge the Government to allow the Steel Industry to run itself, for we are fully alive to our responsibilities. I feel certain that the Chairman of SAIL feels no differently – and has said so.

POSITIVE ROLE

13. These policies apart, I would like to acknowledge the help we have received from the Government of India and the State Governments. The financial institutions have played a very positive role in our affairs and, as usual, the support of the shareholders has been our greatest morale booster.

14. I must also thank the Tata Workers' Union, and all our other Unions throughout the Company's operations for their understanding of our problems and for helping us to perform better and better. The reward has been the prosperity of the Company which enables all members to share in it.

(RUSSI MODY)
Chairman

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

Scotiabank
THE BANK OF NOVA SCOTIA

(INCORPORATED WITH LIMITED LIABILITY IN CANADA)

BALANCE SHEET OF INDIAN BRANCH AS AT CLOSE OF BUSINESS ON MARCH 31, 1989

Previous Year Rupees	CAPITAL AND LIABILITIES	Rupees	Rupees	Rupees
30,00,000	1. **Capital** Face value of Securities deposited with Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949			40,00,000
	2. **Reserve Fund and Other Reserves:**			
NIL	Statutory Reserve			9,99,391
	3. **Deposits and Other Accounts**			
	Fixed Deposits—			
3,00,00,000	i) From Banks	6,00,00,000		
7,98,19,384	ii) From Others	9,23,33,816		
10,98,19,384			15,23,33,816	
12,21,709	Savings Bank Deposits		23,57,580	
	Current Accounts:			
	Contingency Accounts etc—			
10,06,628	i) From Banks	24,97,113		
3,67,00,125	ii) From Others	2,53,32,752		
3,77,06,753			2,78,29,865	
14,87,47,846				18,25,21,261
	4. **Borrowings from Other Banking Companies, Agents etc.**			
1,15,98,903	i) In India		16,18,76,499	
NIL	ii) Outside India		NIL	
1,15,98,903				16,18,76,499
	Particulars	1987	1989	
	i) Secured	NIL	NIL	
	ii) Unsecured	1,15,98,903	16,18,76,499	
21,88,443	5. **Bills Payable**			1,68,31,081
	6. **Bills for collection being Bills Receivable as per contra**			
2,50,32,437	i) Payable in India		3,70,08,006	
2,43,053	ii) Payable outside India		30,400	
2,52,75,490				3,70,38,406
	7. **Other Liabilities**			

Previous Year Rupees	PROPERTY AND ASSETS	Rupees	Rupees	Rupees
92,90,749	1. **Cash** In hand and with Reserve Bank and State Bank of India (including Foreign Currency Notes)			2,07,35,952
	2. **Balance with other Banks**			
	On Current Account —			
7,51,758	i) In India	11,10,220		
54,801	ii) Outside India	22,787		
8,06,559			11,33,007	
	On Deposit Account —			
NIL	i) In India	11,23,000		
NIL	ii) Outside India	NIL		
NIL			11,23,000	
8,06,559				22,56,007
NIL	3. **Money at Call and Short Notice**			NIL
	4. **Investments—At cost**			
5,21,51,000	i) Securities of the Central and State Governments and other Trustees Securities including Treasury Bills of the Central and State Governments		4,82,10,678	
NIL	ii) Equity Shares		NIL	
45,00,000	iii) Debentures or Bonds		95,00,000	
NIL	iv) Other Investments		NIL	
NIL	v) Gold		NIL	
	(Market value Rs. 5,80,55,578 1987—Rs. 5,66,65,000)			
NIL			NIL	
5,66,51,000				5,77,10,678
	5. **Advances** See Annexed Schedule (other than bad and doubtful debts for which provision has been made to the satisfaction of the auditors)			
	I. Loans, Cash Credits, Overdrafts, etc.			
8,90,86,014	i) In India	22,09,85,773		
NIL	ii) Outside India	NIL		
8,90,86,014			22,09,85,773	
	II. Bills Discounted and			

8,87,21,738	per contra		25,72,64,433	9,91,88,114			
	9. Profit and Loss				**6. Bills Receivable being bills for collections as contra**		
(2,21,275)	Profit as of October 31, 1987	38,39,861		2,50,32,437	i) Payable in India	3,70,08,006	
40,61,136	Add: Profit per the period as per Profit & Loss Account annexed	49,96,957		2,43,053	ii) Payable outside India	30,400	
38,39,861		88,36,818		2,52,75,490			3,70,38,406
NIL	Less: Appropriations: Transferred to Statutory Reserve	9,99,391					
38,39,861		78,37,427		8,87,21,738	**7. Constitutents Liabilities for Acceptances, Endorsements and Other Obligations per contra**		25,72,64,433
95,022	Add: Profit for the period from Nov.1 1987 to Dec. 31, 1987	NIL	78,37,427	1,23,24,466	**8. Premises (Note 3)** Cost as per last Balance Sheet	1,23,24,467	
39,34,883				NIL	Add: Purchase during the year	NIL	
	10. Contingent Liabilities			1,23,24,466		1,23,24,467	
	(i) a. Guarantees given on behalf of constituents Rs. 5,18,70,288 (1987 Rs. 6,35,07,218)			23,69,980	Less: Depreciation written off to date	29,87,943	
				99,54,486			93,36,524
	b. Guarantees given on behalf of officers to the customs for Rs. NIL (1987 Rs. 1,00,500) and to the tax authorities for indefinite amounts			37,09,114	**9. Furniture and Fixtures** Motor Vehicles, etc. Cost as per last Balance Sheet	55,17,259	
				18,12,573	Add: Purchases during the year	6,59,676	
	ii) Outstanding Forward Exchange Contracts Rs. 1,31,01,34,691 (1987 Rs. 66,75,30,740)			55,21,687		61,76,935	
				4,428	Less: Written off during the year	NIL	
				55,17,259		61,76,935	
	iii) Bills of Exchange Re discounted Rs. 19,00,00,000 (1987 Rs 11,50,00,000)			26,82,964	Less: Depreciation written off to date	37,00,464	
				28,34,295			24,76,471
					10. Other Assets		
				17,09,566	i) Interest accrued on investments	13,99,728	
				21,39,412	ii) Other interest accrued	48,38,624	
				8,20,206	iii) Interest paid in advance	8,39,041	
				3,098	iv) Stamps on hand	5,096	
				94,17,894	v) Deposits, prepayments and amounts recoverable	2,30,10,227	
				1,40,90,176			3,00,92,716
				NIL	**11. Non-Banking Assets Acquired in satisfaction of claims**		NIL
30,68,12,607	TOTAL RUPEES		70,35,20,902	30,68,12,607	TOTAL RUPEES		70,35,20,902

Notes: See Statement annexed

This is the Balance Sheet referred to in our report of even date
For S. R. BATLIBOI & COMPANY
Chartered Accountants

Per NAWSHIR H. MIRZA
A Partner

BOMBAY: 19th July, 1989.

R. W. S. JOLL
Chief Executive Officer—India

THE BANK OF NOVA SCOTIA

(INCORPORATED WITH LIMITED LIABILITY IN CANADA)

PROFIT AND LOSS ACCOUNT OF THE INDIAN BRANCH FOR THE PERIOD ENDED 31ST MARCH, 1989

Previous Year ended 31.10.1987 Rs.	EXPENDITURE	Rs.
2,28,41,133	1. Interest paid on Deposits, Borrowings, etc.	4,95,93,724
22,17,186	2. Salaries and Allowances and Provident Fund	40,78,381
9,400	3. Directors and Local Committee Members' Fees and Allowances	11,600
72,09,272	4. Rent, Taxes, Insurance, Lighting, etc	99,90,435
44,663	5. Law Charges	28,170
6,09,691	6. Postage, Telegrams and Stamps	9,98,668
28,000	7. Auditors' Fees	35,000
20,20,851	8. Depreciation on and Repairs to the Banking Company's Property	24,33,114
4,45,746	9. Stationery, Printing, Advertisement, etc.	5,64,194
NIL	10. Loss from Sale of or Dealing with Non-Banking Assets	NIL
30,70,534	11. Other Expenditure (including H.O. Administration Expenses)	53,80,527
40,61,136	12. Balance of Profit	49,96,957
4,25,57,612	TOTAL RUPEES	7,81,10,770

Previous Year ended 31.10.1987 Rs.	INCOME (Less Provision made during the year for Bad and Doubtful debts and Other Usual or Necessary Provisions)	Rs.
3,89,83,938	1. Interest and Discount	6,96,61,634
34,29,304	2. Commission, Exchange and Brokerage	84,49,136
NIL	3. Rent	NIL
1,44,370	4. Net Profit on Sale of Investment, Gold and Silver, Land, Premises and Other Assets (not credited to Reserves or any particular Fund of Account)	NIL
NIL	5. Net Profit on Revaluation of investments, gold, and silver, land, premises and Other Assets (not credited to Reserves or any particular Fund or Account)	NIL
NIL	6. Income from Non-Banking Assets and Profit from Sale of or Dealing with such Assets	NIL
NIL	7. Other Receipts	NIL
NIL	8. Loss (If any)	NIL
4,25,57,612	TOTAL RUPEES	7,81,10,770

Notes: See Statement annexed.

Per our report attached to the Balance Sheet
For S.R.BATLIBOI & CO
Chartered Accountants
Sd/-
Per NAWSHIR H. MIRZA
A Partner

BOMBAY: 19th July, 1989.

R.W.S. JOLL
Chief Executive Officer—India

NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS AS AT MARCH 31, 1989

1. Figures of the previous year have been regrouped to the extent necessary. However, as the amounts for the current period are drawn up for seventeen months ended March 31, 1989, corresponding figures of the Profit and Loss Account for the previous year ended October 31, 1987, are not wholly comparable.

2. In accordance with the usual practice, assets and liabilities in foreign currencies, other than forward exchange contracts have been converted at the bank's year-end mid rate.

3. Premises represent Banks share of 90.60% in a jointly owned property.

4. Bills received from constituents on their behalf are controlled through memorandum registers and are recorded in financial ledgers only when collected. These bills for collection outstanding as on March 31, 1989 have however been shown in the Balance Sheet as contra under the relevant heads of account.

PARTICULARS OF REMUNERATION RELATING TO THE CHIEF EXECUTIVE OFFICER IN INDIA FOR THE PERIOD ENDED MARCH 31, 1989

	17 months period upto 31.3.1989 Rs.	Previous Year Ended 31st October, 1987 Rs.
i) Salaries	2,89,000	2,04,000
ii) Allowances	NIL	NIL
iii) Sitting Fees	NIL	NIL
iv) Bonus	NIL	NIL
v) Employer's contribution to Provident Fund, Pension Fund or any other Superannuation Fund	NIL	NIL
vi) Payments made by way of gratuities, pensions or otherwise in excess of the employer's contribution or interest thereon	NIL	NIL
vii) Estimated monetary value of any other benefit or perquisites	1,90,210	1,93,947
TOTAL	4,79,210	3,97,947

THE BANK OF NOVA SCOTIA

(INCORPORATED WITH LIMITED LIABILITY IN CANADA)

PARTICULARS OF ADVANCES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT CLOSE OF BUSINESS ON MARCH 31, 1989

Previous Year Rupees	PARTICULARS OF ADVANCES	Rupees
9,25,89,830	(i) Debts considered good in respect of which the banking company is fully secured.	29,34,91,865
13,14,099	(ii) Debts considered good for which the banking company holds no other security than the debtor's personal security.	41,82,093
12,02,84,184	(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors.	17,89,35,757
NIL	(iv) Debts considered doubtful or bad not provided for	NIL
21,41,88,113		47,66,09,715
11,50,00,000	Less: Trade Bills re-discounted with financial institutions	19,00,00.000
9,91,88,113		
9.91.88.113		28,66,09.715

Previous Year Rupees		Rupees
23,93,692	(v) Debts due by directors or officers of the banking company or any of them either severally or jointly with any other persons.	33,58,862
NIL	(vi) Debts due by companies or firms in which directors of the banking company are intrested as directors, partners or managing agents, or in the case of private companies as members.	NIL
24,03,597	(vii) Maximum total amount of advances including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either severally or jointly with any other persons.	34,02,732
NIL	(viii) Maximum total amount of advances including temporary advances during the year to the companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or in the case of private companies as members.	NIL
1,04,38,099	(ix) Due from banking companies	3,78,91,943

AUDITOR'S REPORT ON THE INDIAN BRANCH OF THE BANK OF NOVA SCOTIA UNDER SECTION 30 OF THE BANKING REGULATION ACT, 1949.

We have audited the Balance Sheet of the Indian Branch of The Bank of Nova Scotia, Incorporated with Limited Liability in Canada, as at 31st March, 1989 signed by us under reference to this report, and the relative Profit and Loss Account of the Indian Branch of the Bank for the seventeen month period ended on that date annexed thereto with the books of account maintained and produced to us at Bombay and report as under:

a) the Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulations Act, 1949, read with Section 211 of the Companies Act, 1956;

b) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;

c) the transactions during the year which have come to our notice have been in our opinion within the powers of the Indian Branch of the Bank;

d) in our opinion, proper books of account as required by law have been kept by the Branch so far as appears from our examination of these books;

e) the Accounts of the Indian Branch of the Bank dealt with by this report are in agreement with the books of account;

f) in our opinion and to the best of our information and according to the explanations given to us, the Accounts together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required for Banking Companies and on such basis, give a true and fair view in the case of the Balance Sheet of the state of affairs of the Indian Branch of the Bank as at 31st March, 1989 and in the case of the Profit and Loss Account, of the profit of the Indian Branch for the seventeen month period ended on that date.

S.R. BATLIBOI & COMPANY
Chartered Accountants

BOMBAY: 19th July, 1989.

per NAWSHIR H. MIRZA
A Partner

New Perspectives on Women's Work

Sujata Gothoskar

Women and Work: An Annual Review edited by Barbara A Gutck, Ann H Stromberg and Lausie Larwood; Volume 3, Sage Publications, New York, pp 291; $ 35.

RECENTLY, there has been a great deal of research and debate on the issues relating to women's work, nationally and internationally. These have encompassed a very wide range of topics—women's paid and unpaid work; discrimination against women, especially certain sections of women; women's occupational health and safety; women and trade unions, the global economy and the international sexual division of labour and so on. The book under review, a collection of 11 articles, is among the more recent contributions in this area.

The three editors have brought out two earlier volumes on 'Women and Work'. While these largely restrict themselves to women's work in the US, this third annual review, published in 1988, attempts to cover experiences and analysis from other countries. The volume features a six-chapter symposium on 'An International Perspective: Widening Our Horizons'. The 'horizons' that the editors are concerned about are multi-dimensional. First, there are national boundaries, which despite the commonalities of experiences of working women, restrict their sharing. Second is the language barriers. Third is the disproportionate emphasis on some sections of the workforce, e g, executive women, and a relative neglect of other important sections. Fourth is the boundary of particular disciplines the researchers belong to. The underlying basis of this volume is that an international multi-disciplinary perspective is likely to help us in transcending some of these limits, "reduce the isolation of our scholarship and result in more collaborative and better-informed endeavours". There is also the increasing realisation, in this volume and in many recent contributions, of global interdependence between different countries and similar trends in the movement, the impact of capital and the implications of these on women workers.

An important area that needs a place in any attempt at 'widening the horizons' is a discussion on the 'subsistence production activities' women in almost every country are involved in. These include a myriad types of work from fuel and fodder collection, walking for miles to fetch water, preparation of food, cleaning, washing, house repair, childcare, animal rearing and so on. This crucial but 'invisible' work of women is unfortunately not very visible in either this volume or in earlier ones. This is especially important when one is looking at women and work and not merely at women's unwaged work. However, this volume does include some very valuable articles. Besides, each article has at its end a very useful list of reference books, articles, etc.

Within the broad framework regarding women's work outlined above, this book includes a very wide range of articles dealing with very diverse topics, ranging from a macro perspective on women's work in the global economy by Ward to getting very close to the workplace to examine the impact of the sex composition of the workplace on friendship, romance and sex at work, by Haavio-Mannila et al. With the latter concerns is also an interesting article on the horizontal and vertical relationships between women in the workplace by O'Leary. This wide expanse itself renders a simple straightforward summary or review very difficult.

An important debate that has raged recently and which has very concrete implications relates to the entire nature of multinational corporation employment and its short- and long-term impact on women workers in different countries—whether women have experienced these as economic liberation or economic subjugation. Do jobs in the 'global assembly line' mean some control by women on their labour power and their lives or do they merely result in reshaping women's subordination? Ward argues that in the long run "women's economic dependence on these plants, men, and their families is recomposed and perpetuated through low wages, limited job stability and untransferable training", making them all the more vulnerable when multi-natioinals ultimately move out.

The case-study of Hispanic women in the electronics and garment industry in the US discussed by Fernandes Kelly and Garcia, illustrates the point further. The experience documented here is an almost universal one. The electronics and the garment industry are two sectors that have been at the forefront of internationalisation since the early 1960s. Both these share a number of features at an international level—the very low wages they offer to industrial workers, their heavy reliance on sub-contracting, the predominance of small operations hiring fewer than twenty workers, their heavy dependence on women workers. While the garments and electronics industries have been pioneers in their drive for economic restructuring aimed at lowering production costs and maintaining a competitive edge in the domestic and international markets, other industries internationally have followed suit. Other strategies industry has employed include sub-contracting, encouraging home-based production and ceaseless modernisation. These trends have given rise to a shrinking of bl[illegible] collar employment in the organised sec[illegible] an increase in the service sector an[illegible] continual increase in the informal sect[illegible]

This picture criss-crosses with another[illegible] which women workers are subject to act[illegible] discrimination in the organised sect[illegible] because they are women. In this bo[illegible] Gwartney-Gibbs while refuting the theory[illegible] women's 'rusty skills' due to discontinu[illegible] in employment, underlines that it is rat[illegible] the discrimination and the structu[illegible] characteristics of employment, such [illegible] occupational segregation, etc, that detrim[illegible] tally influence women's earnings and ca[illegible] the male-female wage-gap. Another angle[illegible] discrimination perpetuated against wom[illegible] is discussed by Larwood *et al*, in th[illegible] analysis of the 'rational bias theory'. Th[illegible] conceive of discrimination as the co[illegible] sequence of self-interested managers maki[illegible] personnel decisions concerning subordina[illegible] based on the managers' own careers rath[illegible] than on the abilities of their subordinate[illegible] Our own research in India has indicated th[illegible] discrimination against women in industry [illegible] also based on the managements' calculatio[illegible] of costs versus benefits regarding t[illegible] employment of men or women. Before pr[illegible] tective legislation was enacted and before t[illegible] union movement gathered strength, wome[illegible] were equally, if not more, attractive propos[illegible] tions for the management. Howeve[illegible] gradually the picture changed. And toda[illegible] less women are employed in the organise[illegible] sector and more women relative to men i[illegible] the unorganised or informal sector.

This is often aggravated by the situatio[illegible] of the particular nation-state as e g, the deb[illegible] crisis in Bolivia and in many other develop[illegible] ing countries in Latin America and else[illegible] where. Women are burdened with increasin[illegible] workloads and less remuneration for it du[illegible] to economic stagnation, impoverishmen[illegible] and curtailment of welfare programmes[illegible] These factors push more women into th[illegible] 'informal' economy. The pressure of th[illegible] struggle for survival itself involves wome[illegible] workers in attempts to struggle for a bette[illegible] deal. As Nash comments in her article o[illegible] women in Bolivia, as the crisis deepens, "th[illegible] class struggle has moved from the sites o[illegible] production to the household, the community, and the right to survive becomes a revolutionary issue. Women's primary responsibility for the survival of family members puts them in the vanguard of political mobilisation around these claims to live."

These motivations and compulsions that impel women workers to struggle would also lead them to work for concrete alternatives that gradually but radically change their work and life situation. These attempts would be strengthened if there are changes in the economic policies of government development agencies and voluntary organisations. One of the perspectives suggested by activists working with women

orkers is an attempt at alternative community need-based production centres of omen, which would cater to the day-to-day eeds of specific communities and would ypass the market structures that devalue vomen's labour. The suggestions in the book owever, are largely at a macro level. Ward, n her article, quotes the International Centre or Research on Women. They propose that 'governments oversee TNC employment, provide alternative training for women, and enforce protective regulations on health and safety issues. Governments also should work with other nations to avoid the bargaining that leads to runaway plants. Further, abour-intensive plants that produce for local consumption should be encouraged so that capital stays in the country. Women workers should have access to equal employment opportunity, the right to organise, and opportunities for managerial experience." The articles have outlined many other broad suggestions. These however need to be much more concretised, as the problem seems to be assuming gigantic proportions and affecting greater numbers of women.

This is true not only of women workers in the capitalist world, but almost equally true of women workers in countries like the USSR, as the article in the volume by Lapidus indicates. The article on the interaction of women's work and family roles in the USSR makes interesting reading, as a sympathetic and comprehensive picture of the situation of women workers in the USSR is not always easily available. The article emphasises that some of the most crucial issues facing women workers are indeed universal today. One of them is the persistence of the sexual division of labour in the family and the labour market, which reflects the patriarchal assumptions about what constitutes men's and women's work, and an almost stubborn refusal to redefine male and female roles. Yet, the changes are also there, however miniscule. Not only has Alexandra Biryukova been appointed to the party's secretariat, the first such high-level appointment in 25 years, but there are promises that more part-time jobs will be provided for women, that child allowances for poorer families will be increased and that partly paid maternity leave will extend to 18 months.

One of the most important aspects of women's work discussed in many countries, most often by unions, is women's commitment to paid work and women's commitment to trade unions. In the last decade, almost every union in the UK for example has a women's chapter; there are regular women workers'/unionists' conferences, and training programmes for women unionists and stewards. In their article on trade union stewards in the US, Roby and Uttal have looked at women and men stewards and how they have handled their union, family and employment responsibilities. In the US, since the founding meeting of the Coalition of Labour Union Women (CLUW), which was attended by 3,500 women unionists from all parts of the country, many changes have occurred within the trade union movement, including a shift in union membership, leadership and some policies.

Research in many countries of the west and in Asia, as well as our own experience in India suggests that "unions have had an uneven history with regard to their treatment of women". Unions have excluded or ignored women as well as fought with determination for women's rights. And in the organised sector, the union is the only institution representing workers, including women in collective bargaining for wages and working conditions. However, though unions are vital organisations for women workers, women unionists have found it difficult to maintain their active involvement in unions. Some of the difficulties reported by women unionists in Roby and Uttal's study were, "the lack of recognition of women's domestic responsibilities as evidenced by the organisation of union activities", "problems with the way the union scheduled its meetings", "lack of childcare facilities during union meetings".

Our own research in Bombay indicates that these problems inhibit women from maintaining their active involvement in the unions, which gradually become male institutions and rarely take up issues that affect or involve women members, and a vicious circle is created which causes greater exclusion of women, alienating them further from the union.

However, in many countries, and as reported by Roby and Uttal too, women workers *have* taken the first step to end this exclusion. Many concrete suggestions have been given by them. And if the present leadership is sensitive to these, a very different picture may emerge in the 1990s regarding not only women and unions, but also with regard to the entire issue of women's work.

The present book is an important contribution towards attempting to understand this picture and change it. Hence it would help women unionists as well as researchers and scholars if these volumes were available at lesser costs in paperback editions.

Approach to Pricing Policy

Ram N Lal

Pricing Policies and Price Control in Developing Countries by K D Saksena; Frances Pinter, London, 1986; pp 240.

IT is now a settled fact that justification for interference of some kind in the market mechanism exists in all countries of the world, without exception. There are obvious reasons for this. Purely capitalist or purely socialist economies nowhere exist now. They remain only conceptual models. Conditions like market imperfections; situations of unemployment; necessity of regulating the behaviour of certain strategic macro-economic variables like consumption, saving, investment, etc, to realise certain rates of growth conforming to certain pre-determined economic structure; these and many other economic and social objectives necessitate, in non-centralised economies as well, proper regulation and control of prices constantly. In other words, the question of determining the objectives, nature and magnitude of appropriate pricing policies needs to be squarely faced both in developing as well as developed countries. For developing countries the question may, of course, be considered as far more complex and serious than in developed ones. A profound treatment of this subject had hardly been witnessed earlier and in practice there have been more or less only *ad hocism* and the methods of trial and error to be reckoned with. From this point of view the present book by Saksena is a welcome addition to a very meagre stock of literature on the subject. For developing countries it is bound to serve as a guide in formulation of price control policies. A rather tricky subject has been dealt with refreshingly with a fair degree of conviction arising out of a firm grasp of pricing theory and hard core experience of struggling with the formulation and implementation of pricing policies in a vast country like India.

Do we really need a theory of price control? To what extent can economic theory by itself explain factors and compulsions which necessitate price control policies? How far can price control measures effectively deal with distortions which keep on emerging in the process of growth in the relative price structure, resource allocations and income distribution caused by market imperfections? In what way do price measures differ from other economic measures like monetary, fiscal and physical policies? What should be the degree and forms of price controls? What considerations should enter into determining the levels of controlled prices? What administrative procedures would be necessary to make price control policies effective? What lessons can be drawn from experiences of different countries in this regard? These and many other related questions have been dealt with and answered with competence in the first 10 chapters. The important topics discussed are as follows: the case for price controls and price policies; the nature and objective of pricing policies; theory of price controls; some general issues relating to pricing policies; some problems and issues relating to the determination of controlled prices; marginal cost pricing versus average cost pricing; the problem of rate of return in relation to price controlled industries; duel pricing; some aspects of price controls and pricing policies in India; and growth, performance and pricing of public enterprise in India. In the end the book draws together the main conclusions and lessons of the study which are very relevant to the policy-makers in developing countries. Thus, it covers a very wide canvas and the treatment of each topic is penetrating.

There have been attempts to develop some kind of separate theory of price control in the past. Two such theories deserve mention: (1) *Theory of Price Control* by Von Mises (1968) and (2) *A Theory of Price Control* by J K Galbraith (1980). Von Mises undertakes a stout defence of the free functioning of the market mechanism. According to him, any price fixed by the external agency at any level, other than the one determined by the free play of market forces, will finally create conditions either of excess demand or excess supply, thereby defeating the very purpose of price control and may cause the economy to slip into the vortex of more and more price controls, leading to a long chain of controls. Galbraith, on the other hand, has tried to provide an interpretation of how price controls were actually conceived of and operated in some countries during the second world war and in this process he attempted some generalisations, suggesting a framework of economic policies which need to be followed. The present author skilfully demolishes the arguments of both the above authors and concludes that there is no need to develop any separate theory of price control; nor could such a theory possibly be developed because this subject falls in the domain of policy which may be based on political ideology or value judgments.

Once it is agreed that in the modern world no economy can escape price control measures, certain specific questions come up for consideration. When should price controls be resorted to? Which commodities and at what times need they be brought under price discipline? What should be the relationship between price control measures and the measures to control production and distribution? Do price control measures, need to be supplemented and reinforced by other measures? How long should price control last? What should be the nature and form of price controls? What should be the institutional arrangements necessary for the formulation, implementation and monitoring of price control?

Answering these questions with a clear understanding of economic situations and differing institutional arrangements in itself requires great ingenuity on the part of any author. The present author however, sails through these issues smoothly and is not bogged down by the complexities of the problems posed thereby. In his attempts to do so he has tried to learn greatly from the experiences gained in the EEC and other countries. This makes the study quite impressive and useful.

In a developing country, raising resources for development poses very difficult problems and creates anxious periods in the development process. It requires a very careful balancing of monetary, fiscal, pricing and direct physical measures at each stage of development. Pricing policy in respect of goods produced by public and other enterprises may have to be viewed in relation to the taxation (positive and negative) policies of the country. On occasions it may have to be used as a proxy for taxation measures also. To what extent pricing policies of public sector enterprises should be considered as substitutes for taxation policies has been the subject of debates, because both the measures have their plus and minus points. According to the author, raising the controlled price to include a contribution to the development funds might not always be advisable. There may be cases when prices of goods have to be kept sufficiently low to make it affordable by the bulk of the consumers. He rightly feels that any exercise to fix a controlled price has to be based on a study of the industry producing the particular commodity which covers all relevant aspects such as, the regional and overall demand and supply position; the estimated gap between actual and projected production and requirements; the causes of shortages and the remedial measures necessary for their speediest possible removal so that the control can be lifted.

The question of how to calculate costs to determine controlled prices by itself is confronted with many difficult and knotty issues. The questions relate to cost-benefit analysis, freight equalisation arrangemet, marginal cost pricing versus average cost pricing, measuring rate of return (with different bases for such measurements like capital employed, net worth, turnover, output, value added, etc), determination, procurement or the levy rate under a system of dual pricing—these and many other related thorny issues are faced by the policy-makers. Each of these issues requires to be attended to carefully as there is no unique answer for any of these. The answers would depend very much upon the situation confronted with at anytime. The author has discussed these intricate issues competently.

It is difficult to disagree with the author's view that pricing policies and price control measures raise enormous, complicated issues which change their character with changing situations. In order to deal with them effectively an appropriate institutional set-up is needed, which would be required to deal with formulation, implementation, enforcement and monitoring of price control measures. Various types of price-setting and management bodies have been tried in India and elsewhere. National prices committees in France, price commission in Belgium, erstwhile price and income board in Britain, agricultural price commission and bureau of industrial costs and pricing in India may be cited as examples of these. The author has discussed at length the importance, role and functions of these institutions. He feels that apart from setting up these institutions there is a need to streamline or evolve suitable administrative procedures, both in the internal procedures governing the institutions which are engaged in formulation, implementation and enforcement of price control measures and in the procedures within the government ministries or departments concerned. According to him it is imperative to minimise the delays and reduce the level of corruption at various levels and stages of the implementation of the pricing policy and enforcement of the price control measures.

Finally, he devotes attention to the growth, performances and pricing of public enterprices in India. In this context he makes a comparative study of public sector versus private sector in respect of growth, investment, rates of growth of gross domestic product, gross and net saving and capital formation, capital employed, cost-structures, net profit, internal resources, inventories, tax revenues, etc. On the basis of these studies he arrives at certain significant conclusions which are of far-reaching significance to the policy-makers. The available evidence show that controlled prices in India have moved more or less in line with the general price level. Secondly, growth in capacity, profitability, production, capacity utilisation and resource generation in price-controlled industries have not been lower than non-price-controlled industries. These conclusions go contrary to the commonly held belief that the performance of price-controlled enterprises has a tendency to lag behind the non-price-controlled industries. These findings are of great importance to those who are in charge of economic management at the aggregated and disaggregated levels.

In concluding, the author has a message to the managers of price-controlling bodies. He feels that there is a

> need to simplify the system of statutory price-controls; build up an efficient monitoring system; abolish the multiplicity of price fixing bodies; build up a powerful consumer movement and create voluntary organisations at the grassroots level to ensure the proper functioning of public distribution system; make the entire system of price controls productivity and efficiency oriented; and adopt a conscious policy to minimise the burden of subsidies and to taper them off overtime.

Similarly, on the basis of his analysis of empirical evidence he wants the readers to realise that profitability of public enterprises (which now occupies a prominent place in the Indian economy) has been very low indeed and he has indicated several remedial measures to bring about improvement in the situation. Evolving an effective price setting system and a system of accountability at different technical and managerial levels; active demand arrangement and regular periodic review of the performance by the administrative ministries or the departments concerned may be cited as some few important measures suggested by him.

Establishing an Offshore Financial Centre in India

Proposal Revisited

S K Verghese

It is appropriate to reassess the scope and nature of India's external financial market links in the light of the major changes that have taken place in the international financial markets as well as in India's own external financial position and to see whether any change in our policy on establishing an offshore financial centre in India is called for. This paper discusses whether the recent financial market developments have made it more opportune for India to establish an offshore centre and whether the potential costs-benefits of such a centre have become more favourable today than they were in the early 80s.

THE proposal for establishing an offshore financial centre in India, which attracted considerable attention in the early 80s has been revived in recent months. Substantial changes have taken place in the international financial markets in the meantime. The external financial position of India has also altered markedly. It is therefore appropriate to reassess the scope and nature of our external financial market links to see whether a change in our policy on establishing an offshore financial centre in India is called for. The objective of this paper is to explore whether the recent financial market developments have made it more opportune for India to establish an offshore centre and also whether the potential cost-benefit of such a centre have become more favourable today than in the early 80s. Section I delimits the scope of the subject under discussion while Section II analyses the developments in the international markets that have a bearing on offshore markets. The cost-benefit aspects of an offshore centre are dealt with in Section III.

I

Nature of Financial Linkages

In order to keep the discussion on the track, it is important to be clear about the nature of the financial linkages that can be envisaged. Due to the sharp decline in the role of direct financial intermediation by banks in recent years and the growing importance of non-bank financial markets, it is appropriate to enlarge the scope of this article under the broader title "offshore financial centre" rather than "offshore banking centre", which was the focus in the early 80s.

The nature of involvement between the domestic and international markets can take the form of financial integration (some commentators refer to this type of integration in the case of India), borrowing or lending or international banking business by home country banks, or renting of geographical location for undertaking international business or a combination of these functions. The legal and institutional framework, the direct costs and benefits to the host locale and also the wider implications for the domestic economy will vary significantly depending on the exact nature of the linkages between the domestic and international financial markets.

Financial integration essentially means financial inflows and outflows between the domestic and international markets unhindered by officially imposed barriers such as exchange controls, trade controls and fiscal and monetary disincentives. Other barriers, particularly exchange rate risks, institutional rigidities, differences in maturity and credit risks, etc, may still exist. But complete freedom for financial flows between countries will increase the degree of choice for asset substitution both to resident and non-resident asset-holders. Thus, in the decision-making process of individuals and corporations, developments in foreign markets constitute an important factor in an integrated market situation. At present only a few developed countries are financially integrated. Many European countries and almost all developing countries have officially imposed restrictions on capital flows, although current account transactions are relatively free. Even Japan had shut out her financial markets until the early 80s to conserve her domestic savings for domestic investment. Even now though Japan's money markets are to a large extent integrated with the European market, the long-term financial market remains unintegrated. At the present stage of India's economic development and the highly vulnerable balance of payments position, very few will seriously recommend the integration of the domestic markets with the international markets. This position is unlikely to change in the foreseeable future. India also, for the same reason, cannot aspire to be an investor (lender) in the international markets. Thus, the nature of the inter-linkages between the Indian and international financial markets narrows to a borrower status, role as international bankers and also an offshore financial centre. However, the proposal for establishing a centre has been made mainly to provide the institutional modalities for increasing Indian "market's linkages with the international markets",[1] i e, to borrow from overseas markets and to promote international banking business.

For a realistic evaluation of the scope for establishing a financial centre and its cost-benefit to India, it is necessary to take stock of the distinguishing features of offshore centres and their performance in recent years in the context of the basic developments that have taken place in the financial markets in the 80s.

II

Developments in International Financial Markets

Distinguishing Features of Offshore Centres

There is considerable heterogeneity in the range of functions performed and the regulatory privileges enjoyed by different offshore centres. No doubt, they are part of the growing eurocurrency markets. The classification of certain centres under offshore centres is rather arbitrary. But what distinguishes an offshore centre from other eurocurrency centres is that in offshore centres the host countries have artificially created international financial business by conferring monetary and fiscal privileges.[2] Besides, the external transactions of the banks and non-bank financial units engaged in offshore business are segregated from the general books and records of participating banks, primarily for regulatory purposes and also for insulating the domestic financial markets from offshore transactions. On the other hand, major financial centres like London, New York, Paris, Switzerland and recently Tokyo have been developed spontaneously by market participants converging there to take advantage of the natural business potential. In these

centres, external financial transactions are not artificially segregated on the books and records of the offshore financial institutions. On the eurocurrency business in major euromarket centres like London, reserve requirements, withholding taxes, etc, are not imposed, similar to that of offshore centres. Though the US and Japan are natural international financial centres, because of their economic importance in the world and the use of their currency and financial markets internationally, both have established offshore centres (International Banking Facilities or IBF by the US in December 1981 and Japan offshore market or JOM in December 1986 by Japan) through special schemes conferring regulatory privileges on participating banks and financial institutions. If it had not been for the IBFs which represent a "free banking zone" international transactions denominated in the US dollar would have not qualified for exemption from reserve requirements, interest rate ceilings then in effect, deposit insurance coverage, etc. JOM was established to enable financial institutions in Japan to undertake wholesale international banking business and it has been patterned on the IBFs model.

Among the offshore centres there are two categories, viz, tax havens and regional financial centres. It is the aspiration of all offshore host countries to develop into regional financial centres but that is contingent on greater interlinkages between the host financial markets and the offshore centres, as also the availability of allied services (lawyers, accountants, international broking services, etc) and potential borrowers and lenders in the hinterland. In Singapore and Hong Kong, the two regional centres, the bulk of the offshore business is still interbank transactions. Several of the offshore centres even today are tax havens which impose zero or low rates of tax and also offer a high degree of banking and commercial secrecy. The activities of some of the tax havens, also other euromarket centres, have become more 'seedy' in recent years due to the adeptness developed by bankers, lawyers and trust company operators in 'layering' the secrecy of transactions through highly complex arrangements involving offshore banks, trust companies, subsidiaries, etc. The sophisticated facilities of offshore centres are increasingly used for laundering concealed income from fraud, tax evasion, drugs and arms trafficking and kick-backs received by politicians and administrators. After extensive investigations, a staff study by the United States senate permanent sub-committee on investigations came to the conclusion that crime which exploits offshore haven banks, trusts and companies were extensive and expanding and "it challenges the basic assumptions regarding the ability of federal and state authorities to enforce the law".[3] The US continues to maintain its relentless pressure on offshore host countries for greater disclosure and supervision of international banking business.

The reason for the use of offshore centres for crime-related financial transactions is the existence of specific secrecy or blocking statutes or common law precedents or sanctioned practices which deny access to informations on bank accounts, money transfers and identity of beneficial owners of bank accounts and registered companies. The main tax havens are in the Caribbean region, the Bahamas, Bermuda, The British Virgin Islands, the Cayman Islands and the Netherlands Antilles, in Europe the Channel Islands, the Isle of Man, Liechtenstein, Luxembourg and Switzerland. (Switzerland is not considered as an offshore centre as no special privileges are conferred for promoting international business.) In the Asia-Pacific region, Hong Kong and Vanuatu are the main tax havens.

Recent Performance of Offshore Centres

The share of offshore centres in the external assets of banks in major selected financial centres declined from 25.2 per cent in 1983 to 22.4 per cent in 1988 and their growth rates have slowed down in recent years (see Tables 1 and 2). Part of the reason for the declining share of offshore centres has been the remarkable growth of Japan since 1985 as a financial centre and also the decline in the syndicated credit sector of the euromarkets. A close examination of the centre-wise business of offshore centres in developing countries shows that with the exception of Singapore and Hong Kong, the business of most centres either stagnated or has declined in 1987 and 1988 as compared to earlier years. The more adversely affected are the Bahamas (non-bank credit from Bahamas sharply declined), Panama and the Netherlands Antilles, Bermuda, Barbodos, Lebanon, Liberia and Vanuatu have hardly managed to secure any reckonbale business in recent years. External assets of Hong Kong and Singapore were about $ 309.7 billion and $ 248 billion respectively in 1988. In both these centres interbank transactions predominate, i e, they are 78-81 per cent on the asset side and 80-100 per cent on the liabilities side. Non-bank credit accounted for 18.5 per cent of the total offshore bank credits in Hong Kong and about 27 per cent in Singapore in 1988 (see Tables 1 and 2).

The assets of the IBFs of the US have increased at a lower rate after the initial spurt in the activity in 1981-83. According to a staff study of the board of governors of the Federal Reserve System (US) in 1988, "The consensus in the banking community is that the IBFs have not created substantial amount of new business. Rather, the business now on the IBFs' books was either shifted there from establishing entities or their foreign offices or would, in the absence of IBFs, have been booked at established entities or their foreign offices. In the case of large US chartered banks, most of the assets and liabilities shifted to IBFs were originally on the books of their foreign branches ... Because many of the transactions booked at Caribbean branches of US banks were actually conducted in New York or other financial centres in the United States, IBFs simply permitted a more rational and operationally efficient pattern of booking for such transactions. As a result, there do not appear to have substantial income or employment gains in the United States associated with the introduction of IBFs." The FED study concluded that "IBFs have not turned out to be the dramatic innovation that some had predicted".[4]

The experience of JOM (Japan) is not any different from that of the IBFs. The initial growth of business attributable to the shifting of business from overseas branches to the books of the JOM has not been maintained in 1987 and 1988. The nature of the "round tripping characteristic of offshore business is evident in the JOM also. For instance, a significant part of the $ 37 billion of new funds taken up by the banking units of the JOM in 1987 was on-lent to related offices, mainly in other Asian centres. These funds were in turn rechannelled through the Japanese banking system to domestic non-bank customers.

Current Features of International Financial Markets and Their Implications

International financial markets have undergone substantial changes in terms of the scale of operations (market size), global integration, innovative financial and derivative products and also regulatory measures on the part of supervisory authorities to manage the risk exposures of banks. Are these developments more favourable for the establishment of an offshore financial centre in India? It would be useful to examine carefully the current market features and their implications for the proposed Indian offshore centre. The following are some of the main features having a bearing on offshore centre business.

(1) The growing integration of financial markets and the ease for financial outflows and inflows unhindered by official controls, have in fact reduced the importance of offshore centres. This fact has been confirmed by the IMF's *World Economic Outlook* (1989) which observes that "the growing integration of financial markets and the sharp fall of data processing and telecommunication costs have encouraged investors in many countries to diversify portfolios across borders, thus reducing the importance of physical proximity to offshore centres".[5] There is an allied facet of the financial integration that further reduces the importance of offshore centre business. As domestic financial markets of a large number of developed countries have been liberalised, the business which earlier was driven offshore by domestic restrictions is likely to come back onshore to a large extent, except the business of centres which offers protection due to the provision of secrecy or significant tax advantages. Some banks have

already started closing down their business in those centres which offer little natural business. The centres affected so far include Bahrain, Bahamas, Panama and Bermuda.

(2) Similarly, the application of uniform rules for supervision of international banking business on a consolidated balancesheet basis, particularly those applicable on capital ratios, liquidity ratios, will remove some of the major incentives for offshore outfits. There is now greater evidence of a tendency for integration of offshore and onshore business and their location in home countries or in major financial centres.

(3) Another development which will have an adverse effect on offshore centres is the sharp decline of direct financial intermediation by banks, and the growth of securitised lending (capital market activities such as bonds euronotes, commercial papers, etc) and the increased use of financial packages involving currency and interest rate swaps,

TABLE 1: EXTERNAL ASSETS OF OFFSHORE CENTRES
(End of the period)

(Billion US dollars)

		1983	1984	1985	1986	1987	1988
Hong Kong		67.56	78.75	101.17	155.23	266.50	309.74
Singapore		88.23	101.37	120.47	161.98	209.84	248.10
Bahrain		54.61	55.02	50.71	50.92	59.73	65.22
Bahamas		157.24	147.07	143.06	151.16	163.00	156.10
Cayman Islands		131.28	143.59	167.20	199.83	242.53	—
Netherlands Antilles		10.25	7.71	6.61	5.97	6.95	7.19
Panama		37.29	32.34	33.09	33.62	32.52	9.18
Bermuda:	Cross border inter-bank claims	3.50	3.84	3.95	4.60	5.03	4.98
	Non-bank credit	0.09	0.14	0.17	0.22	0.25	0.17
Lebanon:	Cross border inter-bank claims	4.61	3.25	3.27	2.99	3.18	—
	Non-bank credit	0.55	0.33	0.33	0.23	0.22	—
Liberia:	Cross border inter-bank claims	0.04	0.01	0.02	0.02	0.02	0.02
	Non-bank credit	—	—	—	—	—	—
Panama:	Cross border inter-bank claims	37.29	32.34	33.09	33.62	12.76	9.92 (2nd Qr)
	Non-bank credit	25.92	23.23	23.02	22.59	22.49	7.00
Vanuatu:	Cross border inter-bank claims	—	—	2.17	2.29	—	—
	Non-bank credit	0.07	0.04	0.12	0.12	0.13	0.01
IBF(USA):	Liabilities	156.7	176.1	193.6	249.0	306	335.9
	Assets	172.4	189.7	202.8	240.5	277.3	309.4
IOM (Japan):	Liabilities	—	—	—	88.0	191.2	328.0
	Assets	—	—	—	88.7	191.9	331.0

Source: IMF *International Financial Statistics*, May 1989 and BIS, August 1988, *International Banking and Financial Market Developments* (Paris, May 1989).

TABLE 2: EXTERNAL ASSETS OF SELECTED INTERNATIONAL FINANCIAL CENTRES
(End of the period)

(Billion US dollars)

	1983	1984	1985	1986	1987	1988
Australia	0.18	0.91	1.48	3.63	5.40	6.41
Belgium	66.20	71.61	92.63	117.93	149.13	148.54
Canada	40.97	41.21	44.17	50.74	50.73	44.12
France	144.46	145.34	170.90	202.23	266.41	264.68
Germany	74.76	75.23	112.93	178.48	232.61	229.71
Japan	109.06	126.92	194.62	345.33	576.83	733.69
Switzerland	162.38	161.83	205.46	253.44	331.95	319.06
UK	485.21	489.71	590.07	715.56	875.71	883.62
USA	433.13	443.37	446.78	506.70	548.72	603.39
Luxembourg	103.48	101.78	131.48	173.05	227.60	223.22
Offshore centres of dev countries	546.45	565.85	622.32	758.70	973.26	1052.99
Total	2172.22	2213.03	2612.27	3305.79	4238.35	4509.43

Source: IMF, International Financial Statistics, May 1989.

S K Verghese Tables (T pc-13)

options and multi-option facilities. For ra[ising] funds directly from the markets, prox[i]mity of investors, time-tested infrastructu[re] for primary sales of financial intstrument[s,] custody and transfer of instruments and op[-] portunity for developing active secondar[y] markets are necessary. Besides, major bo[r]rowers in the securities markets are the cor[-] porate entities from the developed countrie[s.] Even before the current boom of the secu[-] rities markets took place it became increas[-] ingly evident that central bankers an[d] wealthy individuals tended to bypass peri[-] pheral offshore centres like Bahrain an[d] preferred to deal directly with major centre[s] like Tokyo, London, Zurich, New York, etc because of their investment opportunitie[s] and expertise. The exaggerated expectatio[n] of becoming a significant collection centr[e] for OPEC deposits by Bahrain did no[t] materialise, even before the OPEC funds dried up.

(4) The changes in the pattern of source of funds and the home country of banks and securities firms dominating the financial markets will have significant implications for the future of offshore centres. Between 1983 and 1988 the external claims of banks (foreign currency and domestic currency claims on foreign residents) of selected major financial centres (the UK, the US, Japan France, Luxemburg, Germany, Belgium, Australia and offshore centres in developing countries) more than doubled from $ 2172.2 billion to $ 4509.4 billion. The share of Japan rose sharply from 5 per cent to 16.3 per cent whereas the share of the US declined from about 20 per cent in 1983 to 13.4 per cent in 1988. The share of the UK has also declined from 22.3 per cent to 19.9 per cent during the same period (see Table 2). Most European countries registered either declining or stagnant shares in international financial business. As far as the international banking market is concerned the Japanese market has already superseded London.

(5) A similar remarkable change has occurred in the source pattern and intermediation channels of net private financial flows. Japan and West Germany have emerged as the main sources of net private capital flows since 1985 as counterparts of their large and persistent current account surpluses. According to IMF, private capital outflows from Japan increased from $ 11.8 billion in 1982 to $ 50.6 billion in 1985 and further to $ 63.9 billion in 1988. Capital outflows from West Germany rose from $ 3.8 billion in 1982 to $ 36.4 billion in 1985 and $ 68.0 billion in 1988. However, the differences between the two countries in terms of maturity profile, types of instruments and intermediating institutions have been significant. In Japan, long-term portfolio investment outflows through non-bank institutions were predominant; direct investment also registered significant increase while bank intermediation was less. However, large inflows of short-term capital took place through the banks in Japan which they reinvested in ex-

FORM IIA

[See rule 4A(1)]

NOTICE

It is hereby notified for the information of the public that INDIAN ALUMINIUM COMPANY, LIMITED proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the establishment of a new undertaking/ unit/division. Brief particulars of the proposal are as under:

1. Name and address of the applicant : INDIAN ALUMINIUM COMPANY LIMITED
   1 Middleton Street, Calcutta 700 071.

2. Capital structure of the applicant organisation :

Share capital	Equity (Rs.)	Preference (Rs.)
(a) Authorised	79,60,00,000	40,00,000
(b) Subscribed and paid-up	41,49,66,580	—

3. Management structure of the applicant organisation indicating the names of the directors, including managing/wholetime directors and manager, if any : The Company is managed by a Board of Directors. Names of the Directors are:

   Field Marshal Sam Manekshaw —Chairman
   T.D. Sinha —Vice Chairman
   V.S. Sachdev —Managing Director
   C.W. Birkett
   G. Chidambar
   P.K. Choksey
   S.K. Dasgupta
   A.A. Hodgson
   R.K. Bhargava —Alternate for A.A. Hodgson and also wholetime employee
   A.L. Mudaliar
   P.K. Pal
   T. Mitra —Alternate for P.K. Pal and also wholetime employee
   H.T. Parekh
   B.R. Sule

4. Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division : The proposal relates to the establishment of a new undertaking by the name "Indal Exports Limited", a company incorporated under the Companies Act, 1956 for export of products manufactured by Indian Aluminium Company, Limited and other parties together with the business of import, trading etc.

5. Location of the new undertaking/unit/division : Registered office: 41 Chowringhee Road, Calcutta 700 071

6. Capital structure of the proposed undertaking

Share Capital	Equity (Rs.)
Authorised	20,00,000
Subscribed & paid-up	70

7. In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate
   (i) Names of goods/articles : The proposal relates to the export of products manufactured by Indian Aluminium Company, Limited and other parties together with the business of import, trading etc.
   (ii) Proposed licensed capacity : Not Applicable
   (iii) Estimated annual turnover : Rs. 50 crores

8. In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover, etc. : Not Applicable

9. Cost of the project : The proposal does not involve setting up of any project.

10. Scheme of finance, indicating the amounts to be raised from each source : The proposal will be financed out of internal cash generation.

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

INDIAN ALUMINIUM COMPANY, LIMITED
A. Sen
Vice President—Corporate Affairs and Secretary

Dated this 17th day of July 1989.

ternal markets by purchasing long-term securities. Thus Japanese banks have been engaged in recent years in maturity transformation in international financial markets, rather than intermediating between Japanese savers and overseas investors. In contrast, Japanese non-bank institutions (trust banks, life insurance companies, pension funds, etc) are active investors in overseas long-term securities. Bulk of Japanese non-bank investments are confined to high grade liquid assets bearing relatively higher interest rates. The investor profile of Japanese capital outflows and their bias for higher yield from long-term securities and for lower sovereign risks make it unlikely that these funds will move into offshore centres. However, with the recent changes (since November 1988) in the procedure for determining the prime rate and interbank money placements the ability of the banks to compete for funds with non-bank institutions may be enhanced. Thus, more funds from the Japanese markets may flow into the banks, which may in turn be lent to overseas borrowers, as well as medium and small firms in Japan at higher margins.

In West Germany, banks have been the main channel for recycling the country's current account surplus and they acted indirectly through overseas banks (inter-bank). Lending to other banks has increased steadily as a proportion of the assets of West German banks during 1982-88 period. Investment in non-bank foreign securities has declined as a proportion of total investment in securities, which is attributable to restrictions on the currency exposures of German banks. Inflows of long-term portfolio investment into West Germany have been higher than outflows since 1983, except for the year 1988. Thus, by and large German banks have been a source of inter-bank funds to overseas banks. Net private financial flows from the US has sharply declined reflecting the enormous current account deficit and the inflow of capital to finance it. There has been a virtual disappearance of outward fund flows through banks from the US.

(6) The emergence of Japanese banks and securities houses to top positions in international markets and the corresponding decline of the role of US banks (except in the derivative product market where American banks are predominant in foreign exchange trading and swaps) will have significant implications for offshore market development in the future. Japanese financial institutions are better placed to recycle her enormous current account surplus. For instance, Japanese banks are the largest nationality group in London today with 36.4 per cent of international assets at the end of 1988 despite the fall of their business in that year partly due to the growth of domestic foreign currency business in Japan and partly due to the transfer of business to JOM.[6]

Japan's net external assets have grown by 27 per cent in 1988 to $ 291.7 billion, the world's largest for the fourth successive year. Direct investment abroad in property (chiefly in the US), industry and commerce rose in 1988 by 43.8 per cent to $ 110.7 billion. Investment in foreign securities increased by 26 per cent to $ 427 billion. A related development is the sharp rise of Japan's share in net financial flows to developing countries to 47 per cent in 1986-87 from 11 per cent in 1980-81 (OECD source). The share of North America declined from 30 per cent to minus 12 per cent during the same period. Asia accounted for over 65 per cent and North America around 51.5 per cent of Japan's direct investment at the end of March 1988. Direct investment of Japan will necessarily increase in the future. As the exposure on the US, both in direct investment and US government bonds is already very high, Japan is likely to increase its involvement in the Asia-Pacific region, mainly for economic reasons rather than military or political designs, as in the case with the US investment and aid. Japan has already set up a quasi-private agency called Japan International Development Organisation mainly to promote investment in export industries in developing countries with half the exports expected to go to Japan.

(7) The increase in the total funds (bank loans, other medium-term borrowing facilities arranged by banks, and international bonds) is not an indication of the availability of funds, although it does signify the growing financial intermediation via international markets and therefore the business prospects of banks and non-bank institutions. A growing proportion of these activities constitutes the spilling over of traditional domestic financial intermediation on to the international markets. Private savers (individuals and corporations) through mutual funds, insurance companies and securities houses, place a larger proportion of their savings in the international markets to secure higher yield. At the same time corporations from the same country borrow abroad to secure funds at lower costs, and also currency diversification. Maturity and currency transformation are the chief benefits arising from the growing sophistication and growth of financial markets. The 'round trippings' which constitute a sizeable part of international financial business are not intended for real investment in plant and equipment but for 'playing the market'. For example, a typical form of fund-raising by corporate entities is equity-linked bonds, straight bonds in the international markets, swapping the proceeds for domestic currency, reinvestment of the same funds in a variety of instruments in the domestic or foreign markets. This feature is not confined to the financial markets but also equally applies to the foreign exchange markets. For instance, in 1988 foreign exchange trading activities contributed 17.7 per cent of the pre-tax profits of Midland Bank, 16.8 per cent of Bankers Trust, 18.7 per cent of Chase Manhattan, 15.8 per cent of Chemical Bank, 22.8 per cent of Citicorp and 14.2 per cent J A Morgan.[7] The daily turnover of the foreign exchange market is estimated to exceed $ 400 billion.

(8) The EEC plan for economic and financial integration of Europe by 1992, in which goods, services, capital and people can move freely, is likely to have a significantly impact on the activities of major financial centres, as well as offshore centres. As an initial step towards the financial unification, all member states of the EEC have already agreed to ensure the free movement of capital within the EEC by mid-1990. The unified European market may emerge as one of the large and dynamic financial markets in the world. The concern of major non-EEC banks about this prospect is evident from the public appeal by 18 leading international bankers, mainly the US and Japanese, for open access to the European markets after 1992. In the meantime

apanese banks and securities houses are roadening and strengthening their European networks to look as 'European as ossible'.

Another factor that may affect the international financial markets is the increased inancial requirements of European companies for consolidating and restructuring heir production capabilities to meet the intensifying competition in the unified European product market. Whether these levelopments will keep European funds vithin Europe and also draw funds from other countries are difficult to say at this tage. In any case, both European and non-European banks are likely to focus their attention in the next few years on their European strategy, particularly since the uniform Basle capital ratio and other regulatory measures will not permit a run-away expansion, as had happened in the 70s.

(9) The uncertain role of the private international markets in allocating resources efficiently is another important consideration relevant while evaluating the functions of the offshore centres. Experience so far has not been convincing in this respect. The external debt crisis itself speaks much about the tendency of banks to over-lend based on several wrong assumptions. With considerable prescience Antonio Ortiz Mena, in his inaugural address to the 15th meeting of the board of directors of the Latin American Development Bank in April 1974, warned about the danger of too much reliance on private capital markets. His warning was '...the eurocurrency market has provided a large volume of financing for the region in the last two years, but...this financing is being obtained on conditions that, without careful planning, can frustrate orderly management of the external debt and even weaken the internal savings efforts of our countries. ...These operations are transacted with scant knowledge of the feasibility of the projects, since brokers are commonly used to promote lending operations, especially in developing countries. Obviously, such practices can lead to the excessive use of credit and an improper allocation of financial resources. ...This observation is even more to the point if it is kept in mind that the countries sometimes resort to the eurocurrency market to finance the total cost of an investment."[8] A similar warning was also sounded by William Gaud, executive vice-president of the IFC in November 1973 when he said, "There are those who welcomed this growing recourse to the private capital market by the developing countries as a desirable trend... I see real risks in the developing countries borrowing so heavily in a market with no established standards and no overall surveillance to prevent unsound practices".[9] Now since the borrowings by most developing countries from the private financial markets have disappeared, except China and India, the revived syndicated loan market is directing a significant part of the lendings to finance mergers and leveraged buy-outs (M and LBOs). The latest OECD report (1989) indicates that syndicated loans associated with mergers, mainly in the UK and the US, exceeded $ 34.5 billion in 1988 accounting for 30 per cent and in the first quarter of 1989 $ 21.8 billion accounting for over 66 per cent of all new borrowings on the international financial markets. Commenting about the perils of the growing M and LBO related financing, Henry Kaufman warned recently that mergers and LBOs have contributed to a decapitalisation of US industry, with debt of non-financial corporations going up by an estimated $ 840 billion (15 per cent annual growth) while equity position has contracted nearly $ 300 billion. "Interest payments by these companies swelled to 26 per cent of internal cash flow, an all-time high... Financial calamity may occur during recession—the unfortunate truth is that all parties involved in M and LBO have a strong vested interest in their continuation. Members of corporate management, shareholders, commercial banks, investment bankers and lawyers, all find these deals so lucrative that it clouds their objectivity. Losers will be the bond-holders, they lack the strong constituency and legal standing needed to fight back". He added, "I think most of us would agree that we don't want the kind of free enterprise system in which we ostensibly put our faith in market discipline but whisper in the closet that the government will always bail people out if anything nasty happens. But that's what we will end up with if we don't curb the leverage that's threatening our economy".[10]

III
Cost-Benefit Aspects of an Offshore Centre in India

Against the foregoing international financial market developments and the changed domestic situation in terms of a more liberalised financial market and economy, let us evaluate the cost-benefit of an offshore centre in India. An analysis of these aspects undertaken by the author in 1981 under the then existing conditions came to the conclusion that in terms of increased access to overseas funds, employment generation, earnings from fees, taxes, etc, and opportunity to develop international banking business or expertise, an offshore banking centre would confer no significant advantages to India. On the other hand, the adverse effects of the centre on exchange rates, interest rates, domestic money management and also costs for telecommunication facilities and supervisory system would be substantial.[11]

No doubt, a financial centre like London, New York or Tokyo confers substantial benefits on the host countries. In fact, the financial service industry is one of the largest sources of foreign exchange earning of the UK. As already indicated, these are natural centres due to their economic and financial importance in the world. Although adequate information is not available, regional financial centres like Singapore and Hong Kong also confer some advantages on the host locale, say, around one per cent of GDP; considering their limited resource position, small population, etc, these are important for them. In an IMF study, Ian MacCarthy has pointed out that eurodollars when booked offshore, the monies never leave the major financial centres. When banks are in fact shells or brass plates "there is little employment opportunity. One lawyer agent can 'operate' 20 banks. Since tax havens do not tax, the only revenue gain is from licensing. Hence, gains calculated as a portion of the national budget can be small indeed."[12] A similar study of the Bahamas offshore centre by R Ramsaran also found that "banks engaged exclusively in offshore operations are of no consequence as loan generators to local government or commerce. In the Bahamas, for example, government borrowing is largely supported by those international banks which operate locally as well as internationally".[13] Referring to the benefits to host countries, the study by the US Senate Permanent Subcommittee on Investigations observed that "in seeking to attract offshore banking, local authorities in less devloped regions may exaggerate anticipated benefits. There is no simple answer to the intricate question of the value of offshore banking to haven jurisdictions. At the very least one must specify benefits and cost—to whom, what kind—take note of trends over time, and be sensitive to the general rule outlined here to the effect that each offshore jurisdiction and financial centre must be examined on a case-by-case basis. Equally important, one must recognise that the sanguine expectations or evaluation on the part of local authorities may fail to consider the complexity of the issues involved, especially long-term risks."[14]

The benefits India may derive from an offshore centre can be evaluated under the following broad groups: (i) increased access to international funds and better terms of borrowings; (2) better facilities for managing our external debt efficiently; (3) earnings from taxes, fees, employment and other local expenditure; and (4) opportunity to develop international banking business and expertise. The costs/risks of an offshore centre arises from implications for monetary management, nexus between crime and offshore financial operations, competition to banks in India and the costs of setting up telecommunication facilities and bank supervision system.

(1) Increased access to international funds and better borrowing terms: Before we take up this issue, it is important to assess the scope for borrowing, i e, the demand side of the funds.

According to the World Bank's *World Debt Tables* (1989), the outstanding external debt of India was $ 46,370 million at the end of 1987. The debt service burden on public and publicly guaranteed long-term debt was $ 3,296 million and on private non-guaranteed debt $ 901 million at the end of

1987. The projected debt service burden on long-term debt alone has been placed by the World Bank at $ 4,626 million in 1989. OECD, *External Debt Statistics* (1988), has estimated India's debt and liabilities outstanding at the end of 1987 at $ 50,375 million. This includes non-bank trade related claims, guaranteed bank claims, other bank claims, non-bank deposits, multilateral loans, other claims and use of IMF credit. Since India has borrowed substantial amounts in 1988 ($ 2,507.4 million in the private international financial markets) and in view of speedy utilisation of aid commitments, the total external debt of India now would be around $ 60 million. With an outstanding debt of this magnitude and the persistent and large trade deficit and debt service payments, the debt service burden of India has become a matter of serious concern both in India and abroad. The OECD's *Report of the Development Assistance Committee*, 1988, observed that "For both China and India, debt service burdens are now increasing quite sharply. (The debt service/exports ratio is at a much higher level in India than in China however.) Although in neither case is any major problem imminent there is a clear need to follow policies which will maintain and increase debt servicing capacity in the future."[15] Although the OECD's prescription is more economic liberalisation and boosting of exports, our exports will face increasing challenges not only in the US (which has listed India among the countries pursuing unfair trade practices to apply 'supper 301') but also in the unified European markets. It is, therefore, undesirable to take recourse to an active market borrowing strategy at this stage. Instead, India should make all efforts to secure more bilateral assistance to tide over the short-run requirements, while at the same time take long-term measures to reduce dependence on foreign capital. It is equally an inopportune moment to bring about an institutional change in India's external financial linkage by establishing an offshore centre for the purpose of increased borrowing.

Even assuming that India launches an active borrowing strategy, it is unrealistic to expect international banks and private investors to respond in any significant measure to our increased demand for funds. It is also important to note that out of the total $ 2,358.7 million in 1987 and $ 2,507.4 million in 1988 raised by India in the international markets, as much as $ 1,397.7 million in 1987 and $ 1,185.2 million in 1988 were from the internationl bank loan markets. In other words, the non-bank capital market access which is confined basically to high quality borrowers, to which India made some forays in the past, may not absorb more of India's debt papers. Institutional investors in the capital markets are highly sensitive to country risks. Due to exhaustive and up-to-date collection and dissemination of information on external borrowings of developing countries and greater transparency of country exposures, the type of excessive lending by banks that took place in the 70s and early 80s is unlikely to recur in the future. Whatever exposure limit a bank fixes for a specific country (including loans, guarantees, acceptances, foreign exchange trading, inter-bank fund placements, etc) is allocated among its branches and fully owned subsidiaries spread over all financial centres. Therefore, the presence of an offshore centre in India will not in any way enhance our ability to borrow more funds.

Due to the availability of excellent telecommunication facilities and the sharp fall in their costs, physical proximity to a borrower is irrelevant for lending by a bank, or borrowing by a borrower. In the initial stages of the development of the syndicated credits, probably that was required to give a certain extent of confidence to the banks.

Offshore bank units, by the very nature of their business, i e, wholesale interbank money and foreign exchange trading, managing issues of securities, etc, are ill equipped to collect and analyse information on a country or individual borrowers in the host country. Since an offshore banking unit does not interact with resident entities in the course of its normal business, it is unlikley to establish contact with local firms, particularly small and medium enterprises. International banks operating domestically in India are in a better position to arrange loans and other facilities through their onshore or offshore branches. What is relevant to private cross border lendings is country credit rating. Institutional and country ratings are required to meet investor requirements. Unless borrowers in the capital markets carry a triple 'A' rating, access to the non-bank capital market is also difficult.

Similarly, those familiar with the *modus operandi* of loan pricing or determination of fees for securities issues will recognise that competition in the market has already driven the fees and margins very low and good borrowers are able to borrow below LIBOR. Fees for arranging securities issues are also very thin. What matters most in the market is the name of the borrower which will ensure the sale of the notes in the primary markets. Besides, the increased use of currency and interest rate swaps in the financing packages make major financial markets more suitable for securitised borrowings than an offshore market in India. Though in the late 70s and early 80s India used some offshore markets like Bahrain, in recent years almost all of India's borrowings had been made in major international financial centres or in the foreign sector of the domestic markets in Switzerland, Japan, etc.

The opportunity for small and medium companies to borrow has been suggested as one of the benefits that India would derive from an offshore centre programme in India. Obviously, big companies, whether public or private and also Indian banks do not require an offshore centre in India to avail of foreign currency loans. At present financial institutions in India, like the IDBI, ICICI, IFCI, and EXIMBANK, provide foreign currenc loans to small and medium enterprises a part of their capital investment financin programmes. Already such borrowers ar hard hit by currency and interest rate risks Facilities for converting future borrowing into rupee liabilities at 'basket rates' or 'com posite cost' with ceilings on the costs hav been worked out (effective April 1989 jointly by these institutions. At present direc foreign currency borrowing by small an medium firms from an offshore centre i India is neither desirable nor necessary a their foreign currency requirements ar already met satisfactorily either by India bank branches abroad or by the financia institutions.

India acting as a transit point fo neighbouring countries is also not a feasi ble proposition in the uncertain political an economic conditions in many countries i

he region. In this sense there is no foreign hinterland for an offshore centre in India. With a view to encouraging the growth of the Singapore offshore centre, the authorities have allowed borrowing by resident companies. Similarly, Australia (offshore centre established in 1986) has permitted resident deposits in offshore units provided they are utilised for offshore lending. India has limited scope for boosting an offshore centre by permitted large borrowings/lendings by Indian companies.

(2) Better facilities for managing external debt: The need for managing our external debt for reducing costs and securing a more appropriate maturity and currency profile cannot be over-emphasised. This is an ongoing activity. An active debt management strategy will include debt renegotiations, pre-payments, currency and inerest rate swaps and options, etc. For these activities centres with depth and breadth and also active foreign trading in foreign exchange swaps, options, futures and also broad and deep secondary markets are required. An offshore centre in India can hardly provide adequate facilities for sophisticated liability management of medium and long term debts. Even Indian banks in overseas markets would not be of much help in providing such facilities, except as agents for arranging hedging facilities from the markets.

(3) Earnings from taxes, fees, other expenditure of offshore banks, etc: The earnings from an offshore centre arise mainly from operating expenditures of offshore financial units in the host locale, and licensing fees, profit tax, stamp duty, etc. The local expenses of offshore units are so insignificant in relation to the Indian government's budget and also in relation to the employment problem of India. Such earnings are somewhat important from the point of view of small island states like Panama, the Bahamas, Cayman Islands or Singapore. In Bahamas, for instance, there are about 360 banks and trust companies. Together they employ about 3,000 persons. Earnings from tourism related to banking services (annual meetings of banks, etc) also contribute to the economy. In most centres the only levy imposed is licensing fees as offshore business is exempt from corporate income tax and withholding tax, if at all levied, is very low. Taxation policy is an important factor in the choice of the centre where international business is booked. Taxes on gross interest (withholding tax) is a major deterrent to offshore banking than direct taxation on profits.

(4) Opportunity to develop international banking business and expertise: There are many who envision that the presence of an offshore centre in India will enable Indian banks to expand their profitable international banking activities. This hope is rather misplaced due to several reasons. First, the scope for developing offshore business in India is extremely limited. The time zone advantage and proximity to borrowers (borrower proximity is itself doubtful) are not of much relevance in current international financial markets. Political and economic conditions in Asian and Middle East countries have belied earlier expectations of these countries emerging as big borrowers/lenders. Tokyo, Hong Kong and Singapore are more conveniently located, and complement each other, mainly due to the ethnic links with the business community in Indonesia, Philippines, Malaysia, and China. India's own borrowing capacity is very limited for supporting an expensive offshore centre. If lending opportunities are not there, there would be no demand from banks and finance houses to set up an expensive offshore presence in India. Just for the purpose of undertaking interbank operations, which they can as well manage from their existing centres by stretching the operating time, they may not establish offshore outfits in India.

Even if there is scope for the growth of an offshore centre in India (which itself is doubtful), the ability of Indian banks to profit from it would be limited. The inadequate capital-base of Indian banks and inability to raise adequate working capital from the home-base stand in the way of the increased involvement of our banks in international markets. The decline in lendings by American banks and the remarkable growth in the share of Japanese banks and non-bank financial institutions during 1983-89, particularly in London, offer ample proof that unless the home country's external base is comfortable, banks can hardly hope to play a significant role in the international financial markets. When Japan faced an uncertain balance of payments situation in the wake of the second oil price hike, Japanese banks were held on a tight leash by the Japanese ministry of finance. Their remarkable growth since 1985 is a counterpart of Japan's persist current account surplus. The Basle framework to impose uniform risk-weighted capital ratio on banks operating internationally (8 per cent risk-weighted capital/asset ratio) will come into effect in 1990. Major Japanese and European banks have already managed to strengthen their capital to meet the capital target ratio, either by raising subordinated debts or equity-linked bonds or by revaluing their assets (particularly stocks and properties). Capital ratio of Indian banks are much below the Basle standard. Under the present budgetary and balance of payments position of India, a substantial increase in the capital ratios of Indian banks does not appear likely.

On the business side the main growth areas are treasury operations and investment banking activities. Treasury operations mainly consist of interbank money and foreign exchange, trading and other market-related trading operations (securities on bank's own account or for customers). These are high risk, high profit business. Due to their inability to take risks and also lack of financial resources and expensive expertise, Indian banks can ill-afford to engage in treasury operations in a big way, except to manage their own currency and interest rate exposures or funding requirements. Similarly investment banking covers an assortment of new business such as issue management, placements, secondary market-making, trading in stocks and money market securities, swaps, options, futures, leasing, etc. These are the growing market sectors, but an effective presence will require not only expertise but also absorption and placement capabilities of securities and other financial instruments. A significant market involvement of Indian banks in these sectors at the moment does not appear feasible. Whatever small role they will be able to play depends on major institutional restructuring of their overseas branch network. Since Asia-Pacific and Continental Europe are emerging as the dynamic market centres, Indian bank's presence in these centres needs to be strengthened. Only two or three Indian banks should be encouraged to plan an effective presence in all major centres for undertaking wholesale international financial activities. An offshore centre is not the appropriate strategy for promoting India's international banking business or expertise.

Costs-Risks of an Offshore Centre in India

An offshore centre isolated entirely from the domestic financial market, like the IBFs and JOM, is unlikely to have any significant impact on the conduct of monetary policy. Supervision of the offshore units will present problems, but the nature of such problems is different from a centre with partially an integrated offshore and onshore business.

When the 'free banking zone' proposal was first mooted in the US, though the Federal Reserve Board was concerned about the effects such a scheme might have on the conduct of monetary policy or for bank supervision, its staff study in 1988 has come to the conclusion that "to date, the operation of IBF has not presented a problem either for the conduct of domestic monetary policy or for bank supervision".[16] On the other hand, in Japan loopholes led to considerable arbitrage operations between the domestic money markets of Japan and the euroyen markets in 1987 and 1986 and the Bank of Japan reversed the outward flows by liberalising the money markets which raised the domestic short-term interest rates and aligned them with the international rates. Singapore had frequent problems but by combining incentives with rigid enforcement of disciplinary action on ACUS (offshore banks engaged in offshore financial activities are called Asian currency units) Singapore manages to limit the impact of offshore financial business on the domestic economy. Philippines which tried to develop an offshore banking centre in the 70s also experienced hot money flows in and out of the country and also large borrowings by its companies "which did not help either its

development or stability" and was forced to reschedule the external debt.

While discussing the approach of the Bundesbank to setting up an offshore centre in Germany, Kohler, a member of the Directorate of the Bundesbank, observed in 1985 that "very careful consideration has to be given to the question as to whether a country with its own system of credit policy and banking supervision instruments should compete with an offshore centre that does not conduct a credit policy of its own and hence has no need of effective instruments of monetary policy".[17]

Supervision of offshore units, if the same institutions are undertaking both onshore and offshore business, is difficult. The close monitoring and surveillance of the variegated, complex and changing business of offshore units will require very high professional expertise and an elaborate supervision and reporting system. There is also need for adequate mechanisms for dealing with potential run on banks (lender of last resort facilities), particularly since the bulk of offshore business constitutes interbank operations.

A related aspect of an offshore centre is the country credit rating of India. The Citibank's Manila episode in 1983, when it froze $ 600 million of interbank deposits, has raised serious doubts about the nature of country risks on offshore banking. Even now there is no unambiguous answer to it, but banks do attach importance to the risks attached to sovereign and interbank risks of their business locations.

A sophisticated offshore centre requires very large investments in telecommunication facilities, much in excess of the requirements of the domestic banking industry. Whether such expenditures on telecommunication and supervision systems are justified by the return from an offshore centre must be considered carefully. As already indicated, the benefits by way of earnings from fees, taxes and local expenditure of offshore banks (discounted earnings) may not justify the enormous initial capital expenditure on infrastructure facilities

Crime and offshore centre: The growing nexus between crime and related fund transfers, and the increasing inability of supervisory authorities to control and supervise offshore banks' operations have already been highlighted. An offshore financial centre in India, by providing conveniently located facilities, is likely to make such activities more extensive. It is important to note that the nature of operations in an offshore bank is so complex that the real identity of the beneficial owners of the accounts is difficult to establish. In the case of Bahamas, the observations made by R Ramsaran is worth recalling. According to him, "insofar as intimate ties develop between fraudulent operators and an elite, the leadership as a model for integrity is lost, with the consequence that the very character of the people becomes associated with fraud and dishonesty".[18]

To sum up, the international as well as India's domestic economic and financial environment and recent developments are not conducive at present for establishing an offshore centre in India. The integration of the major financial markets, the sharp decline in the cost of processing financial activities, the development of excellent telecommunication facilities and the growth of natural financial centres and their linked offshore centres have reduced the need for peripheral offshore centres. Under the existing situation, only those centres which offer secrecy, and also make it a non-negotiable fact, can hope to attract a reasonable volume of business. The scope for an offshore centre in India emerging as a regional financial centre is extremely limited due to the vulnerable economic and political conditions of south, south east Asian and Middle East countries and also the limited scope of India to permit resident borrowing and deposits in the offshore banking units. The balance of advantage for India lies in taking appropriate measures to forge greater economic and financial links with the dynamic Asia-Pacific rim and continental European financial markets. Indian banks' presence in these centres should be strengthened in planned phases. For this the restructuring of their institutional set-up and a large induction of capital to a selected group of two or three banks are necessary. What India should aim is the establishment of mutually beneficial economic and financial relationships with countries which have a long-term and durable economic strategy in the Asian region and also have comfortable balance of payments position to underwrite such a strategy.

Notes

1 M Narasimham, 'Globalisation of Financial Markets and India', EXIMBANK Commencingday Annual Lecture, 1989 (Bombay, 1989) p 14.

2 See, for details, S K Verghese, 'Offshore Banking Centre in India: Problems and Prospects', *EPW*, March 27, 1982, p 503.

3 United States, Senate Permanent Subcommittee on Investigations, Staff Study, *Crime and Secrecy: The Use of Offshore Banks and Companies* (Washington, 1983) pp 1 and 22.

4 Sydney J Key and Henry S Terrell, *Internation Finance Discussion Papers* (Board of Governors of the Federal Reserve System, Washington, 1988) pp 15 and 28.

5 IMF, *World Economic Outlook*, April 1989 (Washington), p 88.

6 Ibid, pp 84-88.

7 Simon Holberton, 'Foreign Exchange: Profits Might Not Survive Stability' *Financial Times*, May 2, 1989, p v.

8 Quoted in Carlos F Diaz-Alejandro, *Less Developed Countries and Post-1971 Financial System*, Essays in International Finance No 108, April 1978 (Princeton University), p 17.

9 Ibid, p 18.

10 Henry Kaufman, 'Halting the Leverage Binge', *Institutional Investor*, April 1989 (New York) p 29.

11 S K Verghese, op cit, p 503.

12 Ian MacCarthy, IMF, Department Study, quoted in *Crime and Secrecy: The Use of Offshore Banks and Companies*, op cit, p 45.

13 Ibid.

14 Ibid, p 46.

15 OECD, 1988 Report of the Development Assistance Committee, *Development Co-operation* (Paris, 1989), p 49.

16 Sydney J Key and Henry S Terrell, op cit, p 29.

17 Quoted in Bank of International Settlements, *Press Review*, July 17, 1985 (No 138).

18 R Ramsaran, op cit, p 45.

FORM IVA

[See Rule 4A(1)]

NOTICE

It is hereby notified for the information of the public that **Indian Aluminium Company, Limited** proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (4) of section 23 of the Monopolies and Restrictive Trade Practices Act, 1969 for approval to the take over of the whole or part of Indal Exports Limited.

Brief particulars of the proposal are as under:

(1) Name and address of the applicant

Indian Aluminium Company, Limited
1 Middleton Street
Calcutta 700 071

(2) Name and address of the undertaking the whole or part of which is proposed to be taken over and the manner of take over i.e. by acquisition of shares, acquisition of control or management, whether by the acquisition of the ownership of the undertaking or under any mortgage, lease or licence or under any agreement or other arrangement

Indian Aluminium Company, Limited proposes to invest in Indal Exports Limited, 41 Chowringhee Road, Calcutta 700 071 by subscribing to shares being offered by that company.

(3) Management structure of the applicant

The Company is managed by a Board of Directors. Names of the Directors are:

Field Marshal Sam Manekshaw — Chairman
T.D. Sinha — Vice Chairman
V.S. Sachdev — Managing Director
C.W. Birkett
G. Chidambar
P.K. Choksey
S.K. Dasgupta
A.A. Hodgson
R.K. Bhargava — Alternate for A.A. Hodgson and also wholetime employee
A.L. Mudaliar
P.K. Pal
T. Mitra — Alternate for P.K. Pal and also wholetime employee
H.T. Parekh
B.R. Sule

(4) Capital structure of

(a) The Applicant

Share Capital	Equity Shares	Preference Shares
Authorised	79,60,00,000	40,00,000
Subscribed and paid-up	41,49,66,580	—

(b) The Undertaking proposed to be taken over

Share Capital	Equity Shares	Preference Shares
Authorised	20,00,000	—
Subscribed and paid-up	70	—

(5) Line(s) of business of the undertaking which will or is likely to emerge as a result of the proposed take over

Export of products manufactured by Indian Aluminium Company, Limited and other parties, business of import, trading etc.

(6) Consideration for the take over

The applicant will acquire the entire 1,39,993 shares of Rs.10 each, at par against payment in cash, by way of subscription to the fresh capital to be issued by the undertaking.

(7) Scheme of finance indicating the source(s) of finance for the proposed take over

The proposed take over will be financed out of internal cash generation.

Any person interested in the matter may make a representation to Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, Dr. Rajendra Prasad Road, New Delhi within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

Indian Aluminium Company, Limited
A. Sen
Vice President — Corporate
Affairs and Secretary

Dated this 17th day of July 1989.

Panchayati Raj at Crossroads

Indira Hirway

This paper studies the concepts of panchayati raj, examines the inadequacies of these concepts and the potentia of panchayati raj in our economic-political system. It analyses the experiences of panchayati raj in different states and draws lessons from these experiences. It then critically examines the 64th Constitutional Amendment Bil and makes some inferences about the implications of strengthening panchayati raj in the country.

SINCE the Balwantrai Mehta Committee recommended panchayati raj System in India way back in 1957, several attempts have been made, at the national as well as state levels, to strengthen the panchayati raj system in the country. After struggling for about 30 years, however, the government of India suddenly seems to have found 'the solution', in the form of the Constitutional (64th) Amendment Bill, to all the weaknesses of panchayati raj. It is argued that "this bill seeks to enshrine democracy at grassroots", as it intends "to give power to people"; and it will "end corruption, and fight and finish power brokers and middlemen" in politics. The prime minister has claimed that this bill is "a historic and revolutionary bill" and its introduction in the Lok Sabha is "the single greatest event after the enactment of the Constitution".[1]

What is so special about this bill? Is it likely to strengthen panchayati raj in India? The present paper intends to answer these questions carefully. Its main objectives, therefore, are (1) to study the concepts of panchayati raj used in the country over the years, examine the inadequacies of these concepts as well as the potential of panchayati raj in our economic-political system; (2) to examine the experiences of panchayati raj in different states and draw lessons from these experiences, and (3) discuss the proposed amendment bill critically in the light of the above and infer the implications for strengthening panchayati raj in the country.

I

Concept of Panchayati Raj

Evolution of the Concept

When Mahatma Gandhi discovered that there was no mention of panchayati raj in the earlier draft of the Constitution, he insisted on its inclusion in the revised draft, because panchayati raj was an important component of his vision of future India in which economic and political power was decentralised and each village was self-reliant economically. He felt that people's voice should be reflected in our independence through panchayats, and therefore, 'the greater is the power of panchayats, the better it is for the people'.[2] Article 40 of the Constitution, which was included (at Gandhiji's insistence) in the chapter on Directive Principles of State Policy said that 'the state shall take steps to organise village panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self-government.[3]

The Balvantrai Mehta Committee attempted to translate this article in a major action when it recommended introduction of panchayati raj system in India in 1957. While explaining its philosophy the committee remarked that 'PR system establishes a linkage between local leadership enjoying confidence of local people and the government, and translates the policies of the government into action'.[4] The committee thus saw PR system as a means of involving people and their representatives in development programmes of the government.

When it was observed by several state level committees as well as by regional studies that the PR system was suffering from a number of weaknesses, an all-India committee, namely, Ashok Mehta Committee, was set up in 1978 to look into its working in various states and to make recommendations for strengthening it.[5] Ashok Mehta Committee viewed the role of PR system slightly differently. According to the committee, PR system was not only meant for decentralisation of power and people's participation, but it was also for supporting rural development and strengthening the planning process at the micro-level. The committee therefore wanted PR institutions to participate in development activities in the areas of agriculture, forestry, cottage industries, welfare activities, etc. The major recommendations of the committee therefore included two-tier PR system consisting of zilla parishad and mandal panchayats (covering about 15,000 to 20,000 population), reorganisation of zilla parishad and its membership, open participation of political parties in PR elections, constitutional protection for further decentralisation of power, etc. A few of these recommendations were accepted by some states, but most of the recommendations were not implemented.

With the expansion of anti-poverty programmes and setting up of district rural development agencies and other related organisations at lower levels, the need for integration of PR system with development programmes and administration was felt. C H Hanumanth Rao's Working Group on District Planning [1983][6] and G V K Rao Committee which was set up to review the existing administrative arrangements for rural development and poverty alleviation programmes [1985][7] have given recommendations for this purpose. The G V K Rao Committee, for example, has recommended strengthening of zilla parishads and distri level planning, as well as better integratic of block and lower level planning with low level PR institutions. Recently, Singhvi Cor mittee [1986-87] has prepared the Conce Paper on Panchayati Raj[8] which wants P institutions to be closely involved in plai ning and implementation of rural develop ment programmes at lower levels. Th Singhvi Committee has recommended th village panchayats (of groups of sma villages if necessary) should be made viab (by combining 2-3 villages in one panchay and by strengthening their finances). It ha also supported the recommendations of th G V K Rao Committee for integrating ad ministrative structures with PR institutions The Singhvi Committee as well as Asho Mehta Committee suggested suitable cor stitutional amendments for the purpose.

It seems that the concept of panchayat raj has undergone some changes over th years. Though it started as a narrow concept it has expanded to cover areas of rura development and economic planning t some extent. In spite of this expansion however, the concept still suffers from a number of limitations. First of all, the concept is still very narrow as it does not view PR bodies as bodies which can play an important role in the overall development of our rural areas. In other words, the present concept does not see a PR body as a planning as well as implementation agency of various rural development programmes, and as an agency that can take care of routine administration, infrastructure and socio-economic welfare of rural population. Secondly, there is not much clarity about the inter-relationship between PR bodies and development administration. As there is no separate cadre of administration for PR bodies, the dual responsibility of the administration (towards state departments and towards PR bodies) creates lot of confusion and complications. Thirdly, there is no clarity about how to involve the weaker sections in the functioning of PR bodies. On one hand, there is a feeling that PR leaders do not involve the poor in PR bodies and therefore administration has to intervene to reach the benefits of growth to the poor, while on the other hand the involvement and control of PR office bearers in rural development activities is increasing continuously. There is therefore considerable confusion about the role of PR bodies in rural development programmes—specially anti-poverty programmes. And lastly, there is no clear trend emerging in the context of decentra-

lisation of power. On one hand, there is a lot of talk about decentralisation of power to district and lower level bodies, while on the other hand central schemes are increasing both in number and size. One cannot really make out what kind of decentralisation we are heading for.

In spite of these limitations of the present concepts underlying PR systems in India, one cannot deny the potential of panchayati raj in a country like ours. One can say that panchayati raj has to play a very important role in the overall development of the economy and policy of the country.

ROLE OF PANCHAYATI RAJ IN INDIA: THE POTENTIAL

It can be said that PR institutions are essentially meant for democratic decentralisation below the state level—at the district and lower levels. These institutions, which are formed by the members—elected directly or indirectly by people—are expected to enable people to govern themselves.

1 The first important role of PR institutions is to encourage participative decision-making at micro-level by involving people and people's representatives in decision-making process in various areas of activities which fall in the purview of the district or lower level micro-level units. PR institutions are also expected to involve people as beneficiaries in these activities so as to enable them to participate in the main stream of economic activities.
2 PR institutions should take care of the day to day administration of the local areas by mobilising local resources and by managing administration of local facilities like drinking water, other sources of water, primary school, cleanliness, primary health, etc.
3 As local bodies, these institutions should strengthen the planning process by formulating micro-level plans on the basis of the constraints of development as well as the potential of development for the local area. These plans are expected to strengthen the planning process at the micro-level and optimise development. It can be said that PR institutions should contribute to planning and implementation of programmes in sectors like agriculture, minor irrigation, animal husbandry, household industries, public works, input supply and their distribution, etc.
4 PR institutions should also take care of local physical infrastructure (roads, other transportation and communication facilities, electricity, energy, etc), social services (health, nutrition, sanitation, hygiene, housing, primary education, adult education) and social welfare activities for women, children and the poor.
5 And lastly, these organisations should also work for awakening people—specially the poor, and make them aware about their plight, their rights and their role in rural development.

It is clear from the above discussion that we have to go a long way to tap the potential of panchayati raj in India. The important question, however, is how do we develop the present system to reach the goal? The answer to this question will have to be sought from the experiences of panchayati raj in India.

II

Panchayati Raj in Practice

The working of PR institutions has been studied by several scholars in various states and also by some state level and all India committees.[9] A major conclusion of these studies has been that in spite of some sporadic achievements, PR system cannot be rated as a very successful system. First of all, PR institutions have not been able to involve the poor in development activities either as beneficiaries or as decision-makers on any significant scale. In fact, it is shown that these institutions have harmed the interests of the poor. Secondly, these institutions also have not contributed much towards strengthening the planning process at the micro-level. In other words, these institutions have not been involved enough in formulating block or district level development plans. And thirdly, therefore, these institutions have not played the expected role in the development process in rural areas in the sectors like agriculture, minor irrigation, household industries, socio-economic infrastructure, social services and social welfare.

It is frequently argued that the PR system has succeeded in some selected states like Gujarat, Maharashtra, Karnataka, Andhra Pradesh, etc. We would, however, differ as some intensive studies in these states have shown that these success stories are not afterall as glorious as they are made out to be. Indira Hirway's intensive study of the working of four village panchayats in four different types of villages in Gujarat[10] shows that (1) the panchayats serve the interests of mainly one group, namely, the group of big farmers and rich traders usually belonging to higher castes. The members of this group hold the power of decision-making in the panchayat (and the same group holds this power in other village organisations, such as farmers' service society, milk co-operative society, etc) and use it in furthering their own interests, (2) the SC/ST members of the panchayat are 'selected' by the elite group and they do not really represent the interests of the poor in the panchayat, and therefore, (3) the masses of the poor have practically no say in the decision-making process in the panchayat, with the result that the activities of the panchayat do not serve the interests of the poor. In fact, the PR institutions create obstacles in the participation of the poor in development activities including the special programmes for the poor.[11]

The Karnataka experiment of PR system is frequently quoted as a success story. It is argued that the zilla panchayats in the state are really emerging as a power centre below the state. However, studies by George Mathew (ed)[12] has shown that the power in the districts is enjoyed mainly by dominant castes belonging to the top power groups, and the interests of the poor are sacrificed for strengthening the vested interests of the district leadership.[13]

In the same way, Gurumurthy's study in Karnataka also comes out with similar findings.[14] It shows that the weaker sections are not benefited much by the village panchayats as they are neither fully aware about the functioning of the panchayats nor are they able to participate in their activities. And the other studies also clearly show that the socio-economic power structure in rural areas does not allow the benefits of PR system to flow towards the weaker sections.[15] It seems that though panchayati raj appears to be working well sometimes, it is working so mainly for the elite group or the group of big farmers and rich traders. The masses of the poor not only do not gain much out of the system, but are also exploited by the PR leaders.

CAUSES OF LIMITED SUCCESS

The available literature lists a number of factors responsible for these failures, which can be broadly divided into the following groups:

(1) *Structural Inadequacies*: It is argued that the PR structures that have been adopted by the state governments are just not capable of performing the role that is expected of them. First of all, the distribution of functions and responsibilities among PR institutions and the departments of state and central government has not been made on the basis of any sound rationale. For example, management of resources like land, water, forests, grazing lands, etc, should be in the hands of local institutions. In reality however, these are controlled by state/central authorities. Such an approach has created a wide gap between what PR institutions are empowered to do and what they should do. Secondly, PR institutions have limited support of expert staff for planning, implementation or monitoring of various development programmes. They hardly have any expert staff that can formulate plans, or monitor them systematically with the result that they are unable to play any significant role in strengthening the planning process at the micro level. Thirdly, there is a strong tendency towards centralisation in the country though there is a talk of decentralisation of planning. The scope of central schemes has increased tremendously during the past 20-25 years, and it is still increasing. Such a process of centralisation is just not compatible with the talk of decentralisation of planning. In fact, the plethora of rural development programmes and schemes implemented under the control of central and state governments has left a very limited scope for the functioning of local PR institutions. And lastly, the financial powers

of PR institutions are extremely limited. Number of studies have shown that village panchayats are very weak financially, and even taluka samitis and zilla panchayats have limited funds at their disposal to carry out their own programmes. It is observed therefore that the PR system has not been tried out seriously in the country. As L C Jain puts it, the PR institutions in our country have remained 'empty boxes' without much stuff in them.[16]

(2) *Socio-Economic Political Structure of the Rural Society*: The second group of factors responsible for the limited success of PR institutions are pertaining to the exploitative structure of our rural society. It has been shown by a number of regional studies as well as by all India committees that the elected members in PR institutions and the office-bearers are normally from the elite group (or the rich) of the rural society. As they have vested interests in preserving the exploitative structure, they are not likely to do anything that strengthens the position of the poor in their areas. In fact, their actions will go against the interests of the poor and increase their exploitation further.

It seems that the assumption that representative participation of the people at micro level will ultimately lead to mass participation in development activities on a large-scale has proved to be highly unrealistic. The experiences have shown that the old theories of participation which emphasise democratic decentralisation and participation of elected representatives as a first step towards mass participation are no more acceptable.[17] The new theories now consider beneficiary participation as the first step towards mass participation which ultimately leads to participation of the poor at the highest levels.[18] In other words, it is argued that PR institutions do not seem to be capable of bringing about mass participation of the poor in the development process in our stratified and hierarchical society where the weaker sections are almost completely unorganised. The failure of PR institutions in this context is almost inevitable.

(3) *The Role of Bureaucracy*: The third group of factors are pertaining to the assistance provided by government administration. We have seen above the PR institutions are assisted by government administration at various levels. The head of zilla panchayat administration is frequently an officer from the Indian Administrative Service, who is assisted by other lower officers and staff at district, block and village levels. Studies have shown that there are serious problems regarding this assistance and regarding the relationship between the bureaucracy and elected PR bodies. There is frequently a lack of mutual faith which results in mutual suspicion: Officials feel that PR members use power to further their vested interests and harass them (by threatening them of transfers) if they do not fall in line; while PR members dislike the 'superiority' of officials. Also, it is felt that officials have loyalty to their respective state departments and do not always co-operate with elected members. There is some truth in both these arguments, which deserve serious attention. First of all, the system line of hierarchy in administration makes the officials and staff feel that they are primarily accountable for results to the state government and to their bosses in the developments in the government. The staff therefore, does not feel fully accountable to PR institutions. Secondly, the plans and programmes implemented by the administration come from above and are prepared either by central and state level authorities or by the bureaucrats at the district and lower levels. The intervention of PR institutions, which is frequently *ad hoc* and abrupt, is considered as undersizeable by the government machinery. And thirdly, PR institutions do not have adequate expert support available to them in the field of planning, implementation and monitoring of various schemes and programmes. The final result of the dual loyalty of the bureaucracy and the lack of clear demarcation of their roles is confusion and misunderstanding.

(4) *Constitutional Constraints*: The fourth set of factors are the constraints which emerge from the Constitution of our country. It is observed (for example, by Ashok Mehta Committee) that many state governments have not introduced panchayati raj in their respective states; some have not held regular elections for panchayats and some have superseded PR bodies. It is argued that the Constitution should be amended (Ashok Mehta Committee) or a central legislation should be passed (Sarkaria Commission) to make it obligatory for state governments to implement panchayati raj, effectively. It is important to note the constitutional amendment recommended by the above committees was only for the limited purpose.

(5) *Unwillingness of Governments to Share Power with Lower Bodies*: The last set of factors, though not at all the least, are regarding the unwillingness of higher governments to share power with lower bodies. Many scholars have noted that there is an unhealthy trend of centralisation of power at the centre in our country: With the progress of development planning the number and size of central schemes have increased manifold in the last two decades or so. Also, the importance of 'High Command' in Congress(I)-ruled states has increased tremendously over these years. The reasons for this centralisation could be political insecurity, greed for power, lack of faith in lower governments, or increasing faith in central planning. Whatever are the reasons, the fact of reality is that there is less and less willingness on the part of the centre and state governments to share power with lower elected bodies.

An important consequence of this centralisation is that though there is a lot of talk of decentralisation, there are few evidences of lower bodies getting economic or political power. It seems that as long as this trend continues, panchayati raj will not be implemented with any seriousness.

Pre-Conditions for Success of Panchayati Raj

We shall now list some pre-conditions which seem to be necessary for the success of panchayati raj. The first important pre-condition is evolving a comprehensive concept of panchayati raj. Panchayati raj should not be treated as one more programme for rural development. It should also not be treated merely as a political concept as it has important implications for development and planning. It can be said that panchayati raj has to play three important roles in the country. Firstly, it has to bring about decentralisation of administrative and political power in the sense that it has to encourage self-governance and mass participation in its working. Secondly, panchayati raj has to contribute towards strengthening the planning process at the micro-level and overall rural development, and thirdly, it has to improve the access of the (poor) masses to the highest level of decision-making bodies. Such a concept obviously cannot be evolved merely by a constitutional amendment, it also calls for efforts in other areas like developing multi-level planning framework including strengthening of micro-level planning processes, integration of PR bodies with planning and administration, etc.

The second pre-condition is strengthening the poor so as to protect them from the exploitative behaviour of the rich. It is clear that the power structure which exists today in our rural areas is likely to exploit the poor—with or without panchayati raj. If the benefits of panchayati raj have to flow to the poor and if the poor are to be enabled to participate in PR activities, it is necessary that their position is strengthened by various means. Some of the steps which are likely to strengthen the poor against the rich could be listed as follows:

(a) Attacking the dependency of the poor by plugging the points of their exploitation. Efficient public distribution system, seed banks, grain banks, social security measures etc, are important in this context.

(b) Giving right to work to the poor so as to ensure them minimum employment and incomes to live on.

(c) Redistribution of assets in favour of the poor by implementing land reforms, and if this is not feasible at least by giving ownership of newly created assets to the poor and by developing common property resources for the poor.

(d) Encouraging organisations of the poor and recognising the role of trade unions and voluntary agencies in rural development and panchayats *explicitly* and *formally*.

We think that unless such steps are taken the poor will never be able to assert themselves to demand their rights and to

participate in panchayati raj activities.

The third pre-condition for the success of panchayati raj is to train PR members for their new role. PR members today are not trained formally and systematically with the result that they have very limited knowledge about (a) Panchayat Act and its provisions, (b) the objectives and functions of PR bodies, (c) the dynamics of rural society, (d) growth potential of their areas, and (e) skills of planning for overall development of their respective areas. It is necessary to train them if they have to make panchayati raj successful.

And the last pre-condition is about preparing development administration for panchayati raj. First of all, it is necessary that bureaucracy is committed to panchayati raj. PR bodies should be provided with administrative help which has a primary loyalty towards them, and which has the required expertise to support their activities. In this context two suggestions can be made: (1) The double loyalty of the present should end. A new cadre of panchayats should be set up separately for this purpose, and (2) A concept of specialisation should be included in development administration along with a strong component of training. An officer who moves from space to welfare and from tribal development to heavy industries cannot really deliver the goods that are needed.

It should also be added that measures should be taken to protect bureaucracy from undesirable political pressures. Such measures could be strict implementation of transfer rules, upgradation of lower level posts, etc.

III

Proposed Constitutional Amendments: Are These Necessary?

Let us now examine the proposed constitutional amendments in the light of the discussion in the two previous sections. It appears from the speeches of leaders and newspaper reports that the government has felt the need for these amendments mainly because of two reasons: (1) It is felt that state governments are not very enthusiastic about implementing PR in their respective states as they are not prepared to share power with lower level bodies. In fact, it is argued that some state governments have grabbed the power back from PR bodies gradually. There is therefore a need to amend the Constitution to ensure power to PR bodies. (2) Local self-government and panchayati raj bodies are in the state list in the present Constitution, with the result that the centre cannot pass any legislation in these areas unless the constitution is amended for the purpose.

The main provisions of the proposed Constitution (64th) Amendment Bill can be listed as follows:

(1) All states will have three tier panchayati raj system which will include panchayat bodies at village, intermediate and district levels. Small states with less than 20 lakh population may not, however, have the intermediate tier.

(2) Regular mandatory elections will be held every five years for these PR bodies under the control and supervision of the chief election commissioner. If a PR body is dismissed for some reason, it must be reconstituted through a proper election within six months.

(3) All seats in all PR bodies will be through direct elections, and office bearers will be from the directly elected members only. State legislatures may appoint MPs, MLAs and others on PR bodies for their representation in the panchayats.

(4) 30 per cent seats in PR bodies will be reserved for women. Reservation of seats for SC/ST will be in proportion to their population in the total population.

(5) PR bodies will receive their finances from state governments (in the form of grants). They will also be able to earn revenue by imposing taxes, duties, tolls and fees on the commodities falling under their purview. State finance commissions will review the finances of PR bodies every five years.

(6) PR bodies will prepare plans for economic development, social justice and social welfare of their population as per the given guidelines. These plans will be incorporated later on in state plans.

(7) Strict accounting procedures will be laid down to control corruption and misuse of funds by panchayats. Comptroller and Auditor General of India will supervise the accounts.

Some of the provisions of the amendment bill are welcome: Setting up 3 tier (in some cases 2 tier) PR bodies, insistence on regular elections, ensuring finances to PR bodies, involving PR bodies in local level planning, etc, are afterall desirable provisions. One can say that the bill has certain positive points.

The crucial questions, however, are as follows:

(1) Does the bill support and encourage decentralisation of power or decentralisation of decision making at all the levels in the country? In other words, does the bill, which aims at strengthening local self-government in the country, strengthen the position of the governments below the centre, say, the state governments?

(2) Are the proposed amendments capable of removing the weaknesses of the present PR systems in the country? Has the bill identified the important constraints of PR structures in India and attacked them so as to ensure development of panchayati raj in the country? And if not, is the bill accompanied by other steps which will ensure healthy growth of panchayati raj in the economy?

(3) Does the bill fulfil the requirements of Article 40 of the Directive Principles of State Policy of the Constitution? It is argued by the government today that the proposed amendment emerges from this article. But is it really so?

The following paragraphs attempt to reply to these questions:

Decentralisation or Centralisation?

It seems that the proposed bill tends to increase the power of the centre and reduces the same of state governments: First of all, the bill has taken panchayati raj out of the state list and put it in the concurrent list so as to allow the centre to pass legislations in this area. Secondly, the provision of holding panchayat elections under the supervision of the chief election commissioner and not under state government once again gives more powers to the centre. Thirdly, the provision of providing finances to panchayats through the finance commission and not through state government also reduces the power of states. (Giving funds for Jawahar Rozgar Yojana directly to panchayats is indicative of the same trend.) Fourthly, the power of dismissing panchayats now vests with governors, which also increases central control over panchayat bodies. And lastly, the provisions like 30 per cent representation to women, proportionate representation to SC/ST, etc, which are decided at the centre without consulting state governments is another encroachment on powers of state governments.

We think that this amendment goes much more beyond the required level of intervention. This kind of reduction in the power of states and increase in the powers of the centre is an unhealthy trend leading to more and more centralisation in the country. It not only strengthens the present trend of over-centralisation of power but it also endangers the federal character of our union. Also, there is no evidence of the past that suggests that centralisation leads towards more decentralisation at the micro-level. In fact, our experiences in the past suggest that the motives behind this step may not be very healthy. Afterall, the centre that cannot even grant an autonomous TV centre to state governments is hardly likely to share power with lower bodies!

Barking at the Wrong Tree?

We have listed above some pre-conditions for the success of panchayati raj on India on the basis of the past experiences in this area. We have seen that evolving a comprehensive concept of panchayati raj, strengthening the position of the poor, preparing PR members for the new task and some reorganisation of the bureaucracy are some of the important requirements on the foundation of which the superstructure of panchayati raj can be built.

The proposed amendments, however, touch upon only a part of the requirements and does not fulfil the pre-conditions. For example, we do not see much evidence (I mean concrete evidence) of decentralised planning with strong micro-level planning

process in the country. Though a large number of committees (such as Working Group on District Planning, CAARD—Committee for Administrative Arrangements For Rural Development, etc) have recommended strengthening of planning process at district and below district levels, very little has been achieved. Even the newly floated Jawahar Rozgar Yojana is not to be integrated with a sound planning exercise at the micro-level. In short, there is no evidence to suggest that government is evolving a comprehensive concept of panchayati raj encompassing economic, political and welfare dimensions.

It is also worth noting that the proposed amendment takes no notice of the highly exploitative power structures in our rural areas. It completely ignores the fact that the powers of panchayats today are in the hands of those who have not only no concern about the needs of the poor, but who are also exploiting the poor very badly. It also ignores the reality that the poor and highly unorganised masses are in no position to use their vote for their own benefits. Giving them powers without doing anything about the exploitative structure is surely going to be a futile exercise.

We think that the approach adopted in the proposed amendment, is at best partial, which may not serve much purpose.

Article 40

It is argued by the government that the proposed amendment emanates from Article 40 of the Constitution, which as we have seen, was added to the Constitution almost as an after thought. The article says that "the state shall take steps to organise village panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self-government".

We think that this article does not necessarily call for the proposed amendment in the Constitution. First of all, the word 'state' stands for centre and state both, and when 'local self-government' is a part of the state list, the word 'state' here may mean state government rather than the centre. And secondly, it will be more appropriate to entrust state governments with the development of panchayati raj and to protect autonomy of states than empower the central government with this task if the ultimate objective is decentralisation of power in the country.

Concluding Observations

It is true that panchayati raj structures set up in our country are not doing very well and that there is a need to revitalise them. There is basically a need to evolve a comprehensive concept of panchayati raj which clearly spells out as to what kind of role is expected from it. The othe steps, then, should follow to introduce and develop the new concept.

It is also necessary to get disillusioned about the role of representative participation in the country. It is important to realise that representative participation may not lead to mass participation in our kind of socio-economic power structure. Changing this structure or at least strengthening the position of the poor against exploitation is an important requirement for the success of panchayati raj.

The proposed Constitutional (64th) Amendment Bill, when viewed in this background, is at best a partial and weak attempt to save panchayati raj. We think that it is more likely to be misused by the centre than help the process of decentralisation.

Notes

1 *Times of India* of May 11, May 16, *Economic Times* of May 11, and *Indian Express* of May 11, May 12 and May 13, 1989.

2 Mahatma Gandhi, 'India's Independence Must Begin at the Bottom', *Kurukshetra*, February, 1989.

3 Government of India, *The Constitution of India*, New Delhi.

4 The committee remarked, "So long as we do not create representative and democratic institutions which will supply the local interest, supervision and care necessary to ensure that expenditure of money upon local objects conforms the needs and wishes of the locality, invest it with adequate power and assign to it appropriate finance, we will never be able to evoke local interest and excite local initiative in the field of development." Refer to *Report of the Committee on Plan Projects*, Planning Commission, New Delhi, 1959, Vol I, p 5.

5 Today about 14 states and union territories have three-tier PR system, 4 have two-tier PR system, 9 have only one-tier PR system; and 4 states and union territories have traditional councils of village elders. Refer to, *Panchayati Raj at a Glance: Status of Panchayati Raj Institutions in India, 1987-88*, Government of India, Ministry of Agriculture, New Delhi, 1989. Also refer to Ministry of Agriculture and Irrigation, Department of Rural Development, *Report of the Committee on Panchayati Raj Institutions'*, Government of India, New Delhi, 1978 (chairman: Ashok Mehta).

6 *Report of the Working Group on District Planning*, Vols 1 and 2, Planning Commission, Government of India, New Delhi, 1983 (chairman: C H Hanumanth Rao).

7 Department of Rural Development, Ministry of Agriculture, *Report of the Committee to Review the Existing Administrative Arrangements for Rural Development and Poverty Alleviation Programmes*, (CAARD), Government of India, New Delhi, 1985 (chairman: G V K Rao).

8 Concept Paper on panchayati raj, Ministry of Agriculture, Government of India, New Delhi, 1985.

9 Some of the studies are as follows:

a B P S Bhadouria (Ed), *Panchayati Raj and Rural Development*, Common-Wealth Publishers, New Delhi, 1989.

b U Gurumurthy, *Panchayati Raj and the Weaker Sections*, Ashish Publishing House, New Delhi, 1987.

c H Harichandran, *Panchayati Raj and Rural Development: A Study of Tamil Nadu*, Concept Publishing House, New Delhi, 1983.

d N V Prakash Rao, 'Operational Dynamics of Panchayati Raj, *Kurukshetra*, June, 1987.

e K Uma Mahesh Pathaik and M Sundra Rao, 'The New Panchayat Mandal Set Up in Andhra Pradesh', *Kurukshetra*, April 1986.

f V T Patil and A T Kittur, 'An Analysis of Official Non-Official Relations in Panchayats', *Kurukshetra*, April 1986.

g S K Singh, 'Panchayati Raj: Stumbling Blocks in Its Path', *Kurukshetra*, April 1986.

h P V S Ramakrishna Reddy, 'Mandal System in Andhra Pradesh', *Kurukshetra*, June 1987.

i The High Level Committee on Panchayati Raj (Report), Panchayat and Health Department, Government of Gujarat, Gandhinagar, 1972 (chairman. Zinabhai Darji).

j Report of the Panchayati Raj High Power Committee, Panchayati and Health Department, Government of Gujarat, Gandhinagar, 1978 (chairman: Rikhavdas Shah).

k Report of the Evaluation Committee on Panchayati Raj, Government of Maharashtra, Bombay 1971 (chairman: Bongirwar).

l H Shiviah, 'Panchayati Raj: An Analytical Survey', National Institute of Rural Development, Hyderabad, 1976.

10 Indira Hirway, *Abolition of Poverty in India: With Special Reference to Target Group Approach in Gujarat*, Vikas Publishing House Ltd, 1986.

11 For a detailed discussion on theories of participation, refer to Indira Hirway, op cit, p 134.

12 George Mathew (Ed), *Panchayati Raj in Karnataka Today*, Concept Publishing House, New Delhi, 1985.

13 Also refer to Amal Ray, 'New Panchayat System in Karnataka: Elections and After', *Economic and Political Weekly*, February 14, 1987.

14 Gurumurthy, op cit.

15 Refer footnote No 10.

16 L C Jain, 'Panchayati Raj and Decentralisation', *Kurukshetra*, February 1989.

17 Indira Hirway, op cit, p 356.

18 Ibid.

NOTICE

It is hereby notified for the information of the public that **UB Limited** proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under Sub-Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969 for approval to the establishment of a new undertaking as a division of the Company. Brief particulars of the proposal are as under:

1.	Name and Address of the Owner of the Undertaking	: **UB Limited** 1, Vittal Mallya Road, Bangalore 560 001
2.	Capital Structure of the Applicant Organisation	: Authorised : Rs. 400 lacs Issued & Fully Paid up : Rs. 400 lacs
3.	Management structure of the Applicant Organisation indicating the names of the Directors, and Manager, if any.	: a. Mr. Vijay Mallya b. Mr. F.W.J. Penn c. Mr. S.V. Divecha d. Mr. S.K. Diwanji e. Mr. Morris Mathias f. Mr. G.S. Ramachandra g. Mr. A.R. Wadia h. Dr. E.O. Baltin
4.	Whether the proposal relates to the establishment of a new undertaking or a new Unit/Division	: New Unit, as a Division of the Company
5.	Location of the New Unit	: Khammam District Andhra Pradesh
6.	Capital Structure of the proposed undertaking	: The proposed undertaking will be a unit of the applicant organisation and therefore will not have a separate capital structure
7.	In case the proposal relates to the production/storage, supply, distribution, marketing or control of any goods, articles, indicate:	
	a. Names of the goods/articles	: Beer
	b. Proposed Licensed Capacity	: 250,000 HL/annum
	c. Estimated Annual Turnover	: Rs. 15.0 Crores
8.	In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover, etc.	: Not applicable
9.	Cost of the project	: Rs. 10.06 Crores
10.	Scheme of Finance, indicating the amounts to be raised from each source	: Partly from Internal Accruals and the balance by raising Loans and Leasing

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi 110 001, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

for **UB LIMITED**

V. VENUGOPAL

Dated: 27/6/89

Inter and Intra Occupational Differences in Income and Level of Living

Manabendu Chattopadhyay
Robin Mukherjee
Ashok Rudra

Using a sample of West Bengal state employees the authors analyse the nature and extent of differences in income, service conditions and levels of living across occupational groups. This is the third in a series of articles aimed at analysing inter- and intra-occupational differences in income and standard of living.

THIS is the third in the sequel of papers with focus on the nature and extent of differences in income, service conditions and level of living of people across different selected occupation groups based on results of a sample survey covering employees in different organisations located in Calcutta. In the first two papers (April 22 and June 10) we presented results pertaining to employees of banks and the LIC and central government offices respectively. The present paper is devoted to an analysis of results for West Bengal state government employees. The motivation for undertaking the present study and the importance of the kind of information being thrown up has already been elaborated upon in the first paper of the series.

I

Survey Design

The sample selection of the state government employees was done by following the same procedure as used for the central government employees. To be precise, we used a two-stage sampling method, in the first stage of which a number of state government offices located in the Calcutta municipal corporation area were selected by the method of simple random sampling without replacement from a list of state government offices prepared from the Calcutta telephone directory. For the selection of second stage sampling units, i e, employees, five lists of workers were prepared from the selected offices. Since our interest was to study the differentials between employees belonging to the occupation groups at the supervisory levels and the clerical cadre, a clear distinction was made between these two groups while preparing the lists. However, observing that both these groups of employees are placed in pay-scales diverging widely even within the group, it was decided to further sharpen our results by dividing each of these groups of employees into sub-groups. Thus, the clerical staff was divided into two groups C and D while the supervisory staff was classified as belonging to group A or group B. The group A workers were further divided into two sub-groups I and II. The classification of these workers into the five groups/sub-groups was made in such a way as to conform, as far as possible, to the classification made for the central government employees.

The stratification of the workers into five groups ensured representation over the whole range of income earners in the respective selected offices. Furthermore, even within each group the workers were arranged in the list according to their date of joining the state government so as to cover workers in the sample having different levels of seniority. In the second stage therefore employees were selected half-samplewise from each of these five lists independently by following the circular systematic sampling procedure. The total number of employees thus selected was 40. The group-wise distribution of sample employees is given in Table 2.

II

Results

Service Conditions

It may be recalled that in our first paper we held out the view that a certain degree

Table 1B: Some Ancillary Receipts and Deductions

Category of Employes	Percentage of Annual Gross Salary		
	Bonus	Voluntary Deductions	Repayment of Loans and Advances
(1)	(2)	(3)	(4)
Group A: I	0.00	1.00	11.00
II	0.00	1.00	4.00
Group B	0.00	3.21	6.94
Group C	0.72	1.90	11.05
Group D	1.00	1.35	3.42

Table 1A: Salary Income

Category of Employees	Number of Respondents	Gross Salary		Salary Net of Income Tax and Professional Tax		
		Last Month	Last Year*	Last Month	Last Year	
					Amount	Index
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Group A: I	2	5857.50 (5560.00-6155.00)	71218.00 (63971.00-78465.00)	5436.00 (5334.00-5539.00)	67743.00 (62721.00-72765.00)	4.40
II	4	4163.95 (3876.70-4363.70)	47865.64 (43464.40-53147.35)	3843.20 (2855.70-4342.70)	45442.89 (42263.40-49782.40)	2.95
Group B	8	3375.33 (2784.70-4021.70)	39057.28 (31434.40-48260.40)	3341.96 (2764.70-4000.70)	38274.78 (31184.40-48010.40)	2.48
Group C	10	2378.20 (1812.70-2917.70)	27513.20 (21267.40-34179.40)	2358.10 (1794.70-2896.70)	27273.70 (21051.40-33929.40)	1.77
Group D	16	1337.45 (1000.70-1915.70)	15536.40 (11751.40-21588.40)	1327.08 (996.70-1897.70)	15413.15 (11703.40-21372.40)	1.00

Notes: * Including annual bonus.
(i) Group A: I, Employees in the pay scales of Rs 3200-4700 and above.
II, Employees in the pay scales of Rs 1500-2500 and Rs 1600-2250.
Group B: Employees in the pay scales between Rs 610-1270 and Rs 1100-1900.
Group C: Employees in the pay scales of Rs 425-910 through Rs 550-1470.
Group D: Employees in the pay scales of Rs 230-424 through Rs 380-910.
(ii) In this and all the subsequent tables the index is defined as the ratio of the amount spent on an item by employees in any particular group/sub-group to the amount spent by employees in the lowest group (i e, group D). The figures in brackets indicate ranges.

of inequality is unavoidable whether between occupations or within occupations even under any rigorously worked out and implemented income policy and therefore that degree of inequality has to be regarded as legitimate. It is only that part of the inequality which is more than that legitimate degree which is the subject of our concern. However, it is difficult if not impossible to form any quantitative ideas about that legitimate degree. The importance of our results lies in the fact that they not only throw up estimates of the differentials that exist in the income of people of selected occupation groups but also show how the differentials for the same occupation group vary as the employer changes.

TABLE 1C: OFFICIAL TOURS DURING LAST YEAR

Category of Employees	Percentage of Employees Making Tours	Number of Tours per Person	Number of Tour Days Per Person	Average TA Drawn Per Person	Average DA Drawn Per Person	Average TA and DA Drawn Per Person
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Group A: I	100.00	10.5 (3-18)	36.50 (27-46)	NA	NA	14,998.40 (9039.55-20,957.25
II	75.00	5.0 (1-10)	14.00 (2-26)	NA	NA	3,694.28 (3465.50-3923.05)
Group B	50.00	8.5 (1-18)	29.75 (6-64)	489.67 (285.00-810.00)	482.33 (231.00-608.00)	972.00 (893.00-1041.00)
Group C	30.00	3.0	13.33 (10-18)	539.07 (159.20-1112.00)	402.00 (252.00-504.00)	941.07 (411.20-1562.00)
Group D	6.25	2.0	6.00	304.00	126.00	430.00

TABLE 2: FAMILY COMPOSITION

Category of Employees	Average Family Size	Number of Consumer Units Per Family*	Number of Earners Per Family	Proportion of Families with		
				More than One Male Earning Members	Earning Wives	Female Earning Members Other than Wife
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Group A: I	3.00	2.82	1.00	0.00	0.00	0.00
II	3.75	3.41	1.75	0.25	0.50	0.00
Group B	2.88	3.17	1.25	0.13	0.25	0.00
Group C	5.50	4.68	1.40	0.20	0.10	0.00
Group D	5.12	4.34	2.31	0.31	0.31	0.06

Note: * For explanation of the concept of consumer units see Note 3 of our first article in the series.

TABLE 3: FAMILY INCOME DURING LAST YEAR

Category of Employees	Gross Family Income (Rs)	Gross Family Income Per Consumer Unit		Proportion of Family Income Contributed by Other Family Members
		Amount (Rs)	Index	
(1)	(2)	(3)	(4)	(5)
Group A: I	67743.00 (62721.00-72765.00)	23937.46 (18851.04-35039.66)	2.70	0.00
II	70042.89 (49782.35-83078.40)	20540.44 (12896.98-23271.26)	2.31	35.12 (0.00-46.22)
Group B	52521.03 (34280.40-85184.40)	16568.15 (9583.10-28066.11)	1.87	25.60 (0.00-63.39)
Group C	39654.70 (21313.40-83851.40)	8473.23 (6295.69-20033.23)	0.95	21.27 (0.00-39.62)
Group D	38544.63 (13203.40-107112.40)	8881.25 (2983.03-18878.62)	1.00	58.28 (0.00-86.26)

We have already presented in our two earlier studies estimates on the extent of income differentials between the supervisory and clerical staff in the banks, LIC and central government respectively. While analysing the results for the state government employees one would naturally like to compare the same with those of the other groups particularly with the central government employees.

Our results in Table 1A considered along with the corresponding table in our earlier paper confirm the general belief that the central government employees are better paid than the comparable state government employees though the difference is not at all that very marked. This can be verified by looking at the average income of the comparable groups of workers in the two governments. This is not really a new piece of information. What is much more striking is the fact that income differences within the state government employees are found to be considerably more pronounced than those within the central government employees. While for the central government, the ratio of the average income between the highest and the lowest groups was found to be little over 2.5 that for the state government employees is close to 4.5. Even if we leave out the highest paid employees in the state government (i e, group AI) on the ground they belong to the IAS cadre and are subject to the revised pay scales of the central government, the differential income between the second highest (group AII) and the lowest paid (group CII) workers is considerably more compared with even that between the two extreme groups in the central government.

It may be noted that the figure for ranges associated with individual figures for averages is smaller for state government employees than for the respective figures for central government employees. It can therefore be concluded that the smaller dispersion among the average figures for the state government are not due to sampling fluctuations but represent a smaller dispersion in the population figures.

Both in the central service and state government service, employees having salary below a certain level are paid stipulated amounts as annual bonus. For the state government employees, however, this constitutes an insignificant proportion of their annual income. More interesting information are however, obtained with respect to voluntary deductions and repayment of loans and advances. The percentage of annual gross salary which is 'saved' by way of voluntary

deductions is extremely low for all the groups. This may partly reflect the fact that those who are higher up in the income ladder do not need fancy savings through voluntary deductions excepting for getting income tax deductions, whereas low salaried employees simply cannot afford to go in for large deductions. The corresponding percentages for the central government employees were found to be higher but only marginally.

The same is true of repayment of loans and advances. The proportionate importance of these deductions is a little higher for central government employees than for state government employees and that also probably represents nothing other than somewhat higher salaries enjoyed by state government employees.

Many government officials have to make frequent tours on official work. The figures presented in Table 1C provide some interesting information on various aspects of such tours. The table shows that the frequency of tours and the average amount paid as TA and DA per employee increase progressively as we go up from the lowest to the highest paid employees and this of course is in conformity with our expectation. This pattern was less clear with central government employees. Incidentally the average expenditure on travel of top officials of state government service represents nearly double their monthly salary whereas the factor is 3 for central government service. These figures should permit us to make estimates of the astronomic amounts that are spent on tours by officials.

Family Composition and Family Income

In respect of family composition there seems to be a clear pattern depending on level of income. Lower the income higher seems to be the number of earning members in the family other than the respondent. The employees of the lowest income group, on the other hand, have considerably larger families with as high as 2.31 earners per family. About one-third of these families have more than one male earning members and the same proportion are with working wives. More importantly, in the bottom group more than fifty per cent of the family income is contributed by other members of the family. It would appear that it is, to a large extent, the economic necessity which forces the members to live jointly. There is however, no clear pattern about the incidence of female working members in the family with income level.

A comparison between central and state government employees indicate that the contribution by other members to the

Table 4: Living Accommodation

Category of Employees	Percentage of Families Living in			Per Capita Floor Space		Rental Per Month (Rs)	
	Office Quarter	Rented House	Own House	Sq ft.	Index	Rented House (Actual)	Own House (Estimated)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Group A: I	0.00	100.00	0.00	283.33 (175.00-500.00)	1.88	327.50 (205.00-450.00)	0.00
II	25.00	25.00	50.00	196.67 (150.00-283.33)	1.30	400.00	1150.00 (800.00-1500.00)
Group B	37.50	12.50	50.00	243.62 (125.00-666.67)	1.62	500.00	415.00 (300.00-500.00)
Group C	10.00	20.00	70.00	145.36 (48.00-240.00)	0.96	179.00 (46.00-312.00)	844.29 (150.00-1250.00)
Group D	12.50	37.50	50.00	150.80 (24.00-550.00)	1.00	292.50 (150.00-700.00)	742.86 (250.00-2000.00)

Table 5A: Public Transport

Category of Employees	Expenditure (in Rs)			
	For Going to Office/School etc	For Going to Other Places	Total	
			Amount	Index
(1)	(2)	(3)	(4)	(5)
Group A: I	0.00*	1800.00 (1200.00-2400.00)	1800.00 (1200.00-2400.00)	0.85
II	1836.00 (1200.00-2040.00)	1560.00 (600.00-2400.00)	3394.00 (1800.00-4440.00)	1.61
Group B	1075.95 (0.00-2160.00)	1302.00 (300.00-3756.00)	2377.95 (660.00-5916.00)	1.12
Group C	1462.80 (660.00-3240.00)	452.40 (90.00-1200.00)	2104.80 (750.00-3540.00)	1.00
Group D	1387.43 (312.00-3792.00)	726.38 (0.00-2820.00)	2113.80 (432.00-6612.00)	1.00

Note: * Children stay in hostel, so no expenditure for going to school.

Table 5B: Education (Last Year)

Category of Employees	Average Expenditure Per Reporting Family		Average Expenditure Per Student		Percentage of Educational Expense		
	Amount (Rs)	Index	Amount (Rs)	Index	Tuition and Other Fees	Book, Stationeries, etc*	Private Coaching
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Group A: I	21100.00	8.71	10550.00	6.52	73.93	26.07	0.00
II	4966.75 (2254.00-10503.00)	2.05	3311.17 (2025.00-5251.50)	2.04	18.31	11.88	69.81
Group B	3557.17 (1012.00-6580.00)	1.47	2145.10 (506.00-3290.00)	1.33	7.40	51.58	41.02
Group C	2627.30 (566.00-5903.00)	1.08	1251.10 (506.00-3290.00)	0.77	11.54	22.72	65.74
Group D	2423.70 (256.00-11710.00)	1.00	1615.80 (128.00-5855.00)	1.00	66.98	18.16	14.86

Note: * Includes expenses on school-bus, uniform, excursions, etc.

TABLE 5C: MEDICAL (LAST YEAR)

Items	Category of Employees				
	Group A		Group B	Group C	Group D
	I	II			
(1)	(2)	(3)	(4)	(5)	(6)
1 Expenditure per family per annum					
a) Amount (Rs)	2395.00 (770.00-4020.00)	925.00 (0.00-2700.00)	1313.13 (0.00-4085.00)	1055.40 (100.00-3084.00)	1350.94 (100.00-5800.00)
b) Index	1.77	0.68	0.97	0.78	1.00
2 Percentage of expenditure reimbursed	41.75 (0.00-49.75)	0.00	0.00	0.00	0.00
3 Employees reimbursed (per cent)	50.00	0.00	0.00	0.00	0.00

TABLE 5D: HOLIDAY TRAVEL (LAST 4 YEARS)

Items	Category of Employees				
	Group A		Group B	Group C	Group D
	I	II			
(1)	(2)	(3)	(4)	(5)	(6)
1 Expenditure per family (Rs)	14000.00 (6000.00-22000.00)	5520.00 (1200.00-10000.00)	840.00 (0.00-4000.00)	1224.00 (0.00-3400.00)	1312.50 (0.00-7500.00)
2 Index	10.67	4.21	0.64	0.93	1.00
3 Percentage of expenditure reimbursed	48.93 (45.00-50.00)	0.00	0.00	0.00	0.00
4 Percentage of families making at least one holiday trip	100.00	100.00	50.00	50.00	75.00
5 Number of holiday trips per reporting family	2.00	1.50	1.50	2.20	2.08
6 Average duration of holiday trips (days)	14.00	12.67	9.00	7.36	11.56
7 Percentage of families getting reimbursement for holiday tour at least once	100.00	0.00	0.00	0.00	0.00

TABLE 6: DURABLES

Items	Percentage of Families Possessing Durables by Category of Employees				
	Group A		Group B	Group C	Group D
	I	II			
(1)	(2)	(3)	(4)	(5)	(6)
1 Television					
A Colour	0.00	75.00	12.50	0.00	6.25
B Black and white	100.00	0.00	62.50	40.00	75.00
2 Refrigerator	100.00	100.00	37.50	0.00	12.50
3 Tape recorder	100.00	50.00	37.50	20.00	31.25
4 Two-in-one	100.00	0.00	12.50	0.00	6.25
5 Scooter	0.00	0.00	12.50	10.00	6.25
6 Invertor	0.00	0.00	0.00	0.00	12.50
7 Telephone	50.00	50.00	0.00	10.00	0.00
8 Camera	100.00	75.00	37.50	10.00	37.50
Number of consumer durables (out of 21)* possessed per family	9.00	7.50	5.13	3.20	4.13
Average value of durables possessed per family	18425.00	16407.50	9655.63	3563.10	8092.81

Notes: * The items other than the 8 listed, are radio, VCR, record-player, gas-stove, water-filter, bicycle, motor car, motor-cycle, emergency light, generator, slide projector and sofa set. None of the families in our sample possessed either a motor car or VCR.

family income is generally lower among central government staff. We have seen before that the dispersion in the salary incomes between state government employees is larger than amongst central government employees. This relation remains unchanged when we consider family income instead of salary income of the respondent.

LEVEL OF LIVING DIFFERENCES

While one may expect a reflection of the differences in the family income on the standard of living, our earlier papers in this series indicated that this is not generally true for the occupation groups considered in this study. To be precise, for certain types of expenditure, the relationship between income and level of living is very clear but for some others the correlation is found to be rather weak. This general conclusion remains valid for the families of the present group of respondents as may be noted from the detailed discussion of the results below.

In respect of living accommodation, excepting for employees in group AI, 50 per cent or more of the families live in their own houses. The per capita floor space enjoyed does not seem to bear any direct relationship with income. As far as rental per month for rented house is concerned we observe that it increases with income. The top group consisting of a sample of only two does not conform to the pattern but that is almost certainly due to sample fluctuations.

As to expenditure on transport for going to places of work one is once again faced with weak relation with income. The expenses for the top group for going to places of work is found to be nil. By the hazards of sampling these two sample families have no children staying with them. The respondents themselves use of-

TABLE 7: SAREES

Category of Employees	Female Adults Per Family	Sarees Per Adult Female	
		Below Rs 100	Rs 100 and Above
(1)	(2)	(3)	(4)
Group A: I	1.00	20.00	32.50 (20.00-45.00)
II	1.75	9.29 (5.00-12.00)	13.71 (7.00-25.00)
Group B	1.5	10.00 (5.00-14.00)	16.27 (4.00-35.00)
Group C	2.2	7.81 (5.33-19.00)	10.00 (6.00-20.00)
Group D	1.88	13.15 (5.00-30.00)	14.85 (4.00-40.00)

fice cars to go to their places of work. By the hazards of sampling once again some other respondents in our sample live within walking distance of their places of work. All these factors contribute to weakening the relation between expenditure on transport and income which may be expected to be positive.

The influence of income is more clearly noticeable on educational expenses. The average expenditure on education during the last year is seen to increase as we move from employees in group D to group A. In fact the increase becomes exceedingly high particularly towards the upper end with employees of group AI spend many times more than what employees in the lowest group spend. In terms of average expenditure per student also the same thing is observed, though the differential is reduced to some extent. The break up of the educational expenses into the constituent items indicates a very striking pattern. The top and the bottom groups spend overwhelmingly high proportion on 'tuition and other fees' and little on private coaching. As to the highest category the respondents are of advanced age and their children have crossed the school stage as such tuition fees are high and coaching fees low. As to the lowest category, they spend less on coaching as they can afford less.

The state government employees receive no medical reimbursement but a fixed medical allowance every month of the highly impressive sum of Rs 16.10! Employees in group AI on the other hand belong to the central services and 50 per cent of them get reimbursement. This percentage, it should be noted, is significantly higher than that observed earlier for central government employees. More important information are, however, provided by our estimates of the annual family expenditure on medical treatment. No clear pattern of increase with income is observed.

Holiday travel is an item of non-essential expenditure which may therefore be expected to be dependent on income. This may be expected to be all the more so with state government employees who do not benefit from leave travel concession schemes. The data however, show that response to income is high only with employees of group A. With employees of lower categories there is no clear pattern.

Durables however, reveal a pattern conforming to expectations. The number and value of consumer durables turns out to be a sensitive indicator of income level. For the individual items also we find the assertion to be by and large valid. Again one notices that employees of group AI appear to be a class distinctly different from the rest. The differences among the three bottom groups are not sharp and it

TABLE 8: SOME SELECTED NON-FOOD ITEMS OF CONSUMPTION

Category of Employees	Monthly Expenses (Rs) Per Family						
	Books	News-papers and Periodicals	Art Objects	Cinema, Theatre, etc	Games	Photo-graphy	Cigarettes
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Group A: I	29.17 (25.00-33.33)	152.08 (140.00-164.17)	29.17 (0.00-58.33)	0.00	0.00	50.00 (41.67-58.33)	40.00 (0.00-80.00)
II	10.11 (0.00-25.00)	62.50 (25.00-100.00)	0.50 (0.00-2.00)	27.50 (0.00-100.00)	10.42 (0.00-41.67)	20.83 (0.00-83.33)	68.75 (0.00-250.00)
Group B	33.33 (0.00-125.00)	61.17 (36.00-100.00)	0.00	7.81 (0.00-20.83)	5.21 (0.00-41.67)	0.52 (0.00-4.17)	3.75 (0.00-30.00)
Group C	11.21 (0.00-33.33)	39.87 (0.00-93.67)	0.00	7.83 (0.00-25.00)	4.58 (0.00-25.00)	3.33 (0.00-33.33)	62.50 (0.00-330.00)
Group D	8.71 (0.00-41.67)	36.15 (0.00-110.00)	0.00	22.03 (0.00-100.00)	2.60 (0.00-16.67)	8.13 (0.00-41.67)	40.50 (0.00-200.00)

Note: In previous instalments this particular table included a column for drinks. In view of the fact that respondents refuse to reply to this particular question, we have decided to omit the item from this instalment.

TABLE 9: SOME SELECTED FOOD ITEMS

Items	Category of Employees				
	Group A		Group B	Group C	Group D
	I*	II			
(1)	(2)	(3)	(4)	(5)	(6)
Fish					
(a) No of days consumed per month	29.00 (28-30)	19.75 (12-27)	22.75 (15-30)	17.40 (10-26)	13.00 (0-30)
(b) Quantity consumed per day of consumption (kg)	0.23 (0.20-0.25)	0.56 (0.40-0.75)	0.32 (0.20-0.40)	0.38 (0.2-1.0)	0.41 (0.00-1.00)
(c) Expenditure per month					
(i) Amount (Rs)	276.50 (225.00-298.00)	354.25 (144.00-488.00)	215.50 (120.00-280.00)	169.44 (61.88-418.00)	190.59 (0.00-550.00)
(ii) Index	1.45	1.86	1.13	0.89	1.00
Meat					
(a) No of days consumed per month	2.5 (0-5)	4.25 (2-10)	2.13 (0-4)	3.20 (2-4)	2.44 (0-5)
(b) Quantity consumed per day of consumption (kg)	0.1 (0.0-0.2)	0.75 (0.5-1.0)	0.41 (0.00-1.00)	0.67 (0.25-1.5)	0.59 (0.00-1.50)
(c) Expenditure per month					
(i) Amount (Rs)	19.00 (0.00-38.00)	133.25 (40.00-350.00)	48.38 (0.00-160.00)	71.30 (23.80-168.00)	56.36 (0.00-160.00)
(ii) Index	0.34	2.36	0.86	1.27	1.00
Egg					
(a) No of days consumed per month	17.00 (4-30)	22.00 (8-30)	11.50 (0-30)	12.20 (0-30)	8.75 (0-30)
(b) Quantity consumed per day of consumption (no)	2.5 (2-3)	2.75 (2-4)	2.63 (0-6)	3.30 (0-8)	3.13 (0-10)
(c) Expenditure per month					
(i) Amount (Rs)	49.00 (8.00-90.00)	60.50 (24.00-90.00)	36.95 (0.00-68.00)	23.10 (0.00-60.00)	18.43 (0.00-60.00)
(ii) Index	2.66	3.28	2.00	1.25	1.00
Milk					
(a) No of days consumed per month	30	30	30	27.00 (0-30)	24.38 (0-30)
(b) Quantity consumed per day of consumption (lit)	1.00	0.88 (0.50-1.0)	1.03 (0.5-2.0)	0.65 (0.00-1.00)	0.84 (0.00-3.00)
(c) Expenditure					
(i) Amount (Rs)	179.00 (129.00-150.00)	122.38 (64.50-155.00)	131.44 (49.50-300.00)	93.10 (0.00-165.00)	104.62 (0.00-393.00)
(ii) Index	1.71	1.17	1.26	0.89	1.00

Note: * In one family there are no children. In the other there are 2 sons, both in hostels. Hence educational expense is high and that on food is low. One family out of the two does not take meat.

TABLE 10: DOMESTIC SERVANTS

Category of Employees	Percentage of Families Having No Domestic Servant	Percentage of Families Having Domestic Servant: Resident	Percentage of Families Having Domestic Servant: Non-Resident	Percentage of Families Having More than One Servant	Working Hours Per Day of Non-Resident Servants	Monthly Wage (Rs): Resident	Monthly Wage (Rs): Non-resident
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Group A: I	0.00	50.00	50.00	0.00	4.00	70.00	100.00
II	0.00	75.00	25.00	25.00	4.25	63.33 (30.00-100.00)	80.00 (60.00-100.00)
Group B	0.00	12.50	87.50	12.50	2.88 (1.00-6.50)	50.00	63.75 (35.00-125.00)
Group C	10.00	10.00	80.00	0.00	3.14 (1.00-8.00)	50.00	62.86 (40.00-150.00)
Group D	31.25	12.50	56.25	6.25	3.94 (1.00-12.00)	82.50 (65.00-100.00)	48.33 (30.00-70.00)

TABLE 11: CEREMONIAL EXPENDITURE

Category of Employees		Expenses on Ceremonials (During Last 5 Years) Per Family (Rs)	Puja Purchases (Last Year): For Own Family	Puja Purchases (Last Year): For Making Gifts
(1)		(2)	(3)	(4)
Group A:	I	8250.00 (6500.00-10,000.00)	1250.00 (0.00-2500.00)	3000.00 (1000.00-5000.00)
	II	50562.50 (6000.00-1,22,000.00)	1300.00 (300.00-2000.00)	1212.50 (150.00-2200.00)
Group B		10275.00 (0.00-60,000.00)	1314.38 (500.00-2800.00)	612.50 (250.00-1000.00)
Group C		19820.00 (0.00-1,47,500.00)	947.50 (0.00-3000.00)	385.00 (0.00-1500.00)
Group D		15180.16 (0.00-1,07,500.00)	923.75 (0.00-2300.00)	796.56 (0.00-2730.00)

would be justified to treat them as a single homogeneous group for the point of view of consumption aspirations.

The number of sarees possessed per adult female in the families of the respondents again show marked difference only for those belonging to group AI. Among the rest there is no pattern of dependence on income.

The items presented in Table 8 also reveal no pattern of dependence on income. The only comment called for by these items is about the extremely low expenditures incurred on these items which reflects one's valuation of cultural activities. It should be a sobering thought for all those who believe that the Bengali middle class attaches a great deal of value to culture.

The few selected items of food presented in Table 9 reveal a pattern of dependence on income which is normal. The deviation in the case of fish and meat consumption by the top group is obviously a matter of sampling fluctuation. Meat does not seem to be an item of regular consumption for any of the groups. So far as egg is concerned, the averages do not show very high rate of consumption. It should be noticed however that there are families at all levels which consume egg every day. Milk is an item of daily consumption for those belonging to groups A and B. They do spend a substantial amount every month for milk. The average is, however, much higher for group AI employees than the rest.

Employing domestic servants is, as in the earlier cases, seen to be a common feature with these families. Not all families in the poorest group, however, can indulge in such expenditures. The monthly or hourly wage paid to the servants is again found to be abysmally low. Dependence on family income is there but is not very sharp.

Expenses on ceremonials also do not bear any clear relationship with the level of incomes. Festival purchases reveal a clearer dependence pattern, more so for making gifts than for own family.

CONCLUDING OBSERVATIONS

A comparison of the results in the present paper with those in the second in the series confirm the generally held impression that central government employees are better off than the state government employees in terms of salary income. But the difference is marginal and gets even further dampened when we pass on to family income or level of living.

It was argued in the earlier papers that variations in expenditure on various items cannot always be explained in terms of variations in income. It was suggested that it is possible to demarcate some large income ranges within which the level of expenditure on many items are insensitive to variations in income. Our results for state government employees lend further support to this hypothesis.

Looking at the inter-occupational differences within the state government (that is, differences between the different categories into which they were divided), it is seen that employees in group AI, who are really the central government employees, are way above the rest not only in terms of salary income but also in many other respects. Judging by expenditure habits, employees of groups C and D seem to constitute a more or less homogeneous group. The homogeneity extends to include the group B workers for certain items of expenditure.

Sickness in Indian Textile Industry

Bagaram Tulpule

PRAFUL ANUBHAI (July 8) rejects percentage of workers displaced as an indicator of sickness and alleges that I am relying on that percentage in questioning his proposition that the composite mill sector is more affected by sickness than the spinning sector.

I believe that tens of thousands of workers being thrown out on the streets is the most dire consequence of industries going sick and closing down. Hence, I do not see anything wrong in taking the percentage of displaced workers as an indicator of the extent of sickness. I do not agree that proportion of capacity rendered idle is necessarily a more correct indicator. I give greater weight to the human consequences of industrial sickness than to the inert ones.

Anubhai further asserts that the proportion of displaced workers is higher in the spinning sector than in the composite sector because the closed spinning mills were overstaffed. That may be so. But it only explains the sickness; does not alter the fact of sickness of these closed spinning mills. For that matter, causes can, and indeed are, attributed for the sickness of the closed composite mills also, but they too will not alter the fact of the closure of these mills.

I do maintain that comparison of idle spindlages in the two sectors would be misleading since idle spindlage in a composite mill may be only a consequence of sickness of the whole mill and not indicative of the spinning operation itself being unremunerative.

So far as profitability is concerned, the ATIRA finding quoted by Anubhai that performance of spinning mills has been "relatively better" than composite mills may be accepted.

Anubhai's proposition that temporary idle capacity in powerlooms involves very "low cost" is difficult to agree with. When the idleness is of the order of about 67 per cent of the total, to say that "no overheads are incurred" is astonishing. Do the looms and their installation come for free? Are no interest and rent payable? And so far as not paying workers is concerned, have not many composite mills too defaulted in the payment of even earned wages, not to speak of idle time wages, and dues deducted against provident fund and employees' state insurance?

Operating costs of powerlooms are admittedly lower compared to looms in composite mills although there may be differences about how much lower. Regarding cost of yarn, even ATIRA grants an advantage to the composite mills of as much as 10.4 per cent which is not vastly below my own estimate of 12 per cent. Overall, cotton cloth woven on powerloom may indeed be cheaper by 5-10 per cent as ATIRA finds. But this advantage can be more than neutralised by other relative advantages enjoyed by the composite mills: cheaper bank credit, strong market presence, greater bargaining strength, higher technological expertise, better quality control, and so on.

According to Anubhai, even when cotton prices fell quite sharply, the industry could not produce more due to "emergence of large number of spinning mills and more cost effective powerloom sector". But composite mills' own cost of production could have come down if they had produced more which would have meant better utilisation of capacity and lower unit overhead costs. Neither the emergence of new spinning mills nor the cost effectiveness of powerlooms explains the fact that composite mills produced not more but less when cotton prices were falling.

Then, of course, we have the familiar argument that when cotton prices rise, cloth prices also rise, but when cotton prices fall, then also cloth prices rise because prices of other inputs rise. But let us look at this a little more closely. Reading Anubhai's Tables 10 and 11 together, we find that between 1984-85 and 1986-87, cotton prices fell by about 30 per cent which would bring down cloth costs by 12 per cent. On the other hand, during the same period prices of power and fuel rose by about 20 per cent, those of dyestuffs and chemicals by about 15 per cent and of stores and spares by about 17 per cent. All these three groups together would, therefore, raise costs by about 4.5 per cent. Assuming average wages to have risen by as much as 20 per cent over the period, that would add about 4.6 per cent to costs. All these together would mean a cost increase of about 9.1 per cent against a cost decrease due to lower cotton prices, a net advantage of 2.9 per cent. Yet, cloth prices, far from coming down, actually went up by over 5 per cent over the same period. Were the powerlooms or the emergence of large number of spinning mills to blame for this?

Regarding locational differentials, my main point was that states which together account for less than 10 per cent of productive capacity cannot be serious competitors to the incomparably larger centres regardless of substantial differences in costs of production. The locational shifts Anubhai is talking about, if at all they occur, will take long and involve heavy costs of their own, apart from the fact that if and when significantly large capacities are set up in these presently low-cost states, their costs also will inevitably go up.

Regarding the financial data presented in Anubhai's Table 21, I never took it as presented "sector-wise". I took it as representative of the entire industry since it had not been qualified in any other way. If it is representative of both private and public sectors together, as appeared to be the case on the face of it, then I do not know how my observation quoted by Anubhai can be called "misplaced". If the financial performance of one of the two sectors is worse than the combined performance, then the performance of the other sector must necessarily be correspondingly better than the combined performance. My observation could be faulted only if the sample covered by Table 21 was exclusively from the private sector and was stated to be so in the first instance.

I must confess that my statement about the value of imports of textile machinery was an error and I regret it.

About the importance to be given to exports and making the textile industry internationally competitive for that purpose, I have stated my views at length. I am aware that these views are not fashionable currently, but I hold them after full deliberation. I do not "reject the export potential of Indian industry" as Anubhai alleges. What I question is the wisdom of laying excessive stress on exports.

My doubts about accuracy of export statistics persist. According to Anubhai, "It appears that in Pakistan production of cloth in the decentralised sector is 8 to 10 times that of the organised sector". Even he is not sure. There is little evidence for this. The ICMF *Handbook of Statistics* says that there are "approximately 50,000 powerlooms in the decentralised sector" while in the organised sector there are 20,000 automatic shuttle looms and 3,000 shuttleless looms. Where from does the "8 to 10 times" output of the decentralised sector come? From handlooms? In that quantity? And does that account for the surplus of exports over the output of the organised sector? Would our own very considerable experience with handlooms warrant such a conclusion?

For yarn production too, I remain unconvinced that the factors listed by Anubhai can result in doubling of per spindle output. Our own spinning capacity is reasonably modernised, much of it is fairly new, and there is no reason to assume that its productivity is so poor in comparison with Pakistan's. Our utilisation was of the order of 70 to 75 per cent on a 3-shift basis in 1984 (ICMF *Handbook of Statistics*). About 60 per cent of the yarn spun was 30s and below, over 85 per cent, 40s and below. So neither higher utilisation nor productivity nor coarser counts could explain the yarn output per spindle in Pakistan being more than twice that in India.

The different sets of statistics, thus, do not appear to be mutually consistent. On the cotton balance now cited by Anubhai, I am not in a position to comment, but would invite attention to the fact that figures of export of yarn and fabrics given in the cotton balance differ considerably for those in the ICMF *Handbook of Statistics*. Which are to be relied upon and why?

"Is production capacity inflexible?" asks

Anubhai in the context of his plea for free exports of cotton yarn. One real limiting factor, of course, is availability of cotton in which we hardly have a large margin. But the more important question is: whatever increase in yarn output is achieved, should it go to exports rather than to satisfy the demand of our own weaving capacity which is large enough to absorb all the yarn we can coceivably produce in the foreseeable future. There is nothing "wrong in exports" as such, but everything wrong if exports are at the cost of starving our own loomage in the decentralised sector.

Earlier in his reply, Anubhai has stressed how the composite mills have to compete, and that on unequal terms, with the low-cost powerloom sector. If this is not sufficient pressure for the mill sector to take "a hard-headed look" at its costs, how will the slogan of becoming "internationally competitive" induce it to do so?

If Anubhai had read my piece carefully, he would have seen that I did not make any "a priori judgments" on the choice of technology but tried to spell out the considerations, primarily unit cost of production, that should guide the choice. Nor have I made any "sweeping generalisation" that all choices of technology have been wrong. My use of "choices" in plural should make it clear that I did not speak of one across-the-board choice, but viewed the choices selectively, some of which, especially some involving the "latest technology", have been, in my view, wrong, since they have not helped the concerned mills to reduce costs.

I am glad to note that although Anubhai begins this para by charging me with having made a sweeping generalisation, he ends it by agreeing that if modernisation is attempted without fully relating it to products and economies of operation, it could lead to disasters.

This is not the occasion to enter into an ideological debate on the place of profits in socially desirable activity. Anubhai and I are not likely to agree on this question. What is happening in the USSR is hardly relevant here. In an excessively centralised economy and regimented society as USSR was till recently, the corrective naturally had to be in the direction of opening up. But in an economy and polity which, despite all talk of planning, are almost chaotic, the corrective has to be in the opposite direction. The most recent events in China raise doubts about how much we really know about what is happening there. Nowhere in my piece did I suggest shutting market forces out. I was focusing on the anomaly that a country so favourably endowed in the field of textiles should find its textile industry, the largest and oldest in the country, in the doldrums. It is my conviction that an alternative strategy in dealing with it is feasible and desirable, and I made an effort to sketch it in outline.

Women Studies in India

Neera Desai
Maithreyi Krishnaraj

ASHOK RUDRA, it appears, has chosen to use his review of *Women and Society in India* (April 29) really to launch an attack on women studies. According to him, women studies in India is nothing but shoddy research and hack-writing and no 'heroic' attempt can salvage it. There are also several inaccuracies in his references to sections in the book but we will confine our reply to his general criticisms.

First let us clear one or two points. Rudra faults us on two counts simultaneously—for failing to live up to a claim we are supposed to have made and also for not having made such a claim. A text-book does not need to propound a theory. It usually presents different points of view and alternative theories that are current. To compare a text-book with Betty Friedan's polemical tract is to equate two non-comparable categories. If at all a comparison was in order, it should have been with a women studies text used in the west and there are several of them. The 'feminist perspective' in the book lies in the departure from the earlier humanistic arguments to a focus on women's own specific needs and interests. The Indian education system being what it is, there was need to put available material in one place and that is all we tried to do. It is not true that there is no serious, analytical work. The book under review draws primarily on articles in journals acknowledged to be of some standard. It is a step in the direction of better understanding, if not a full-fledged theory. It is incorrect to allege that it is the introduction of women studies by UGC in the universities that has given rise to a 'spate' of shoddy writing. The UGC has stepped in just two or three years ago and todate there is hardly any university which has a full-fledged women studies course. There is a paper in some discipline or the other in three or four places, not sufficient to evoke such a flood of hack-writers. Serious work by a dozen or so good scholars began in the late seventies when women studies had neither acquired a nomenclature nor much legitimacy. It is the effort of these early scholars and the interesting issues they have opened up that have induced a few mainstream academics to sit up and take notice and a few of them have since engaged in women studies research, when a decade ago they would have spurned it as not worthy of their attention.

To come now to the more substantive issues raised by the reviewer—that women studies in India lacks a theoretical framework, that it has failed to isolate the oppression of women *qua* women and lastly that Indian scholars refuse to learn from western feminists out of a bigoted cultural chauvinism.

Rudra obviously has not been in touch with what has been happening. From the late seventies and more particularly the early eighties there has been considerable cross cultural anthropological work, which has been highly critical of the narrowness of the western feminist formulations, their ethnocentricity and their class bias. Women of colour in the west have formed their own organisations and have found the American (or European) feminist theories unaccommodative of class and race questions. There is general disenchantment with a universalistic theory. Isn't it strange that at precisely a time when western feminists face serious criticism for universalisation based on their limited experience, Rudra should pull us up for not adopting their theories? There is much to learn from them and we owe to them the use of patriarchy as an analytical category. The book in question has this as the underlying theme. It is now commonly accepted that the three basic ingredients of patriarchy are control of women through control of their sexuality, reproduction and labour. The manifestations of patriarchy in each culture/society/time may be different. It has a historicity but much work needs to be done to provide the linkages. To provide an integrated theory, one needs input from several sources. In fact within the west there are several strands of feminism and corresponding theories.

As for our inability to separate poverty from gender oppression, in third world countries it is not easy to make this separation. Feminists in India hitherto have been accused by the left of being bourgeois and of being western (epithets that occur repeatedly as abuse) and now Rudra finds us wanting for the opposite reason. The emphasis on the poor is not misplaced. It is precisely the study of poor women that has helped to highlight the specific oppression of women. In recent years, the discussion on unpaid work of women, their role in subsistence production and their lack of control over the products of their labour *within the household* have brought out very poignantly that invisibility is a mechanism for devaluation and hence subordination. Unlike class relations, a woman's position in the family is simultaneously one of complementarity and conflict. To the extent that a woman's survival depends on the survival of the household, her interest appears to coincide with that of the household. The large number of abandoned women as well as the perpetual threat of disownment breaks the illusion of complementarity. Everyone depends on the woman but she cannot in effect depend on anyone. As for women of upper classes, not only do they enjoy privileges accruing to them as members of their class—and therefore privileges *vis-a-vis* other women—but they also share in the general oppression of women. They have some resources atleast of education to fall back on. The poor and illiterate are the majority of women in India, and a feminism that does not seek to liberate them cannot work towards the liberation of all women. This is different from saying that the gender issue should be subsumed under other issues. Nor are we saying that *only* poor women should be studied. The relative emphasis is justified.

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COMMUNALISM AND WORKING CLASS

BOP PROBLEMS OF DEVELOPING COUNTRIES

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EDUCATION AND SOCIETY

- **SOCIALISATION OF CRITICAL THOUGHT: RESPONSES TO ILLITERACY**
- **INVESTMENT IN LITERACY FOR A HIGH-TECH SOCIETY**
- **EDUCATION AND COMMUNAL POLITICS IN BENGAL**

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Education and Society

Two movements in human resource development occupy the centre-stage today in most developing countries: One the old movement for the still remote goal of universal literacy and the other a comparatively new movement for scientific modernisation of society. The two movements are proceeding in their respective 'self-reliant' ways, whereas in fact literacy and modernisation are conceptually interrelated and, therefore, their pursuit should be interdependent. 1711

Can an endogenous system of transmission of knowledge and competence be evolved which critically questions and mobilises to action in the very process of transmitting accumulated human reflection on the socio-economic context of people's relation with their environment? A study of the efforts of non-party political groups in Thane district in Maharashtra to evolve educational programmes in the context of the democratic struggle and in tune with the felt-needs of the adivasis. PE-54

Communal differentiation as rooted in the realm of cultural identity must be taken into account as an autonomous reality, particularly in dealing with education. The relation between educational development and communal politics in Bengal in the context of the Bengal Secondary Education Bill, 1940. PE-81

Class and Consciousness

While it is important to study counter-hegemonic protest movements and revolts, it must be recognised that the dominant reality is one of the subaltern classes accepting the hegemony of the elite through such processes as deference to the elites and emulation of elite values. An exploration into subaltern consciousness while under hegemony through the study of the popularity enjoyed by the late M G Ramachandran among the people of Tamil Nadu. PE-62

In discussions of the involvement of social, religious and occupational groups in communal riots, it has been argued that the working class has been as much responsible for contributing to the dynamics of communal politics. But a study of the 1893 communal riots in Bombay city shows that while strong communal sentiments did exist among the workers, that did not lead to the development of a long-term communal consciousness among them. Nor was it the most representative form of their activities. PE-69

Debate on Narmada

If the central government really believes in democracy and in giving power to the people through panchayati raj, it must come out with a white paper on the Narmada Valley Project, give it wide publicity and have it debated openly. 1687

Road to Tiananmen

For many years there have been clear lines of political conflict in China. Two views of the forces leading up to the Tiananmen demonstration and its brutal suppression. 1696, 1697

Kashmir Policy

The present situation in Kashmir does not leave any room for doubt that the avowed objective of the Rajiv Gandhi-Farooq Abdullah accord of fighting anti-national and communal forces has not been achieved. In fact the current situation can be shown to be a logical consequence of the accord 1689

Workers Losing

Large companies in India have not experienced any secular decline in the rate of profit, although they might have seen cyclical variations. The explanation for this steady trend lies in the falling share of wages and salaries in value added, which also suggests the existence of objective grounds for sharpening of class conflict. PE-95

India and Perestroika

India offers a test case for Gorbachev in restructuring the Soviet Union's economic relations with the developing countries in keeping with his policy of perestroika. 1717

Shaky Case

Critical examination of the theoretical rationale underlying the argument advocating a 'liberal' trade regime for underdeveloped countries which has made a strong reappearance in recent years. PE-91

The focus of the World Bank's *World Development Report 1989* is the need for more liberal and open financial systems in the developing countries. How convincing is the World Bank's case? 1691

Jews, Israel and Palestine

RINA NISSIM (June 3) after acknowledging that "the creation of the state of Israel has been at the root of the deportation and oppression of the Palestinians" proceeds curiously to argue that "the formation of Israel is not very much more artificial than the creation of many other states". In our century, however, there is *no* other state created on land where the residing inhabitants were forced to flee, those remaining behind reduced in their own homeland to a "tolerated but essentially foreign element" ruled under military law for 18 years, their land seized, their travel restricted, etc. It is disingenuous to compare Palestinian refugees in the Arab world with Muslims who migrated to Pakistan. The Arab countries and the Palestinians did not *want* Palestine to be partitioned. Rather the partition was imposed by the Great Powers.

The three books I reviewed (April 22) dealt with the history of the birth of Israel and not the subsequent Palestinian diaspora. The question of violence inflicted on Palestinians by Jordan and Syria was therefore not relevant to the subject under review. I do not know how Nissim decided that "it is well known that the Israeli Palestinians have done much better than those of the camps". Available facts tell a different story. For instance, university enrolment of Palestinians in Israel was the lowest at 316/100,000 compared to 464/100,000 in the West Bank, 660/100,000 in Jordan, 711/100,000 in Saudi Arabia and 1904/100,000 in Syria. Also Palestinian men are more likely to occupy professional, technical and administrative positions in Saudi Arabia (40 per cent), Kuwait (22 per cent), Syria (11 per cent) or Jordan (10 per cent) than in Israel (8 per cent).

Yes, a peace movement does exist in Israel. Courageous Israelis like Felicia Langer, a dedicated lawyer, survivor of the Holocaust, and Israel Shahak chairperson, Israeli League for Human and Civil Rights, to name two prominent individuals, have fought long and hard for Palestinian rights. Also Israeli groups like Women's Organisation for Women Political Prisoners and Yesh Gvul ('There Is a Limit') are actively involved in resisting Israeli policies towards Palestinians.

India, which contrary to Nissim's assertion recognised Israel in 1949, should endeavour to convince Israel and the United States that a two-state solution in the region offers the best chance for peace. The Intifada has created conditions for a just and lasting settlement which must be pursued vigorously if the sorry history of the past 40 years is not to be repeated.

BINDU T DESAI

Illinois, USA.

Carbide Quit India Week

AT the 'National Convention on the Bhopal Settlement' convened by our organisation in Bhopal on April 15-16, 1989, a number of resolutions were passed about the action programme to carry on the struggle against the collusive settlement between Union Carbide Corporation and the government of India. Representatives from various solidarity organisations from different parts of the country had jointly drawn up the plans for these activities and national representatives of opposition political parties had expressed their commitment to the programme.

Following up on the convention and as a part of the continuing struggle, we now propose to observe the week from August 9 to 15 as 'Union Carbide Quit India' week. It needs to be mentioned that the Quit India movement against the British imperialists was launched on August 9, 1942. The ever growing influence of foreign capital on the policies and priorities of the Indian government and its tragic consequences as illustrated in Bhopal make the movement of 1942 extremely relevant to the Indian people today. In addition to the outrageous settlement, the fact that even after perpetrating the greatest industrial genocide of the century, Union Carbide continues with its business in this country bears testimony to the collusive nature of the Indian state.

Our demands for the protest week are:

(i) Union Carbide be prohibited from continuing with its business in India and all industries owned by the killer multinational be handed over to the workers who work in them.

(ii) Union Carbide be disallowed to market its products and the All-India Radio and Doordarshan should immediately stop advertising Union Carbide products, particularly Eveready batteries.

(iii) The Bhopal pesticide plant be replaced by a national memorial on the Bhopal Gas Disaster and industrial projects be set up there for providing alternative employment in accordance with the reduced working capacity of the gas-affected people.

(iv) The Research and Development facility of Union Carbide at Bhopal which has always been functioning under a shadow of suspicion should cease its activities.

In Bhopal on August 9 we plan to march to the Research and Development centre to press our demand of closing it down. We will be organising meetings and demonstrations on other days of the week, highlighting the sufferings caused by Union Carbide, the betrayal of the Indian government and the unjust settlement.

ABDUL JABBAR KHAN

Bhopal Gas Peedit Mahila Udyog Sangathan
Bhopal.

ECONOMIC AND POLITICAL WEEKLY

Finance Commission and the States

THE state finance ministers, summoned to a meeting in Delhi by the Ninth Finance Commission, made known their apprehensions that the commission's zero deficit target for 1994-95 was impractical and, worse, was also perhaps a ruse to deny to the states their due share of central revenues. While the chairman, known not only for his penchant for hyperbole but also for the mental block he suffers from in regard to economic logic, stuck to his guns that there could be no compromise on the zero deficit target, the rest of the commission, truncated as it is for the present, appeared to be much more flexible. In any case, it was all but conceded that the states' share of central revenues could not be permitted to go down.

However, on whether the weight of tax devolution in total central transfers should be reduced and that of grants correspondingly raised, the states were unable to get a clear commitment from the commission, even though practically every state, rich as well as poor, opposed any reduction in tax devolution. The commission's background note did not convince the states that the purpose of equity could not be adequately served through appropriate changes in the formula for distribution of the amount of tax devolution among the states. On the other hand, the states' memory is not as short as the commission seems to assume. Most states, some exceptions like Maharashtra apart, are still smarting under the impact of the commission's award for 1989-90, which used grants for largely arbitrary and inequitous purposes. How could this commission be taken at its word when it professed to use grants for purposes of equalisation? Or is it that the commission has its own ideas on what equalisation means? In its first report the commission had recommended grants totalling Rs 200 crore for states identified as backward in elementary school enrolment and even Haryana—a high income, revenue surplus state—qualified for the grant.

There was also the related question of special category states, devolution to whom is mostly, though not altogether, in the form of grants. In the commission's award for 1989-90, the share of these states in total transfers (tax devolution plus grants) was allowed to go up from 6.6 per cent under the Eighth Finance Commission's award to over 10 per cent. It has to be remembered in this context that these special category states—not including Assam—account for less than 2.5 per cent of the country's population. The major states, poor as well as rich, are naturally worried that their share of the kitty will go down as the transfers to special category states go up. And their fears are not totally without basis. The special category states have submitted a common memorandum to the commission asking for still larger transfers to them. Already in per capita terms devolutions to these states through Finance Commission transfers alone are three times as high as those to the major states. To meet the special category states' clamour for still larger transfers to them, there will have to be greater recourse to grants as compared to tax devolution. Thus the demand of the special category states is music to the commission's ears since it supports the commission's own objective of increasing the weightage of grants in total devolution from the centre to the states. But then the other states have real cause for worry.

Not that the other states would grudge larger transfers to the special category states, but why does it have to be at their expense? After all these states were created in special circumstances and in the national interest. Should not any excess transfers to them be considered a charge on central revenues? The Finance Commission owes a full explanation to the public since it seems to be in favour of considerably larger devolutions to these states.

Quite a good part of the commission's meeting with the state finance ministers was devoted, it would appear, to discussion of the sort of normative approach the commission proposes to adopt for assessment of the revenues and the expenditure needs of the centre and the states. There was virtual unanimity among the states in objecting to the commission's assumption that the centre's tax revenues would grow at the same rate as those of the states. If the centre has not performed well enough in fact, it is not because the tax sources at its command do not have the potential but because if has been slack. The states, on the other hand, are being forced to scrape the bottom of their tax barrels. By making an assumption like this the centre was being let off lightly and the states forced to over-extend themselves. Some states also raised questions regarding the commission's assessment of the centre's expenditure needs.

No less concerned were the states about the failure of the commission's methodology to take note of the special features of different states in the application of its normative yardsticks for assessment of the states' revenue and expenditure to work out revenue gaps, if any. Nor were the states happy with the norms proposed for public utilities and other public sector undertakings. The experience with norms set by earlier commissions has shown clearly the futility of such unrealistic targeting.

Whether or not the discussions with the states served at all to bring the Finance Commission down to earth and see the reality for what it is will have to await its final report to be revealed, but the commission will not have the alibi that the states had not made their views clear.

POLITICS

Muscle-Flexing for Elections

A PREMONITION of the violence which will mark the coming general elections should be recognised from the preparations going on inside the Congress(I) camp. Notorious gangsters and hoodlums are not only being led along the war-path to break up opposition meetings (as happened recently in the Delhi University, when NSUI members stormed a meeting addressed by E M S Namboodiripad and beat up SFI students), but are being catapulted to positions of leadership to prepare them to become candidates in the elections.

In Bihar, two known 'dadas'—Kali Prasad Pandey and Nagina Rai—have been recently admitted into the folds of the Congress(I). The former, an Independent MP, refused to resign from the Lok Sabha along with the opposition members and pledged his loyalty to Rajiv Gandhi—a gesture which earned him the reward of membership of the Congress(I) and will possibly get him a ticket in the coming polls. In order to maintain the balance in the caste-ridden politics of Bihar, the Congress(I) high command has at the same time admitted Nagina Rai, one of Pandey's rivals who belongs to a different caste. Gang warfare between the two had for years disrupted life in Gopalganj in western Bihar. Tensions are bound to mount on the eve of the elections as both with their respective goons will try to demonstrate their might in a bid to impress the high command with their power to terrorise the voters—the only power that counts with the Congress(I) in winning elections.

In neighbouring Uttar Pradesh, which has a crucial importance in the parliamentary elections having the largest chunk of seats among all states in the Lok Sabha and being the home state of most of the Congress prime ministers till now, smugglers, drug pedlars, gangsters and history-sheeters of various sorts are not only being patronised by the Congress(I) state and union ministers, some among them have even wormed their way into the portals of the UP assembly. It is estimated that at least 18 Congress(I) MLAs are known to be directly involved in criminal activities. While one minister is named in police records for illegal cultivation of poppy, another is known in police records as 'Black Cobra'. It is a common practice in UP to release criminals enjoying ministerial patronage on the eve of any election in order to use their services to terrorise the voters. During the last by-election in Allahabad, the notorious history-sheeter Bhukkal Maharaj was let out from jail to campaign for Sunil Shastri against V P Singh. Many more are likely to be given 'amnesty' with the approaching elections.

In opposition-ruled states, the Congress(I) leaders and their followers are quite openly instigating violence. In West Bengal, the irrepressible Ghani Khan Chowdhury has asked the Congress(I) ranks to pick up guns, sten guns, stones and lathis to wage a 'total revolution' against the CPI(M)-led regime. In Tripura, not satisfied with ousting the Left Front government through dubious means, the Congress(I) still continues bloody reprisals against the cadres of the left parties.

While one does not expect Gandhian non-violence from the Congress(I), one feels sad when the opposition parties too get trapped in the race for acquiring muscle power and try to emulate the Congress(I). The nexus between opposition leaders and a section of the underworld in places like UP and Bihar is well known. The Janata Dal leaders are known to have a soft corner for a Dhanbad mafia don. In West Bengal, an infamous gangster Hemen Mandal is being seen around in the company of a CPI(M) minister. In the fluid political situation prevailing on the eve of the elections, mercenaries from the underworld are not only offering their skills to the highest bidder, but are also taking care to choose their patrons with an eye on the fortunes of the candidates in the coming elections.

FINANCE COMMISSION

Credibility in Question

A Correspondent writes:

"THAT Charlie sitting as CAG" has brought "the single greatest indignity on the audit profession", observed N K P Salve in parliament while leading his party's attack on the Comptroller and Auditor General's report on the Bofors deal.

Let us forget the occasion which prompted the above remark. Let us forget also that the remark was not objected to by the presiding officer of the Rajya Sabha. Let us concentrate on the person making the observation. He is no ordinary member of the Rajya Sabha. He is none other than the chairman of the Ninth Finance Commission, a body which derives its authority and mandate from the Constitution. And he has chosen to question the bona fides of a person holding another office which too derives its mandate and authority from the Constitution. In fact this latter office was considered so very important by the makers of the Constitution that a person once appointed to it must forswear all official positions on retirement, an obligation which is not imposed even on judges of the Supreme Court. Also, the CAG can be removed from office only by impeachment. Salve debases his own office by attempting to throw mud at the CAG and that too in a forum where the CAG cannot defend himself.

But the chairmanships of the Finance Commission is no ordinary office either. Not only does it derive its authority from the Constitution, but also the function of the commission is such that its chairman and members are expected to bring to bear on their task a sense of utmost objectivity combined with fairness and impartiality. The requirement of impartiality gains added importance in view of the fact that the commission has to make recommendations on the sharing of revenues between the centre and the states and among the states—in a situation with different political parties ruling at the centre and in some of the major states.

Doubts have been raised in these columns in the past about not only the competence of Salve to hold the office of chairman of the Finance Commission—his public statements soon after assuming office made one wonder if he really understood the job to which he had been appointed for he spoke more like a mofussil auditor—but also about his impartiality on the grounds that he was too active in Congress(I) politics and was clearly an aspirant for higher positions in the party. It was wrong to have a person preside over a quasi-judicial constitutional body such as the Finance Commission and at the same time function as deputy leader of his party in the Rajya Sabha.

These apprehensions have been fully confirmed by Salve's latest performance in parliament. If in his enthusiasm to protect his political boss from the indictment in the CAG's report he can throw all decency to the winds and cast aspersions on the professional integrity of the person holding the CAG's office, how can Salve be depended upon to perform his task as chairman of the Finance Commission with impartiality?

Already the strongest criticism against the Ninth Finance Commission's First Report is that it is heavily biased against the non-Congress(I) states and favours some of the richer states, Maharashtra in particular. Will the commission be less biased when it submits its final report? This is a question which must now be worrying many—and very justifiably so.

It would thus appear that if the commission's reputation has to be saved, it should be given a new chairman. Nothing in the Constitution prevents the president from replacing the chairman of the Finance Commission midstream. Otherwise the states may have to consider the option of approaching the president for the appointment of a new Finance Commission after the Salve commission has submitted its award.

PANCHAYATI RAJ

The Real Issue

THOUGH he never pretended to be a revolutionary and only at the fag end of his life toyed with the idea of joining a socialist party—he had rounds of discussion with Lohia and his emissaries—the late B R Ambedkar, because of his close identification with the most downtrodden masses of the Indian society, sometimes displayed a deeper insight into the socio-political reality than many radicals. "Thank god," he once remarked, "the Indian Constitution did not adopt the Indian village as the base of the constitutional pyramid of autonomous administrative units with their own judiciary, legislature and executive." Obviously, he was fully aware of the fact that given such authority, real power in the countryside would be monopolised by the rural elite formed by the upper classes and castes. This question has assumed topicality because of the Panchayat Bill tabled by the union government in the last session of parliament.

Even if there be provisions for the reservation of some seats for the scheduled castes, scheduled tribes and women in the proposed law, real power is unlikely to devolve upon the impoverished and marginalised masses until and unless the grip of the landholding and affluent patriarchal bosses are loosened.

In their campaigns against Rajiv Gandhi's bill the opposition parties are mainly harping on implications of the bill for the state governments' range of powers. That the new law would squeeze the extent of the state's autonomy is not untrue. But is this argument very likely to move the rural masses to oppose the Congress(I) government's proposals? Hardly. The powers in the hands of the state governments have been seen by the rural poor to be deployed in most cases against the interests of the landless, the dalits and the poor tribals.

If the opposition wants to secure the support of the rural masses, it has to carry Ambedkar's message on the panchayats to the countryside and demand a thorough redistribution of land, along with the reservation of seats. Indeed, Rajiv Gandhi's new panchayat bill has brought in a new opportunity for opening up the question of agrarian democratisation in a big way. But the opposition in most states being what it is—a conglomeration of vested interests with bases in the countryside—will not rake up the issue of rural reconstruction on a radical basis, unless compelled by irresistible circumstances. Maybe, the left in the 'left and democratic' combination will take the initiative in this field.

THE POLICE

Disappearance after Arrest

THE state organises and sponsors terrorism in order to contain political dissent, and polices the people, ostensibly in the national interest. The ovine majority in parliament arms the executive with extraordinary powers, which are excluded from the ambit of judicial vigilance. Detenus mysteriously disappear from police custody, and the executive, on the few occasions of judicial reprimand, is guilty of contempt of court. The judiciary too periodically displays contempt for the law and, to crown it all, the law itself, in some of its provisions, expresses contempt for the people. It is this that sets apart the truth about our fragile democracy from the masquerade of formal, institutional trappings and lofty constitutional verbiage.

The recent report of Amnesty International (AI) which describes nine instances of custodial disappearances (two of these were subsequently resolved) is a further revelation of the systematic erosion of democratic rights in the country. On April 6, 1987 four men were lifted from different villages in Uttar Pradesh by special personnel of South Delhi's Lajpat Nagar police station and have not been seen since. Police, in response to persistent enquiries by relatives, denied having ever arrested them and the Delhi high court accepted the statement *prima facie*, without ensuring that relatives of the victims were summoned to provide evidence. A similar denial was issued by the Punjab police regarding three men arrested in January 1988 from various parts of the state. In the case of the president of the Youth Akali Dal, who surrendered to the director general of Punjab police in October 1988 following harassment of his relatives by the police, the customary denial was initially issued before he was finally released in November 1988, in the face of mounting public pressure. In Bangalore, the secretary of the Karnataka state unit of the Progressive Youth Centre was abducted by plain clothesmen of Karnataka and the Tamil Nadu police in August 1988. He was produced before a magistrate in November, more than two months after the arrest and far in excess of the 24 hours stipulated by law. He was finally released in December. In this particular instance, the Karnataka high court, ruling on a *habeas corpus* petition filed on his behalf, dismissed it on the technical ground of failure to name the police officers involved. Of course, it goes without saying that torture in its crudest forms was practised on all the victims.

If precedents are anything to go by, a contemptuous dismissal of the AI report by the hidebound powers-that-be will not be unsurprising. It will be recalled that minister P Chidambaram, reacting to an earlier report by AI, had labelled it 'motivated' and asserted that the government was not answerable to anybody except parliament. Consider the stacked parliament, in which the majority nods its supine assent to all government moves, and the implications become clear enough. There is not even a pretence of being democratic, as the state rides roughshod over even ordinary political freedoms. All this, we are informed, is not only legitimate but also imperative in the larger interests of the country.

Threat to national integrity has over time become a protean concept that accommodates a whole range of phenomena, including the ubiquitous, if spectral, foreign hand, political dissent against the state or even the party in power and, incredibly enough, on occasions factory strikes for wage increases. Allusions to the foreign hand have been increasing in frequency, in an attempt to build up a kind of party-based national chauvinism. The official branding of AI as an adjunct of the foreign hand—in this case the American hand—obviously fits into the pattern. The idea is to create an identity between the Congress and the nation. It follows that any criticism of the former can be represented as a threat to the latter and permits the legitimisation of state perpetrated crimes. It is indeed tragic that in the 'world's largest democracy' the right to life and the right to constitutional redress are, in particular instances, no longer justiciable. What is worse still is that apocryphal threats to the nation's sovereignty should legitimise this tragedy.

COTTON

Avoiding a 'Crisis of Plenty'

ENCOURAGED by the further hefty hike in the support prices for 'kapas' for 1989-90, taking the rise during two consecutive seasons to Rs 90-Rs 100 per quintal which is larger than the total increase over the past decade or so, and emboldened by the meteorological department's forecast of a normal monsoon and its timely onset, farmers are reported to have brought more area under cotton in quite a few states where sowings have been completed or are nearing completion. Estimates of the increase in acreage range between 4 per cent and 10 per cent. The quality of crop information being what it is, none can really vouch for the accuracy of the estimates regarding the area sown under cotton. Perhaps all one could say is that the acreage under cotton may well be somewhat larger than in 1988-89. But that may not be saying much really. For cotton production in any particular season has all along depended less on the area sown than on the yield which in turn has depended essentially on the pattern of rainfall during the season and the damage caused by pests, especially white fly.

For the present, new crop prospects can be reckoned as very reassuring. Weather conditions in all the major cotton growing areas so far have been good to ideal. If climatic conditions remain favourable during the rest of the season and there is also no damage by pests, one could hopefully look forward to a record cotton crop in 1989-90. While it is altogether premature to make any meaningful forecast about the crop at this stage, the government will do well to carry out some exercises with varying assumptions to evolve various policy options for efficient management of the emerging situation.

It would be unfortunate if the anticipated increase in production were to be allowed to precipitate a 'crisis of plenty' pushing down prices to levels which have an adverse effect on farmers' intentions to cultivate cotton. One can plausibly argue that such a situation is unlikely to arise since the Cotton Corporation of India is there to undertake necessary price support operations and that growers have little to complain about the revised support prices. But instances abound when cotton growers have had to sell their produce well below the support prices in a situation of 'over-abundant' supply due to serious deficiencies in the marketing infrastructure.

Talking to a cross-section of knowledgeable persons in the cotton trade and textile industry the impression one gathers is that the 1989-90 crop will have to be really a bumper one—over 115 lakh bales—to cause any major landslide in prices thereby imposing a serious strain on CCI's organisational capabilities to carry out price support operations on the requisite scale. It had handled 12.52 lakh bales under the price support operations in 1985-86.

The view is widely shared that cotton prices are unlikely to decline to support levels if the crop is under 115 lakh bales. Cotton prices have been displaying a firm tendency for the past few weeks, reflecting mainly shortage of quality cotton at the fag-end of the season which has just one more month to go. The ruling prices of cotton, while lower than a year ago, are substantially above the revised support prices for 1989-90, with medium and long varieties quoted 35-45 per cent higher and extra long staple cotton about 85-90 per cent higher.

Mill consumption of cotton is running at a record high level and it is on the increase as the cotton textile industry, especially the spinning sector, is having a pretty good time. Both yarn and cloth are fetching high prices on good domestic and overseas demand. In view of improved agricultural prospect in the wake of another good monsoon, domestic offtake of yarn/cloth can be expected to be maintained at a high level. As for export demand, the international environment continues to be favourable.

The more recent reduction in the minimum export price (MEP) for extra long staple cotton from \$ 4 to \$ 2.8 a kg is a belated recognition by the textiles ministry of its earlier blunder which has resulted in substantial loss of valuable foreign exchange. Unquestionably, the failure to fully utilise the export quota of one lakh bales each of Bengal Deshi and extra long staple cotton despite extraordinarily favourable conditions in the international market is attributable entirely to undue delay in the announcement of MEPs which were fixed arbitrarily in complete disregard of the prices prevailing in the highly competitive overseas markets.

The revised MEP is certainly realistic and it has enabled negotiation of some fresh business. But since the announcement has come too late in the season when the overseas buyers have covered almost all their immediate requirements and are inclined to make fresh purchases only when new crop supplies become available, prospects of fresh large business are rated low. There seems little chance of utilising even half of the export quota of extra long staple cotton before the end of the season. All this underlines the imperative need to evolve a dynamic export policy as this may well have a crucial role to play in bringing about a better balance in the overall supply-demand equation as also in rectifying the varietal imbalance that has become quite pronounced over the years.

With cotton production having got more or less stabilised around the 100-lakh bales mark which can take adequate care of domestic needs, the government should seriously consider earmarking suitable areas for production of cotton only for export and organise the supply of quality seed as also other inputs. Production of quality cotton of international standards is of utmost importance for successful exports on an enduring basis.

New Delhi's reported decision allowing the Maharashtra government to go ahead with its cotton monopoly procurement scheme in its present form for another year suggests that the government wants to have a closer look at the various points made out by the Hate Committee in its report on the monopoly scheme before granting extension for a much longer period.

While the monopoly procurement scheme has always come in for considerable criticism on various counts, much of the criticism betrays lack of proper perception of the basic objective of the scheme—securing maximum prices for the cotton growers in the state. One does not expect the private trade to take kindly to a scheme which seeks to restrict the scope of its activity. Nor can the textile industry be expected to view with favour a scheme which is designed to secure for the farmer a better price for cotton which constitutes its major input.

There have been occasions when cotton has been smuggled out of Maharashtra and smuggled into the state in search of higher prices. But this is no reflection on the monopoly scheme nor has it anything to do with the quality of management. It is the unrealistic guaranteed prices which are to blame for this phenomenon. Nor should the scheme be judged, as many are wont to do, by the losses or profits it has made. For that depends on the difference between the guaranteed prices fixed by the government—central or state—and the ruling prices of cotton at which the sales are effected. The Federation operating the scheme has little control over the ruling prices which are governed by the overall

supply and demand equation for cotton.

Despite its various shortcomings, the monopoly scheme should be deemed to have served a useful purpose if it has enabled the cotton grower to realise a better price for his produce than he would have done entirely on his own with all the financial constraints and deficiencies in the marketing infrastructure under which he operates. A scheme which seeks to eliminate intermediaries and offer the facility to hold cotton on behalf of the grower over a longer period of time in the hope of realising better prices has much to commend it. That the implementation of the monopoly procurement scheme leaves much to be desired is another matter. Even the CCI had to be salvaged from financial ruin by converting its huge accumulated losses into a government loan. Needless to add, only the state government can operate the monopoly procurement scheme because its implications extend well beyond purely commercial operations.

DIAMOND EXPORTS

Net Foreign Exchange Loss

M D Dewani writes:

INDIA's diamond export business has gone topsy-turvy and has led to a net loss of foreign exchange earning in the first quarter of 1989-90 instead of any value addition whatsoever. The authorities concerned seem to be unconcerned about this alarming situation, as is evident from the fact that no concrete remedial measures have yet been taken by them to stem this rot.

Though the trade announced a few days ago that diamond exports during the April-June 1989 quarter had touched a new high of Rs 1,091 crore, compared to Rs 811 crore during the same period last year, the announcement concealed the other side of the picture. According to the provisional export-import statistics available now, India's diamond exports, no doubt, amounted to Rs 1,100 crore in the first quarter of 1989-90, but they were actually less than imports amounting to Rs 1,142 crore, with the result that the country has suffered a net foreign exchange loss of Rs 42 crore in the period, even without taking into account the foreign exchange expenditure incurred by the trade on foreign travel, etc. It might be interesting to note that in the corresponding period of the previous year there was a net foreign exchange earning of about Rs 92 crore.

Informed sources do not rule out the possibility of the excess imports finding their way into the domestic market or being surreptitiously dispatched abroad in view of the difference between the official and unofficial rates of exchange. Diversion of diamonds to the internal market now continues unrestrained following the removal of the condition which was intended to prevent it. Import replenishment in the case of bigger stones, where value addition is very poor, is excessive. The sharp drop in net realisation also indicates the possibility of serious manipulations. The system of issuing import licences prior to foreign exchange realisation is also believed to have led to serious abuses.

Statistics also show that diamond exports from the country slumped to Rs 340 crore in June 1989 from Rs 405 crore in the previous month. Among several reasons for the debacle the most important one is the blow dealt by De Beers to the Indian industry by imposing a stiff and discriminatory hike in prices of rough diamonds towards the end of March. While the average price increase announced by it was 15.5 per cent, that in the case of certain varieties purchased particularly by the Indian industry ranged as high as 20 to 40 per cent. Foreign buyers are naturally reluctant to buy the polished goods at higher prices and export business has been adversely affected. It is understandable that the direct clients of De Beers' subsidiaries should be reluctant to complain about such discrimination, but it remains a mystery why the authorities concerned should subscribe to the theory that 'the cartel can do no wrong' and should take such practices lying down.

De Beers is also guilty of helping in the diversion of considerable amount of foreign exchange to some other countries by giving to them some additional supply of certain varieties required by the Indian industry and by indirectly forcing the Indian industry to purchase these from them by paying to them their margins, etc. According to some estimates excess foreign exchange to the tune of Rs 100-150 crore was thus diverted last year from India to other countries. It is not known why the authorities are indifferent to this game which hurts the exchequer and pushes up the cost to the Indian industry.

All this apart, the recent fluctuations in the value of the dollar in relation to some other currencies, some bankruptcies in the US and the unsettled business conditions in Hong Kong have also contributed to the setback in exports. However, the situation for the Indian industry would not have been as bad as one finds it to be at present, had the authorities prevailed upon De Beers to desist from such blatant discrimination against the Indian industry.

TWENTY YEARS AGO

EPW, August 2, 1969

There can be little doubt about the significance of the political developments of last month, beginning with the prime minister's note on economic policy to the Bangalore session of the AICC and climaxing with Morarji Desai's exit from the government and the nationalisation of the major banks. But some of the conclusions that are being drawn about what they portend for the future course of national politics as well as politics within the Congress Party need to be examined. It is being suggested that economic policy, or ideology, has been at last introduced as a major element into the conflict between Indira Gandhi and her opponents in Congress and that the long-awaited polarisation in the party has begun which must, inevitably, extend to the larger sphere of national politics. Proof of this is sought in the fact that in the last few weeks the prime minister has visibly drawn on the support of leftist elements outside Congress. The right CPI has always set great store by such a consummation, but even parties like CPI(M) and SSP which earlier had little use for the so-called Congress left appear to have accepted the political wisdom of backing Indira Gandhi. Both the left and the right have bought the polarisation thesis. While the left has assumed that the prime minister will—in fact, that she has no choice but to—steadily unfold a programme of radical action, the right has proclaimed that her continuance in power will push the country towards socialism, communism, vassalage to the Soviet Union and much worse. . . The fact that the power that the Syndicate wields at the centre is not justified by the influence or loyalty that its members individually command at lower levels of the party organisation immediately opens up for Indira Gandhi the possibility of approaching the state organisation above the heads of these leaders. If this is the political strategy that she is going to pursue—being prime minister and in addition being now in direct control of the central purse-strings places her in a strong position to do so—certain implications follow. First, she is unlikely to make any move that will further antagonise the party organisation such as, for instance, clipping the wings of a relatively prominent organisation man like Chavan. A cabinet reshuffle may follow in due course, but this is likely to have as its objective the substitution of some political light-weights with more solid cargo. Second, with the possible exception of abolition of privy purses (if one can call that a radical step) the expected leftist bill of fare may not materialise. The courtship with leftists outside Congress, it follows, will also be cut short abruptly and rather soon.

STATISTICS

Index Numbers of Wholesale Prices (1981-82 = 100)

	Weight	Latest Week (8-7-89)	Variation (per cent) Over Last Month	Over Last Year	Over March 25, 1989	In 88-89++	In 87-88	In 86-87	In 85-86
All Commodities	1000	162.2	0.7	5.1	NA	6.3	5.3	5.7	7.1
Primary Articles	NA	162.2	1.1	−0.5	NA	4.8	5.2	2.0	4.8
Food Articles	NA	183.4	2.1	2.1	NA	9.1	6.6	6.8	6.4
Non-food Articles	NA	156.2	−0.5	−5.4	NA	−6.7	6.4	−10.2	−2.3
Fuel, Power, Light and Lubricants	NA	155.9	0.4	3.9	NA	5.2	6.8	11.9	2.6
Manufactured Products	NA	163.4	0.6	8.7	NA	7.9	4.9	7.2	6.0

Cost of Living Index

	Base	Latest Month	Variation (per cent) Over Last Month	Over Last Year	Over March 1988	In 87-88	In 86-87	In 85-86	In 84-85
For Industrial Workers	1960 = 100	818[3]	0.6	8.6	0.6	9.1	8.8	6.5	6.4
For Urban Non-Manual Employees	1984-85 = 100	138[1]	0.7	7.0	7.0	9.6	7.9	7.9	8.1
For Agricultural Labourers	July 60 to June 61 = 100	739[1]	−0.3	12.5	12.3	9.8	4.8	4.8	0.2

Money and Banking

		Latest Week (19-5-89)	Variation (per cent in brackets) Over Last Month	Over Last Year	Over March 24, 1989	In 88-89	In 87-88	In 86-87	In 85-86
Money Supply (M_3)		1,98,344	2,919	30,351	7,823	27,225	22,027	22,295	14,423
			(1.5)	(18.1)	(4.1)	(16.7)	(15.7)	(18.8)	(13.9)
Net Bank Credit to Government Sector	Rs crore	1,03,061	2,999	13,640	6,194	12,738	12,811	12,776	6,555
Bank Credit to Commercial Sector	Rs crore	1,28,725	664	22,016	3,590	18,752	12,389	11,294	10,963
Net Foreign Exch Assets of Banking Sector	Rs crore	5,407	−697	181	−691	637	673	1,314	13
Deposits of Scheduled Commercial Banks	Rs crore	1,43,516	962	23,338	4,086	21,385	15,321	17,320	13,160
			(0.7)	(19.4)	(2.9)	(18.1)	(14.9)	(20.3)	(18.2)
Foreign Exchange Assets**	Rs crore	5,500	−210	−1,416	−318	−830	−508	604	+197

Index Numbers of Industrial Production (1980-81 = 100)

	Weights	Latest Month (Dec) 1988	Averages for* 1988-89	1987-88	Variation (per cent) In 1986-87	In 1985-86	In 1984-85	In 1983-84
General Index	100.0	193.5	176.2	161.0	8.9	8.7	8.6	6.7
Basic Industries	39.4				9.4	6.8	11.1	6.0
Capital Goods Industries	16.4				18.2	10.6	3.0	11.7
Intermediate Goods Industries	20.5				4.3	7.5	9.7	9.8
Consumer Goods Industries	23.6				5.3	12.5	7.2	1.6
Durable Goods	2.6				19.5	18.7	21.6	16.1
Non-Durable Goods	21.0				2.6	11.5	5.1	−0.4

Note: The index numbers of industrial production by use-based classification are not available beyond March 1987

Foreign Trade

	Unit	Latest Month (Feb 89)	Cumulative for* 1988-89	1987-88	1987-88	1986-87	1985-86	1984-85	1983-84
Exports	Rs crore	1,883	17,076	14,033	15,719	12,569	10,895	11,744	9,771
					(25.1)	(15.4)	(−7.2)	(20.2)	(11.0)
Imports	Rs crore	2,303	25,366	20,256	22,343	20,201	19,658	17,134	15,831
					(10.6)	(2.8)	(14.7)	(8.2)	(10.8)
Balance of Trade	Rs crore	−420	−7,490	−6,223	−6.624	−7,632	− 8,763	−5,390	−6,060

Employment Exchange Statistics

	Unit	Latest Month (Jan 89)	Cumulative for* 1989	1988	1988	1987	1986	1985	1984
Number of Applicants on Live Registers (as at end of period)	Thousand	30,195	30,195	30,019	30,050	30,247	30,131	26,270	24,861
					(−0.7)	(0.4)	(0.4)	(0.4)	(7.9)
Number of Registrations	Thousand	514	514	469	6,028	5,465	5,473	5,824	6,220
					(10.3)	(−0.2)	(−6.0)	(−6.4)	(−8.0)
Number of Vacancies Notified	Thousand	40	40	45	542	621	616	683	707
					(−12.7)	(0.8)	(−10.0)	(−3.4)	(−15.5)
Number of Placements	Thousand	26	26	35	340	360	356	388	407
					(−5.6)	(1.1)	(−8.2)	(−4.7)	(−16.3)

Income

	Unit	1987-88@	1986-87++	1985-86++	1984-85	1983-84	1982-83	1981-82	1980-81
Gross Domestic Product (current prices)	Rs crore	2,93,306	2,60,680	2,33,305	2,06,732	1,86.406	1,58,851	1,42,876	1,22,226
Gross Domestic Product (1980-81 prices)	Rs crore	1,70,363	1,64,441	1,56,083	1,48,955	1,44,391	1,33,830	1,29,776	1,22,226
Per Capita Income (1980-81 prices)	Rupees	1,918	1,892	1,836	1,791	1,781	1,687	1,686	1,627

* For current year upto latest month for which data are available and for corresponding period of last year.
** Excluding gold and SDRs. + Upto latest month for which data are available.
++ Provisional data. @ Quick estimates.
Notes: (1) Superscript numeral denotes month to which figure relates, e g. superscript[1] indicates that the figure is for January and so on.
(2) Figures in brackets denote percentage variation over previous period.

BATA INDIA

Deterioration of Margins

BATA INDIA has suffered a sharp setback in its working results for 1988 due to the lock-out in Batanagar factory and picketing of company's shops in eastern India. Although net sales turned out to be a shade higher at Rs 255 crore against Rs 254 crore, in the previous year, gross profit slumped to Rs 4.81 crore from Rs 8.82 crore, showing severe deterioration of margins. Net profit dropped from Rs 3.87 crore to Rs 1.41 crore. Dividend has been reduced from 15 per cent to 10 per cent which is covered 1.88 times by earnings as against 3.47 times previously.

There were a series of industrial relations upheavals at the Batanagar factory with frequent stoppages, disruption of work, go slow tactics, etc, culminating in a lock-out at the unit. The factory remained closed for a period of four months during July-November 1988 before a satisfactory settlement was achieved. A long-term settlement has been achieved with the Union which provides, *inter alia*, for acceptance of technological changes in the manufacturing processes. With this settlement, the overall industrial relations climate is expected to improve, making the Batanagar unit more manageable and viable and thereby contributing to the overall prosperity of the company. The directors feel that decline in profit in 1988 may be considered a small price to pay for achieving a satisfactory settlement which will have long-term advantages for the company's growth and prosperity. Commercial production at the new factory in Peenya Industrial Area near Bangalore commenced during the year.

An agreement has been arrived at with Adidas of West Germany for manufacture and marketing of sports and special application footwear, sports goods and sportswear in India and the management is hopeful of launching the Adidas product line during the winter of 1989. The company launched the marketing of North Star clothings designed by Murjani International of New York, USA and sourced through Inmark Brands. These have been well received by the public and sales have been satisfactory. As a complementary product, the company has started to market Ambassador shirts through its selected retail outlets.

Capital expenditure during the year amounted to Rs 3.7 crore as against Rs 3.26 crore in the previous year. The expenditure was mainly on the modernisation of the company's retail outlets and on the installation and commissioning of a modern effluent treatment plant at the Mokamehghat tannery. The company's exports during the year were Rs 10.26 crore. Of this, own manufactured products accounted for Rs 7.53 crore and the balance represents exports of third party merchandise. The company had to restrict the export orders because of the Batanagar lock-out. A new R and D unit has been set up at Bangalore to assist the newly established Bata plant and the company's associates in the small-scale sector in the Southern region.

The Week's Companies *(Rs Lakh)*

		Bata India		Special Steels		Mangalam Cement	
		Latest Year 31-12-88	Last Year 31-12-87	Latest Year 31-3-89*	Last Year 31-12-87	Latest Year 31-3-89*	Last Year 31-12-87
Paid-up Capital		1050	1050	787	827	731	731
Reserves		1753	1717	2130	1068	3463	1099
Borrowings		4307	4122	3569	3400	398	675
of which Term Borrowings		813	810	1358	1423	209	426
Gross, fixed assets		4416	4054	5459	4868	5376	2982
Net fixed assets		1713	1540	2835	2671	3742	1738
Investments		1	1	28	7	85	85
Current liabilities		4111	4054	3615	1796	698	398
Current assets		9506	9401	7239	4412	1463	1080
Stocks		6392	6403	3897	2173	470	483
Book debts		726	977	2174	1553	225	235
Net sales		25520	25363	20298	11845	3810	2320
Other income		37	27	83	83	135	49
Raw material costs		6815	8696	7293	3982	414	302
Wages		5185	5633	2114	1405	205	138
Interest		790	675	473	376	58	70
Gross profit (+)/loss (−)		481	882	2422	1269	678	389
Depreciation provision		195	180	461	333	258	189
Tax Provision		145	315	465	141	105	30
Net profit (+)/loss(−)		141	387	1496	795	315	170
Investment allowance reserve		—	—	—	300	4	—
Transfer to reserves		36	230	1298	368	148	61
Dividend							
Amount	P	—	—	8	13	3	2
	E	105	157	190	114	160	107
Rate (per cent)	P	—	—	11	11	11	11
	E	10	15	25	15	22.50	15
Cover (times)		1.34	2.47	7.83	6.86	1.95	1.59
Ratios (per cent)							
Gross profit/sales		1.88	3.47	11.93	10.71	17.79	16.76
Net profit/capital employed		5.03	13.98	51.28	41.95	15.88	9.29
Inventories/sales		25.04	25.24	19.19	18.34	12.33	20.82
Wages/sales		20.31	22.18	10.41	11.02	5.36	5.95

* 15 months.

SPECIAL STEELS

Good Results

SPECIAL STEELS has fared so well during the 15-month period ended March 31 last that the board of directors has recommended issue of bonus shares on a one-for-two basis besides payment of a dividend of 25 per cent against 15 per cent paid last year. On a turnover of Rs 203 crore against Rs 118 crore in the previous 12 months, the company has earned a gross profit of Rs 24.22 crore against Rs 12.69 crore. These figures show an increase in profit margins. After higher necessary provisions, net profit is substantially better at Rs 14.96 crore compared to Rs 7.95 crore of 1987.

All the plants of the company continued to operate at more than 100 per cent of the rated capacity. Production records were achieved at Borivli and bead wire plants. Production of the mini-steel plant, however, was lower than the previous year on account of power shortage, resulting from breakdown in MSEB's distribution system to Tarapur, which curtailed power supply for a period of 4 months as well as due to shortfall in availability of scrap. There was also disruption in operations of the plant in March 1989 on account of implementation of the modernisation programme. Shortage in output of billets resulted in shortfall at the wire rod mill. Wire rod mill's production was also affected by industrial relations problems. The increase in turnover could be achieved on account of higher output, improvement in the product-mix and better sales realisation. The increase in profits has been achieved after absorbing sharp increases in the cost of indigenous as well as imported scrap, imported wire rods, salaries and wages of employees resulting from the new wage settlements and dearness allowance.

The company completed the first phase of the scheme of modernisation of the mini-steel plant including introduction of water cooled panels and modern pollution

control equipment. Work relating to installation of ladle furnace and high power transformer is expected to be completed in August, 1989. The modernisation programme will result not only in higher output but also in cost reduction and improvement in steel quality. Two new wire drawing machines were set up at the bead wire plant as part of the phased replacement of old machines. At Borivli, a new furnace for processing stainless steel wires was set up and a raw material godown, to improve handling of materials and increase storage facilities, was constructed. The government has converted the letter of intent granted to the company to enhance capacity of wire rod mill from 60,000 tonnes per annum to 96,000 tonnes per annum of wire rods into an industrial licence. Government has also endorsed higher capacity of 72,000 tonnes per annum of billets, resulting from modernisation of the mini-steel plant, on the industrial licence. After detailed study of various proposals, it has been decided to set up, subject to necessary government approvals, a cold rolling mill with a capacity to manufacture 1,00,000 tonnes of cold rolled steel strips and sheets mainly to cater to the requirements of automobile, refrigeration and air-conditioning industries, which are at present imported. The company has recently submitted applications for an industrial licence and clearance under the provisions of the MRTP Act.

MANGALAM CEMENT

Higher Dividend

MANGALAM CEMENT has shown improved performance for the 15-month period ended March 1989. Production of cement increased from 3,31,163 tonnes in 1987 to 4,86,260 tonnes in 1988-89. The average capacity utilisation during the 15-month period was 97.24 per cent. Turnover amounted to Rs 38.10 crore against Rs 23.20 crore previously and gross profit stood at Rs 6.78 crore against Rs 3.89 crore, reflecting enhanced profit margins. Despite higher necessary provisions, net profit increased to Rs 3.15 crore from Rs 1.70 crore. The directors have stepped up dividend from 15 per cent to 22.5 per cent which is covered 1.95 times by earnings as against 1.59 times previously.

The directors point out that availability of coal of required quantity and desired quality continues to be a severe restraint. The kiln had to remain closed for 8 days during 1988-89. After persistent efforts by the industry, the government granted an increase of Rs 47 per tonne in the retention price of levy cement effective from September 7, 1988. This, however, was inadequate to offset the increase in the cost of production.

A Plea for Open Government

Case of Narmada Project

Arun Ghosh

If the present leadership of the country really believes in democracy, in giving power to the people through panchayati raj, if the Planning Commission is sincere about planning for the country's development and not in promoting the sectional interests of a few technicians and contractors, they ought to come out with a white paper on the Narmada Valley Project, give it wide publicity and have it debated openly.

OF late, the science of governance appears to be increasingly oriented to secrecy in regard to the functioning of government, and efficient public relations (or PR for short) seems to have been perfected to an art, to replace open debate and to elicit support for government policies. Thus we find that the government budget today reveals less and less, even as government expenditure gobbles up an increasing share of the national product. The sources of routine, rudimentary data are denied to common citizens, not overtly but through non-availability and inaccessibility. Most official data are "for official use only"; and at times even elementary facts are held back under the Official Secrets Act.

What is extraordinary about this situation is that the shroud of secrecy extends over even matters concerning vital planning decisions—on projects and programmes that are estimated to cost billions of rupees, and affect the lives and well-being of millions of Indian citizens. The gigantic Narmada Valley Project, encompassing the Sardar Sarovar Project (SSP) and the Narmada Sagar Project (NSP), falls into this category; the entire project has apparently been cleared by the Planning Commission—though this minor details is never publicised—without the Indian citizenry being informed of either the costs or benefits of this mega project.

There are, of course, many respectable experts who have lent support to this mega project. B D Dhawan, one of the most respected experts on irrigation in India, has extended *conditional support* to the project (vide *Economic Times*, December 5, 1988, and *EPW*, May 20) suggesting that perhaps scaling down the height of the dam (at the SSP) by a mere 35 feet could reduce the area of the submerged land to one-fifth, thereby significantly reducing the number of oustees. He has also suggested that the Planning Commission should make public its cost-benefit calculations.

But then, the government seems to have become increasingly insensitive to public criticism. It is, of course, entirely possible that the project is being pushed through by a group of technologists, bureaucrats and politicians who have a vested interest in getting large projects sanctioned; after all, a large contract always offers the possibility of a sizeable 'cut' from the contractor. But then, *that* would apply to a small coterie, and it is by no means clear why the government as a whole (including the planners and their advisers) have been so tight-lipped on this entire project. Can *anyone* claim with justification that the estimates pertaining to this project should be kept back from the public under the Official Secrets Act? Or that the doubts of the department of environment—never officially made known, and yet filtering through somehow—should be suppressed?

Somehow, the approach and attitude of officialdom on this issue pass comprehension. Indeed, the very credibility of the government becomes open to question, especially when one considers that as far back as September last year, over 500 distinguished citizens from all walks of life had submitted a memorandum to the prime minister, voicing their concern and opposition to this project. If these distinguished and highly respected—each in his or her walk of life—citizens have been wrong, is it not the duty of the government to publicise the correct facts?

This approach is all the more incomprehensible when one considers all the recent pronouncements of the prime minister, in regard to panchayati raj, in regard to giving power to the people at the grassroots level to determine their own future. How are the approximately 2.5 lakh oustees to be rehabilitated? Are they being given an earthly chance to determine where they should live, and how? Even assuming that the cost: benefit ratio of the project is highly favourable, can the authorities indicate how precisely the oustees are to be resettled, whether the plans of their resettlement are realistic, whether those already ousted have been rehabilitated? For, the only information available to the public, in the context of the veil of secrecy surrounding this project, is that the people already displaced from the dam site have so far been totally forgotten; apparently, they being not among those whose lands would be 'submerged' do not even qualify for settlement by the Narmada Valley Project authorities.

As stated earlier, there are no official data to go by; one has to piece together the costs from diverse sources. Baba Amte has recently cited some figures (vide *Indian Express*, July 9) which appear to have the stamp of authority and accuracy, having been taken from a report prepared by C C Patel and Associates Ltd (CCPAL). (Incidentally, the name sounds familiar; one C C Patel was once the chairman of the Central Water Commission and later irrigation secretary to the government of India. One does not know whether it is the same C C Patel who has floated CCPAL as a consultancy organisation and, if so, whether there is some nexus between this fact and the speed with which approvals are being accorded by the union government to the project. I would like to add that there is no imputation of any ulterior motive herein; it is just that the orientation, the thinking, the vision of an irrigation engineer is generally in favour of large projects involving the storage of surface water which would otherwise flow down to the sea; such an expert is not able to encompass the *indirect costs* of storage of such water.)

But let us examine some of the estimates of CCPAL quoted by Baba Amte. (And I repeat, these are figures as given by Baba Amte in the *Indian Express* cited earlier; they are cited here only because the government does not see the need to release any figures on the project for public consumption.) The SSP is likely to cost Rs 11,154 crore—one does not know at which reference year prices; the CCPAL report is dated July 1988, so one presumes that the estimates would be at 1987-88 prices. This does not include the cost of the NSP, nor of the many smaller schemes necessary for making full use of the reservoir potential. For financing the SSP, the government of Gujarat would have to provide Rs 8,500 crore between 1989-90 and 1997-98, i e, in nine years—apparently, the governments of Madhya Pradesh, Maharashtra and Rajasthan are to fork out the rest—and of this colossal sum, international aid (by the World Bank and Japan) would provide only some Rs 960 crore.

Baba Amte has given details of the extent of irrigation the project is likely to provide to the drought-stricken areas of Gujarat. Apparently, in Saurashtra, more than 80 per cent of the talukas are not likely to get any water from the SSP; in Kutch 5 out of 9 talukas will not get any water; about two-thirds of the 62 talukas getting water from the SSP are neither drought-prone nor arid; and two-thirds of the 52 drought-prone or arid talukas of Gujarat would get little or no water from the project. The estimate of the union department of environment in regard to the "environmental cost of loss of forests" is placed at Rs 30,293 crore for the NSP and Rs 8,190 crore for the SSP.

This piece is *not* intended to be a broadside at the Narmada Valley Project; I do not have with me any facts other than those given out by Baba Amte, and he has argued succinctly against proceeding any further with the project. Even now, the height of the dam can be scaled down—as suggested by Dhawan—so that some 80 per cent of the area proposed to be submerged can be saved from submergence. As a result, the NSP can also be scaled down. That would doubtless affect the economics of the project, but it would save a considerable part of the forest area which would otherwise be submerged. Thus, part of the indirect costs—perhaps not even reckoned in the present cost: benefit analysis—can be avoided. In brief, the entire project needs a fresh look.

But, to reiterate a point made earlier, the present discussion is essentially a plea for more open government. Certainly, there is absolutely no case for such secrecy as exists in regard to major schemes and projects approved by the Planning Commission. That body has doubtless some very competent technologists and advisers; however, these gentlemen do not have a monopoly of wisdom. Being officials, they may be expected to conform; even where they may not agree, they are tongue-tied. But investments of the order involved in the Narmada valley—of the order of Rs 20,000 crore in all, if note is taken of all associated schemes—the gestation period involved, the indirect costs in terms of environmental damage and rehabilitation of the displaced persons, all these factors call for a public debate on the *pros* and *cons* of such a project before it is undertaken. It is inconceivable that such an enormous project is taken up without taking the entire nation into confidence, without debating on the complex issues, without comparing the totality of costs with the anticipated benefits. If the present leadership of the country really believes in democracy, in giving power to the people through panchayati raj, if the Planning Commission members are sincere about planning for the country's development and not in promoting sectional interests of a few technicians and contractors, they ougnt to come out with a white paper on the Narmada Valley Project, give it wide publicity, and have it debated openly. The members of parliament also need to demand more information on this mega project, for we are committing large resources over a long period of time for this project. Quite apart from anything else, there is obviously little wisdom in making a new start on such a mega project when we have no dearth of important projects which are incomplete and are getting delayed because of the paucity of financial resources with the government. This is a theme which has been emphasised repeatedly in this column earlier; what we need today is to quickly complete projects which are half complete so that their benefits start flowing to the economy quickly. At a time when the cost of such incomplete projects is some Rs 80,000 crore or more, there is little merit in starting yet another one costing Rs 20,000 crore, especially when the benefits of such a project can arise only sometime in the next century.

But most importantly, this is, to repeat, a plea for more open government. If the present leadership is sincere about giving power to the people—a shibboleth which is being repeated day in and day out—then the leadership should treat the citizens of this country as responsible adults. And as responsible adults, we have a right to know the full facts on the Narmada Valley Project.

Rajiv-Farooq Accord: What Went Wrong?

Balraj Puri

The Rajiv Gandhi-Farooq Abdullah accord implicitly undermined the status of Jammu and Kashmir and questioned the loyalty of the people of the state. The accord has also had other adverse consequences for the state's politics. What is needed, therefore, is some rethinking on the philosophy of the accord, on the strategies of the coalition government headed by Farooq Abdullah and on the Kashmir policy of New Delhi.

THE current situation in Kashmir, which is a culmination of a definite political trend since Farooq Abdullah resumed power in the state in November 1986 following what was called Rajiv-Farooq accord, does not leave any room for doubt that the avowed objective of the accord of fighting anti-national and communal forces has not been achieved. In fact the situation is a logical consequence of the accord.

In a way, 'accord' was hardly the appropriate term to describe what was essentially an agreement between two political parties to form a coalition government and an electoral alliance to contest elections. Such agreements among other parties or elsewhere in the country have normally not been given the exalted nomenclature of accord. Since the Congress-National Conference arrangement was described as an accord, it was perceived to be in the category of the Indira-Abdullah accord, the Rajiv-Longowal accord, the Assam accord and the Mizoram accord. The common feature of these accords was an agreement between the regional leaders and the prime minister of India over disputes regarding the status or problems of the respective regions.

There was no such dispute in Jammu and Kashmir state which Rajiv Gandhi and Farooq Abdullah resolved. It was an agreement between them as presidents of two political parties. But the way it was perceived, interpreted and projected, it implied a new agreement over centre-state relations. Farooq Abdullah himself justified it on the ground that the policy of confrontation that he had pursued with the centre for two years earlier had cost the state dearly.

Farooq Abdullah's position clearly implied, firstly, that it was an agreement between him and the centre and not with the Congress Party and, secondly, that a state like Jammu and Kashmir would not get its due share in the federal set up of India if the ruling party at the centre did not share power in the state. Further, to accept a political arrangement for the sake of getting more money is to cause humiliation to any self-respecting people. But nobody questioned these obvious implications. Indeed a columnist like J D Sethi, no friend of the ruling party, explicitly raised the arrangement to the level of a national policy when he argued that in the border states the party in power at the centre must share power with the regional parties (*The Hindustan Times*, May 4).

This reduces the status of such states to less than that of the states of the mainland. For while the latter have a right to elect a party of their choice to rule them, the people of a border state are required to be governed, albeit partly, by a party (in power at the centre) which might not have a substantial existence in the state and, for one reason or the other, is not liked by its people. In other words, the people of the border states are expected to prove their loyalty to the country by the additional test of demonstrating their loyalty to the party in power at the centre.

Is there a better way of making border people disloyal to the country? In fact there is a special reason for showing greater respect for the susceptibilities and the autonomy of frontier regions, as was done in India during British rule and is being done in other large countries because these regions can perceive of a secessionist option which is not available to the mainland people.

The Congress-National Conference alliance had some other inherent adverse consequences. It damaged the *raison d'etre* of both the parties. For the National Conference owed its popularity in Kashmir mainly to its role of defending the Kashmiri identity against the supposed threats from the central government controlled by the Congress. It symbolised, in particular, the anger of the people of Kashmir against the dismissal of the duly elected government of Farooq Abdullah in 1984. But when the same Farooq Abdullah, two years later, joined hands with the party responsible for his dismissal, his National Conference ceased to be an instrument of protest and was instead perceived by the people of Kashmir to be as an instrument of humiliation.

Likewise, Congress support in Jammu was based on its supposed ability and assurances to defend the identity of the region against what its people called Kashmiri domination. But its alliance with the National Conference ensured just the opposite. It conceded the supremacy of the Kashmiri leadership of the National Conference in ruling over the state including Jammu.

The alliance, above all, blocked secular and nationalist outlets for popular discontent. As long as the two parties were opposing each other, those dissatisfied with the state government expressed their dissatisfaction through the Congress while those against the policies of the centre ventilated their feelings through the National Conference. This neat division of state politics between two nationalist parties marginalised extremists in all the regions of the state.

Past experience amply bears out the fact that whenever the state had a two-party system it strengthened secular democratic forces, whereas whenever secular forces formed a single front extremist forces got an opportunity to fill the vacuum. Notwithstanding such empirical evidence and the logic of common sense, nationalist opinion has favoured and worked for the "unity of secular forces" and has failed to appreciate the integrating and creative role of the division of the secular forces into two parties, with one functioning as an opposition party for channelling discontent.

Democracy can be used to promote national unity by enlarging popular satisfaction as also by providing healthy outlets to those who are not satisfied. On both counts, the National Conference-Congress(I) alliance in the state suffered from some inherent and some self-created limitations.

In order to increase the sum total of satisfaction of the people an elementary knowledge of their aspirations is necessary. Of this the alliance leaders did not betray any indication in the stated objectives of the accord, in their election manifesto or in any other statement. There is no reference in them to the aspirations of different cultural, ethnic, regional, religious or class identities or to the human urges for freedom and dignity.

Sheikh Abdullah used his knowledge of

Islam to expose the 'un-Islamic' character of the leadership of the Muslim League and later of Pakistan. Hazaratbal remained an emotional, religious, cultural and political centre of Kashmir for half a century. But the sudden and mechanical separation of religion and politics that was now attempted left the entire religious field vacant for the fundamentalists to exploit. Farooq could not and need not have attempted to duplicate the role of his father. But as president of Auqaf, which also manages Hazaratbal and other shrines, it was his responsibility to enlist the services of competent ulema of Islam to prevent misuse and exploitation of the glorious and catholic tradition of their religion in Kashmir by the opponents of secularism and national interest.

Suddenly Kashmiriat and the regional identities of Jammu and Ladakh also became taboo terms in the political vocabulary of the state, overlooking the fact that it was the sentiment of Kashmiriat on which Abdullah had mobilised his people against the armed raiders from Pakistan in 1947 and that it is regional identity that is the most potent cementing force among the various communities in Jammu and Ladakh and thus making for decommunalising of their politics. In any case, the legitimacy of regional pride is by now hardly questioned in any other part of the country.

Farooq Abdullah did announce, soon after resuming the chief ministership, the appointment of a commission headed by the present writer to work out the details of regional autonomy. Formal consent of some of the best experts of the country was also obtained to serve on the commission. No reason was ever given for wriggling out of the announcement.

Again, Ladakh has remained unrepresented in the state cabinet though the cabinet has been expanded to a record strength of 30. It has also been denied the status of a scheduled area promised to it since 1980. The claim of the Gujars for a similar status, though encouraged, too, has not been conceded. Again, the emerging Pahari identity is clamouring in vain for recognition. The legitimate cultural and linguistic problems of the two principal languages, Kashmiri and Dogri, have also remained unattended to. The cumulative effect of not recognising secular identities based on region, ethnicity and language and not conceding even their moderate demands has been to encourage alignments on communal lines.

The National Conference-Congress(I) alliance had hardly any class appeal either. For no call was given for redistribution of income and wealth or to restructure the economic system to make it more egalitarian and to meet the minimum needs of the people.

The alliance had nothing to offer to the citizens even at the individual level in the form of a less corrupt and more efficient administration, enlargement of civil liberties and greater sense of participation.

The exclusive focus of the propaganda blitz over the accord was on development. To treat development as a substitute for all human urges—ethnic, religious, regional, and class—is to insult the human mind and equate human beings with robots. Most of the human urges of the people are in their capacity as members of various identity groups. Only rootless people are without an identity. Development is not only no substitute for human urges, it is known to whet them everywhere and to sharpen the urge for an identity.

Moreover, the yawning gap between the actual performance in the development field and the sky-high expectations aroused by the accord was bound to cause deep frustrations. Even Farooq Abdullah himself is occasionally constrained to complain publicly against the centre for not fulfilling the expectations of the people in terms of development allocations. He has also raised the issue of the extremely low share of Kashmiri Mulsims in central government departments in the state. Where will the two lakh unemployed Kashmiri youth go, he asked at a function of the Kashmir Chamber of Commerce. The real integration of the state with the rest of India, he said, would be possible only if the centre adopted a more positive attitude towards the development of the state. If the chief minister is not satisfied over the role of the centre in regard to the development of the state, which was the *raison d'etre* of the accord, the level of dissatisfaction of the common man on this score can be imagined.

To be sure, all the troubles in the state are not the direct outcome of the accord. Nor is the accord responsible for all the shortcomings in the performance of the coalition government. But if the partners in the alliance had realised the inherent limitations of the accord and taken compensatory measures to overcome them, they would have faced the situation better.

Moreover, every system, especially a democratic one, must provide for avenues of expression of discontent. While the accord removed from the political scene the major such avenue in the form of an opposition party , no other avenue was provided within the system.

Nor could the growing frustration due to the many causes mentioned above find adequate expression through the elections as they were widely perceived to be less than fair. The failure of the opposition parties to fill the vacuum is no less conspicuous and inexcusable. These factors all the more necessitate the provision of a credible grievance redressal machinery and an institution like an ombudsman.

The foregoing explanation of the form discontent has taken in Kashmir is not to justify it. But it is a plea, on the basis of the actual experience of Kashmir politics for the last forty years and the elementary laws of political behaviour for some rethinking on the philosophy of the accord, the strategies of the coalition government and the Kashmir policy of New Delhi as also of all political parties and the nationalist opinion of the country, so that ideological, political, cultural and administrative weapons are not completely discarded in favour of the weapons and methods of the police.

Financial Liberalisation

Unconvincing Case

If the growth of South Korea's financial system in an environment of reform and liberalisation is considered worthy of mention, the growth of India's financial sector has not been less striking. Yet the World Bank's World Development Report *completely ignores it. And this is precisely what renders the case for financial liberalisation that the report seeks to make less than convincing: it ignores all evidence which goes against the dogma it sets out to propound.*

THE World Bank's *World Development Report, 1989* focuses on the role of financial systems not only in developing countries but also in the advanced industrial countries and seeks to make uniform prescriptions for both. This is indeed an ambitious task, encompassing the whole spectrum of experience of countries at different stages of development. Perhaps only the World Bank could have made bold to undertake it; others may have been daunted by the fundamental differences between the processes of 'development' in the LDCs with unlimited supplies of labour and scarce capital and the processes of 'growth' in the advanced industrial countries with scarce labour and massive capital. For the World Bank, however, the central, if not the sole, issue is to goad the LDCs towards greater market-orientation and closer integration with the world capitalist economy. With that kind of a framework, the *World Development Report* has attempted its task with easy confidence. It is a different matter that its contribution to understanding the complex processes of development and the role of finance in them has been minimal.

For the framework of the *World Development Report* we have World Bank president Barber Conable's Foreword to the report. With the decline in net foreign capital inflows, the developing countries will have to rely more on domestic resources to finance investment. The right type of financial systems can help to mobilise savings and allocate "them to the most profitable activities", thus enabling the society "to make more productive use of its scarce resources". Thus the flow of resources into profitable activities is regarded as synonymous with the productive use of resources. However, to play this role effectively, the financial systems of most developing countries are diagnosed as being in need of restructuring, for the industrial and financial policies of the 1970s and 1980s "have left many developing countries' financial institutions insolvent".

The root of the problem is identified as government intervention to promote economic growth. "The interventionist approach was much less successful in promoting financial development." It follows that a solution to the problem lies in more market-oriented financial systems. Allocation of credit is best accomplished by reducing the number of directed credit programmes, the proportion of total credit affected by such programmes and the degree of interest rate subsidisation. The emphasis has to be on credit availability instead of on interest rate subsidies.

The report's attempt to build a case for "more liberal and open financial systems" has to be understood in the context of the changed thinking on the strategies of development in developing countries themselves. By the middle of the 1970s, there had occurred some disenchantment with the nature and pace of development in many developing countries. Bureaucratic processes had prevented the benefits of development from reaching very large segments of society. This provided the basis for the western countries, through the instrumentalities of the World Bank and the IMF and their own bilateral 'aid' programmes, to pressurise the developing countries to change course.

It is against this background that the *World Development Report* asserts that "the experiences of the 1980s have led many developing countries to reconsider their approach to development... To obtain all the benefits of greater reliance on voluntary, market-based decision-making, they need efficient financial systems". It is another story that the LDCs did not seek the other option—that of reorienting their development strategies in such a way that the balance of economic power and the benefits of development shifted in favour of the poor and the underemployed and unemployed.

Coming back to the role of finance in development, the *World Development Report* reveals an altogether narrow perspective: "the financial system's contribution lies precisely in its ability to increase efficiency". This raises a whole set of questions about the definition of efficiency. When some two-thirds or more of the people in many developing countries do not get a decent living, if financial institutions are oriented towards extending, directly or indirectly, finance to enable a section of such people to improve their productive capabilities, can this policy be objected to on the ground that it offends the criterion of "efficient" allocation of resources?

That apart, the report does not show an understanding of the rationale of the interventionist approach to financial development adopted in the LDCs. In an environment of acute market inefficiencies, public intervention has been found to be a necessary instrument for minimising distortions. Control on interest rates on bank deposits, for instance, has been universally accepted as necessary for regulating the flow of rentier incomes. While the report agrees that interest rates have an uncertain effect on the amounts people save, it argues that their effect on the form in which people save is clear. This is only partly true, for the report's premise that high interest rates favour financial over non-financial savings is not a proven one.

It is true that savers with financial assets shuffle such assets depending upon relative yield rates, but the propensity to hold non-financial assets (gold, real estate and goods) is hardly affected by high interest rates on financial assets. Apart from social considerations, pecuniary calculations too favour the holding of certain non-financial assets. Take the case of gold in India. In the past decade the price of gold has risen at an annual compound rate of 15 per cent. Real estate prices in some of the metropolitan areas have risen at an even faster rate. No banking system can offer real yield rates on deposits which compete with those on such assets and still hope to lend at realistic rates of interest. The lending rates have to bear some relationship with the rates of return on investment in different sectors of the economy. As it is, the keen demand for non-financial assets and their high and rapidly rising prices are the result of a distorted pattern of development which has occurred despite interventionist policies. Market-oriented policies would create more distortions and harm the development process further.

The rationale of an interventionist policy in the financial field should thus be clear. The determination of nominal interest rates cannot be left to the market which is invariably controlled by a small segment of society wielding economic power. These sections gain even from inflation. Secondly, these segments of socie-

ty derive far better returns from the use of capital than, say, marginal and small farmers. Therefore, lending rates have to differentiate between credit to these poor segments and other sections with stronger economic power. The pattern of development has also to take cognisance of the need for this differentiation. Considering the continued presence of acute poverty levels, the development strategies adopted by many developing countries during the 1950s to the 1970s have their continued relevance dring the 1980s and 1990s. What is in fact called for is a further strengthening of the redistributive bias of these strategies. Certainly, bureaucratic controls over development programmes have to be minimised and a greater degree of genuine democratic orientation needs to be introduced. However, the broad goals and strategies of development with an interventionist bias continue to be relevant even today.

While the World Bank's report requires closer study, a few specific comments are worth making at this stage. First, the report has paid scant attention to the success stories or to the successful phases of financial intermediation in many developing countries. Even when it makes some references to "the impact of directed credit programmes on credit and growth", it takes a grudging and negative view. It argues that while individual sectors have benefited from directed credit, the overall effect on growth has been hard to gauge. It is argued that "what matters is whether those who... received directed credit used their resources more productively than those who were denied credit would have". Consider this question in the context of India where there are different types of directed credit: somewhat rigidly regulated credit to wholesale trade, preferred credit to agriculture, small-scale industry, small business and even retail trade and credit to medium and large-scale industry related to its inventory and other requirements. The resource mobilisation effort of the Indian banking industry has been likewise commendable and deserved a closer study, but the *World Development Report* almost completely ignores it, presumably because this has been achieved under public ownership. While it need not be denied that the Indian financial system is replete with problems, it is a fact that public ownership has given stupendous strength and vitality to it. The financial infrastructure created in distant nooks and corners of the country is unparalleled in any part of the world. This has gone completely unnoticed in the report. If the growth of South Korea's financial sector in an environment of financial reform is considered worthy of mention, the growth of India's financial sector in a controlled environment has not been less striking.

Secondly, before rejecting the financial policies followed by the developing countries in the 1970s and 1980s an attempt should have been made to discuss their logic and rationale. There was a structured, planned approach to the development of the real economic sectors. Apart from social and infrastructural investments, basic and capital goods industries required massive funds and forward-looking entrepreneurship, both of which were lacking. The public sector filled the gap. The financial sector had to mobilise resources in driblets and deploy them to meet the developmental requirements. An unbiased critic would at least concede that the strategy adopted was certainly relevant and appropriate to that stage of development from the 1950s to the 1970s and it alone could have achieved the rapid growth achieved in several developing countries, including in India. Certainly, each of these countries in the current phase of their development is seeking some degree of re-orientation of its financial policies but that should not render the earlier phase irrelevant. Besides, the problems of the financial sector are indeed linked to the structural problems facing many of the developing economies and these problems are sure to get accentuated with financial liberalisation.

Thirdly, objections to cross-subsidisation of interest rates totally fail to take into account the structural features of developing economies. There is no sound theoretical basis for the so-called market-based interest rate structure when the markets are notoriously inefficient and differentiated. As explained earlier, an important consideration must be the paying capacity of the borrower. Therefore, a system of differential interest rates based on income-earning capacity and priorities of development derives its rationale from the structural features of the developing countries. The World Bank's report shows no awareness of this rationale.

Finally, all the four lessons of reform that the *World Development Report* has sought to draw seem unexceptionable: financial sector reform should be attempted after macro-economic stability has been achieved; where prices are distorted owing to protection or price controls, financial liberalisation may not improve the allocation of resources; and adequate, if less invasive, framework of laws and regulations will nevertheless continue to be necessary; and, finally, political and economic obstacles to the needed reforms have to be anticipated and transitional compensation to those most adversely affected has to be provided. A number of questions remain unanswered, however. For instance, in an environment of macro-economic stability will not a well administered financial system together with a wider dispersal of economic power expand the domestic market and provide a better impetus for growth and development? In any case, it can be said that there is no empirical support at all for the sweeping conclusion drawn by the report: "[a liberalised financial system] would continue to make mistakes and waste resources. But it would probably make fewer mistakes and waste fewer resources than the interventionist approach followed in many developing countries today."

State Terror in Jehanabad

The treatment meted out to Amarjeet Sohi after his arrest was reprehensible. According to reliable sources he was beaten up and tortured. The DIG (CID), who came to interrogate Sohi, personally tortured him.

IN the past year and a half, the state government, with the active intervention of the central government has launched a new offensive to crush 'extremist influences' in the central districts of Bihar. This offensive involves a twin-pronged strategy combining a strong police presence, with an accelerated thrust on general development goals, such as redistribution of land, improving transport infrastructure, providing houses, etc, to the weaker sections, and so on. These two arms are code named *Operation Rakshak* and *Operation Siddharth* respectively. While Operation Siddharth is confined to Gaya, Aurangabad and Jehanabad districts, Rakshak covers 7 districts. The seven central Bihar districts which have been identified are Patna, Nalanda, Bhojpur, Rohtas, Gaya, Aurangabad and Jehanabad. The union ministry of home affairs, under whose guidance the operation was planned, has identified 27 blocks in 7 districts as 'extremist affected'. The Bihar government however claims that 41 blocks in these seven districts are 'extremist affected', and in addition has identified 11 blocks in 7 more districts as 'extremist affected'. Reportedly the state government asked for 12 battalions of paramilitary forces to police this area. The central government however thought that four would be sufficient. According to the home secretary there are 30 companies deployed at present of which 15 companies are posted in Jehanabad alone. According to the SP of Jehanabad district there are, over and above the Bihar police, 2 companies of the Border Security Force, 1 company of the CRPF, and 10 companies of the Bihar Military Police (BMP). In addition, force from Gujarat Special Reserve Police have also been requisitioned. There is at least one battalion of the Border Security Force in the central Bihar area.

Alongside, there has been a dramatic strengthening of the Jehanabad district police. To accommodate the new increase in police presence, schools, primary health centres, and other public buildings have been taken over. In Arrain village, for example, the primary school is a BSF camp. But the most glaring example is the Jehanabad hospital. This has been taken over by the BSF. We could not find a patient or hospital staff in it. According to the Lok Sangram Morcha, there are 74 such police camps where 2,574 jawans of the paramilitary forces are stationed.

A PUDR team visited Jehanabad to make an independent study of the recent reports of violence in that district. The team visited four villages in Jehanabad where recent incidents of people being killed, beaten or arrested by the police have taken place. They are Penthith village, Bajitpur village and Azadbigha village under Karpi police station and Bhadasi village under Arwal police station.

Administration-Contractor Nexus

On November 15, 1988, three persons, two of them members of the Bihar Pradesh Kisan Sabha (BPKS), were killed in police firing during Chhat mela near Penthith village.

Penthith borders on the river Punpun. A small distance away from the village are two temples, one fairly old and the other built recently. This place is well known for its five annual fairs (*melas*) held during Kartik, Chaitra and *Makar-Sankranti*. As all fairs and *hatts* (village markets) in Bihar are auctioned out by the district administration, the organisation of these fairs too was auctioned to the highest bidder. The contract for organising these five fairs has been regularly going to Braj Mohan Sharma from the adjacent Kurtha block. It is claimed by the people that he enjoys administrative patronage. For several years BPKS has been agitating for taking the contract away from Braj Mohan Sharma. They allege that the tolls he collects from the stalls are exorbitant and that his musclemen extort money from the stall owners. Gambling pools and liquor stalls flourish during these *melas* and often women visitors are molested. The local people demanded that the contract for the fairs be given to a committee formed from among people of the nearby villages. To provide some security to visitors to the mela, the BPKS and the Indian People's Front (IPF) has been setting up an assistance *shivir* (camp) in each of these melas since 1984. This camp had become a regular feature of the fairs. Last year, as usual, the assistance camp was set up on the morning of November 15. The same day some officials and policemen visited the fair. A heated altercation took place between the BPKS activists and the officials, regarding the harassment of the visitors to the mela by Sharma's henchmen. Reportedly the circle officer agreed that the contract should not, if possible, be given to Sharma in the future and gave assurance that the administration would see to it that the harassment of people would not take place.

The next day a police camp was set up at the mela. While the BPKS set up its camp on a raised 7 feet high platform, on which the old Shiv Mandir was built, the police camped directly below the BPKS camp on the ground. All was seemingly well though there was some tension in the air. But suddenly late in the night a small explosive device went off next to the police camp. At the time when the explosion went off a large number of people were watching a cultural programme, while some BPKS volunteers had dropped off to sleep in their camp on the temple platform. According to the police, a bomb was thrown from the BPKS camp at the police. The police claim that the sentry on duty raised the alarm and the constables took position and fired at the people in the camp. The police point out that since the 'bomb' hit the side of the 7 feet high terrace it must have been thrown from above. According to BPKS supporters and eye witnesses somebody had deliberately set off a powerful fire cracker. They do not know who set it off nor from where it was thrown. One suggestion was that the police themselves had set it off in order to create an excuse for their action. Another explanation was that contractor Sharma had thrown it to create a panic and implicate the BPKS. At any rate the firing left three dead. Satandev Choudhary (45), secretary of the Jal Shramik Sangh, and a member of the district committee of the BPKS, was shot dead immediately. He was sleeping on the edge of the terrace, just above the police camp, and had been woken up that very instant by his brother who was another activist. Nand Yadav, a youth of 16-18 years of age, on a 'Chhat' fast was also shot dead. He was apparently not connected with BPKS. Sabaldeo Yadav (25), who was sleeping nearest to Satandev Choudhary also died that night. He was first shot in the leg, then as he ran towards the mandir for shelter he was shot again this time fatally. Rajendra Yadav, secretary of the village BPKS committee, and Ramesh Choudhary, a 23-year old man, were injured. Two people were arrested, who according to BPKS activists, were bangle sellers.

The official version contends that the intention of the BPKS was to scare the police in order to seize their arms. This account lacks credibility. First, there were no injuries to the police. Clearly the 'bomb' was a fairly innocuous firecracker. This the police too admitted to us. Secondly, during the time that the police took up position, there was no attempt to

attack them or to snatch their rifles. Thirdly, the trajectory, the police themselves claim, the 'bomb' took, makes no sense if someone 7 feet above them were to throw the 'bomb' vertically downwards. How can such a bomb ricochet off the platform wall? One of the possibilities, an administration official hinted at was that the police panicked. Even if the police did panic, they did not fire blindly. They had been conditioned to react in a certain way. They aimed deliberately at the raised platform above their camp, and in particular at the BPKS camp. It should be noted that there must have been about a hundred people on this terrace, including women and children. IPF activists say that when the policemen saw who had died, they were overheard saying that the main person got away. The bodies of the three persons who died were not returned to the relatives but were cremated by the police. According to the district magistrate this was done since no one claimed their bodies. However the team chanced upon a copy of an order made by the district magistrate directing that the bodies should not be handed over and that they be cremated quickly by the police after a speedy post-mortem.

This incident at Penthith points to the impunity with which the police violates all norms of legality, the utter callousness and disregard for the right to life and security, and the administration-contractor nexus. An officer of the district whom the team interviewed confided that there was pressure from the higher ups to second the police version of events.

Fake Encounter?

Bhadasi is a large village with 150 households. It lies about a kilometre off the main road connecting Imamganj to Telpa. There used to be a *kachcha* road connecting the village to the main road, but this has recently been metalled after the police action.

Most of the landless labourers in this village are Paswans, Kahars, or Rajmars. Yadavs and Muslims are the landowners in the village but they are middle sized landowners with holdings ranging from 2½ bighas to 15 bighas. About two years ago the minimum wages used to be 3 *seers kachchi* paddy (approximately equivalent to a little over 1 kg rice) and no meals were given. After the agricultural labourers organised under the BPKS and went on strikes the wages were raised bit by bit to 3 kilo rice with a *nashta* (snack). This is the situation there today. The other severe problem villagers used to face earlier was the molestation and harassment of their womenfolk, especially by the Yadav landowners. This is not to mention the dacoit menace in that area. All this has almost completely ceased due to the movement launched by BPKS. This village has organisations of both the BPKS and the Mazdoor Kisan Sangram Samiti (MKSS). Most of the agricultural workers are in either of the two organisations, though the BPKS appears to be relatively stronger here.

On November 27, 1988, a group of about 24 armed policemen of the BMP, led by *daroga* Imam Rashid, entered the home of Vakil Ram on a tip off that an armed squad was staying there. According to the police, when they entered the house from the rear entrance, the members of the squad opened fire on them killing the *daroga* on the spot. In the exchange of fire that followed three members of the squad were killed while the others managed to escape over a wall. The police recovered several fire arms and 'extremist' literature from the spot. Later a house to house search was conducted in the village and several people were arrested.

The version the local people gave us was different. According to them, five people described as '*sathis*' (comrades) were staying in Vakil Ram's house. At the time of the incident, only an old woman, Lakhpati Devi was in the house with them. Three of the people were eating in the *angan* (courtyard) while two others were bathing at the small well in front. All of a sudden a door leading outside from a back room was forced open and the *daroga* rushed in followed by some policemen. The people got up and ran to the front room and tried to open the door, but found more policemen outside. They shut the door and one of them picked up a hand gun. When the policemen entered and fired at them, this person fired back, killing the *daroga* on the spot. This person also sustained fatal injuries. Meanwhile, two of these five people had managed to escape by climbing over a wall and running away. According to the people, the two persons left inside did not die in the exchange of fire. They were caught by the police and shot afterwards. But the team had no way of ascertaining that.

After this incident, later in the day, more policemen accompanied by BSF jawans surrounded the village and went on a rampage beating up people including women and children. They ransacked houses of the agricultural labourers and destroyed their meagre household goods. Houses of better-off sections too were looted. Villagers allege that jewellery was stolen from their women. Rs 5,000 was allegedly stolen from the home of Madan, a BMP jawan who had come home on leave. His son too was beaten up. According to Jamil Mian, a relatively well-off resident, he was called by the police and beaten up too. The village bania's shop was broken into and money and goods stolen. The team met some women who were forced to take off the traditional silver ornaments and anklets by the police. We also saw huts in which doors had been broken, mud walls and *chulhas* (cooking hearth) smashed.

While in the absence of eyewitnesses it is difficult to decide the course of events of the actual killing, a few facts stand out clearly. The people visiting Vakil Ram's house had definitely some arms with which at least one of them fired back at the police. The police broke into the house without warning and no attempt was made to ask those inside to surrender. Since no actual breach of peace had taken place, the police had no basis to enter and start firing either. It is not possible with available information to ascertain whether all the three persons killed died during the exchange of fire. As mentioned above, villagers, including people not sympathetic to the peasant organisation, believe firmly that the two 'sathis' were killed later in cold blood by the police. According to Jamil Mian, as the three bodies were lying in a row before they were removed by the police, they must have been shot after they were captured. This is not wholly convincing. What however is absolutely clear is the rampage and looting the police indulged in after the firing. The police also arrested several people who are still in jail. They include Vakil Ram, the owner of the house, Shanti Devi, his wife, and their two children, aged 3 and 5 respectively. When we asked officials why such small children are in jail, we were told that the mother refused to leave them behind. This speaks volumes for the trauma that Shanti Devi has undergone.

Landlords Control *Gair Mazarua* Land

Bajitpur is about 10 kilometres from Bhadasi and quite far from the main road. The outlying *tolas* (settlements) of the Harijan and Muslim agricultural labour are however only about 1 km off the main road. There is a large stretch of wasteland between these *tolas* and the main road on a small part of which a weekly *hatt* (market) is held.

All the landowners of this village are Muslims. There are about five Muslim families with very large holdings. Mohiddin Khan cultivates 40 bighas of land, Ahmadi Mian cultivates 60 bighas, Halim Khan cultivates 50 bighas, and Rashid Khan cultivates 25 bighas. The agricultural labourers are either Muslims or Musaharas. There are about 40 Muslim houses of which around 30 families are agricultural labourers and others are artisans.

The large 90 bigha stretch of wasteland is called '*gair mazarua*' land (government

land). We were shown a map of a 1912-13 settlement report which showed a plot of 22 acres (Khata No 148, Plot No 446) as *gair mazarua* land. The adjoining plots were also *gair mazarua* according to the villagers. At the time of the 1971 settlement report the landlords 'produced' documents and had the plots transferred to their names.

In January this year, the landless labourers decided to take over this land. On January 12 they organised under the Mazdur Kisan Mukti Morcha and erected a red flag on the land and built huts around them. Around 30 huts were put up for 2 Muslim agricultural labour families, 15 Paswan families, 5 Musahar families and for about 8-10 other Dalit agricultural labour families. The next day the police came and smashed all the huts. The people then went and met the LRDC. On January 20 a meeting was fixed in the office of the LRDC where both parties were called. According to the agricultural labourers, when the LRDC saw the papers the landlords presented he said they were fake and wrote so on the papers. Another meeting was fixed on January 23 but the labourers were not allowed inside the office and only the landlords were given a hearing. The labourers were sent back after being told that the LRDC would come himself to the area to see the spot. On January 30, the local people decided that they had waited long enough and again erected huts on the disputed land. The next day the huts were smashed again by a police force. The policemen beat up several women quite badly and smashed up utensils. The team was shown smashed cooking pots, pails and other utensils. Goods worth around Rs 1,500 were destroyed by the police. On February 2, these agricultural labourers took all the utensils to the DM. On February 5 the police came again and threatened the villagers not to tell anyone about what had happened.

Arbitrary Arrests and Torture

The team visited Basata *ka tola*, the dalit *tola* (settlement) of Azad bigha village from where Amarjeet Singh Sohi, the cultural activist from Punjab was arrested on November 14, 1988. There are around 82 households in this *tola*, all of whom are landless. Twenty-two houses are of Rajmars, 45 households of Manjhis, 12 Paswans, 1 Dhobi and 2 Nais. All these families are landless agricultural labourers for the surrounding large landowners. The two largest landowners are Balu Prasad Singh of the main village, who owns about 80 bighas, and the *Mahant* of the Deokund Matt who owns about 250 bighas.

Deokund Matt is a nearby religious place. The land legally belongs to the Matt, but is in the possession of the Mahant and most of it is cultivated by tenants. There are about 250 bataidars on this land. The remainder is cultivated directly by the Mahant who employs 5-6 Banihars and also casual labour from nearby villages. The village is Rajput dominated, having around 40 landowning Rajput families.

Agricultural wages in this village used to be 2½ seer *dhan kachchi* (1,350 gms of paddy, equivalent to less than a kilo of rice) with no meals for casual labour and 2 seer *dhan kachchi* for the Banihars employed under *halwaha-charwaha* systems. The interesting feature about them is that they are also given a small plot of land, usually 10 *kathas* for self-cultivation. Last year, however, the agricultural labourers organised under the Mazdur Kisan Mukti Manch and went on a 10-day strike during the harvest season. Their wages were then raised to 3 kgs of rice with a meal for casual labour (though women labourers are still not given a meal) and 3 kgs of rice along with the 10 kathas of land for the Banihars. According to the agricultural labourers we interviewed, on the night of November 13 and 14 about 40 activists and sympathisers of the Mukti Manch had gathered in this village to chalk out a plan to demonstratively seize land of the *Mahant* of Deokund. Earlier, a large number of agricultural labour had gone and planted a red flag on the 85 bighas owned and operated by the *Mahant*. The flag was however pulled down by the *Mahant's* men. The peasant organisation had also made representations to the administration asking them to distribute the excess land, but to no avail. The meeting ended at about 2.30 a m. Most of the people went back to their own villages, but a few stayed on to sleep for the night.

At about 3 a m, the police surrounded the village and raided the hut in which the meeting had taken place. There they found Amarjeet Sohi, and a few others, who were promptly arrested. In the early hours of the morning fresh police reinforcements arrived including a large number of BSF jawans. The policemen then raided every house in the *tola* and arrested every male they could find. Since most of the men had run away, the police could arrest only about 20 of them. In all 25 people were arrested including Amarjeet Sohi. Twenty belonged to this village and four belonged to nearby villages. The villagers also alleged that the police took away small sums of money found in the huts.

Amarjeet Sohi has been charged with sedition under the arms act and under the terrorist act. The police have said that he is a Canadian terrorist who had 'infiltrated' into the country to provide training to the Naxalites in Bihar. In actual fact, the 26-year old Amarjeet Singh Sohi hails from Sangrur district in Punjab. A few years ago he had gone to Canada to join his elder brother who is a resident there. Amarjeet Sohi became active in the Punjabi Sahitya Sabha, a cultural organisation very critical of the Khalistani terrorists in Punjab and of their supporters in Canada. Both Amarjeet Sohi and his brother had been threatened by them in the past. This organisation has contacts with Gursharan Singh and the Amritsar School of Drama directed by him. Thus when Sohi came to India for a visit he became active in this drama troupe. When he learnt that some members of the Revolutionary Centre were going to Bihar to attend the inaugural meeting of the Lok Sangram Morcha in Dalmia Nagar, Rohtas district, he decided to accompany them. He then decided to stay on in order to study the peasant movement for himself.

The treatment meted out to Amarjeet Sohi after his arrest is reprehensible. According to one description, R R Prasad, DIG (CID), who was among the senior officials who had come to interrogate Sohi, personally tortured him. According to this information, Sohi was bunched up on the ground. His hands and feet were tied and the DIG was kicking him and beating him and swearing abuses at him. So far the police has found no information against Sohi. The only thing they have is a photograph which they claim shows an armed squad. They have also recovered some pamphlets from his possession along with other 'extremist' literature such as Bhishm Sahni's 'Tamas', and Avtar Singh Paash's poetry. They are therefore keen that he be booked under the NSA so that his case does not come up in court.

The police officers, intent on forwarding their careers, painted Sohi first in Khalistani colours and then in bright red. It was the DM of Jehanabad who ultimately came to Sohi's relief. Prasad was not allowed to continue with his brutal methods and according to one eyewitness, Prasad protested loudly. We also have it first hand from the secretary, home department in Patna on February 6, 1988 that the government was certain that Sohi was either a Khalistani or an agent of the 'dreaded left wing organisation' IPANA, in Canada. But only a few hours earlier the then DM of Jehanabad said there was just no proof to believe that Sohi was a Khalistani nor that IPANA was really a dreaded organisation promoting Naxalism in India. It is most interesting to note in this connection that the DM of Jehanabad who refused to let Prasad, DIG (CID) of police, to torture Sohi, was transferred early in February.

[This account is based on the report of the People's Union for Democratic Rights.]

China: Political Background and Prospects

J Bruce Jacobs

The leadership in China remains deeply divided. Many leaders in the centre, at provincial levels and in the localities support economic and political structural reform and even support some reduction of ideological rigidity. While these people, probably a majority, must now lie low, the habits of the past ten years will not die too quickly.

FOR many years there have been clear lines of political conflict in China. In the early to mid-1970s, three groups contended to succeed chairman Mao Zedong, who finally died in September 1976. The first group, the 'conservatives', had led China in 1950s and early 1960s, but then suffered severely in the Cultural Revolution. Premier Zhou Enlai later brought them back to senior positions in order to restore some economic growth and political order. Deng Xiaoping was an important leader of this group, which also included an important part of the military. The second group consisted of people who benefited from the Cultural Revolution, such as Hua Guofeng, a provincial official who worked in Mao's native area and whom Mao raised to national level. Hua eventually became Mao's chosen successor. The third group, the 'radicals', had supported many of the Cultural Revolution policies and later became known as the 'Gang of Four'.

Shortly after Mao died, the first two groups formed a coalition to oust the 'radicals'. This coalition lasted for a few years until Deng Xiaoping could purge the second group, which had become known as the 'whatever faction' because they advocated the 'two whatevers'. "We must steadfastly uphold whatever policies Chairman Mao made; we must unswervingly abide by whatever instructions Chairman Mao gave."

Beginning in December 1978, the 'conservatives' under the leadership of Deng Xiaoping began to steer China on its post-Mao reform course. Yet this 'conservative' group now divided into two groups, the 'reformers' and the 'conservatives'. The Beijing massacre is one attempt to resolve their conflict, which has lasted for over ten years.

The 'conservatives', who include Li Peng, Yao Yilin, Peng Zhen, Chen Yun, Li Xiannian, Yang Shangkun, Hu Qiaomu and Deng Liqun, tend to stress the leadership role of the party, the importance of central planning and state ownership, and the relevance of ideological orthodoxy. The 'reformers', who have included Zhao Ziyang, Wan Li, Hu Yaobang, Tian Jiyun and, perhaps, Hu Qili, have favoured such reform proposals as minimising the role of the party in government and the economy, emphasising the collective and private sectors of the economy, using the market to create efficiency, increasing foreign trade and foreign investment to stimulate the Chinese economy and, to some extent, 'liberating thought' (*jiefang sixiang*).

Many Chinese as well as foreigners tend to see these two positions as complete programmes. In other words, they believe a 'reformer' or a 'conservative' would advocate all of these respective policies in a systematic way. However, we can distinguish three different policy arenas and discover that some people advocate a reform position in one area and a conservative position in another.

The first policy arena concerns 'economic reform'. Those advocating 'economic reform' favour the responsibility system in agriculture and industry, Chinese-foreign joint ventures, and foreign investment. The second policy arena concerns 'political structural reform'. Its advocates desire "separating the party from government" and "separating government from the economy". Those advocating ideological reform, the third arena, do not simply wish to change slogans. Rather they wish to de-emphasise the importance of 'unified thought' and allow at least a limited range of ideas to compete against each other. The 'conservatives' want 'unified thought', which means the centre determines what is 'correct thought', which everyone must then accept. Of course, since 1949 such centrally-determined 'correct thought' has often proven quite incorrect.

I would argue that basically Deng Xiaoping has supported economic reform and political structural reform, but has insisted on ideological orthodoxy. He is not, and never has been a 'small-d' democrat. In an important speech he gave on December 30, 1986, in the context of the student demonstrations of late 1986 and early 1987, he said: "We cannot but have dictatorial methods. We must not only talk about dictatorial methods; when necessary we must also use them. Of course, when using them, we must be prudent and arrest as few people as possible." Unfortunately, in his senility, Deng Xiaoping has lost his prudence.

It became clear at the 13th National Party Congress held in October-November 1987 that the 'reformers' held a large majority of positions in higher levels of the party. Important conservatives like Deng Liqun lost their races for the central committee at the party congress. Yet deals had been done beforehand, and a preponderantly conservative leadership, which included the choice of Li Peng as the premier, won election to senior party and government positions.

The selection of Li Peng as premier raises one of the central issues concerning China's 'pro-democracy' students—nepotism. Contrary to western reports, premier Zhou Enlai and his wife Deng Yingchao did not adopt Li Peng. Li's father was killed in the revolution, but Li's mother survived and raised Li. However, when he went to school, Li Peng, as well as some other children did live with the Zhous. A story widespread in China in 1987 said Deng Yingchao, a power in her own right who had previously served on the political bureau of the party, went in tears to the leadership and said it was premier Zhou's last wish that Li Peng should be premier. (Recently she is reputed to have opposed the use of force against the students.) Like Li Peng, many senior Chinese leaders do not hold their positions because of any competency, but because they are the children or grandchildren of senior party leaders.

In considering recent events we must not forget the power of the military and the security agencies. China has a long history of civilian control of the military. In the imperial periods, civil officials led many important military expeditions. Chairman Mao, too, emphasised civilian control of the military with his famous quotation: "Political power grows out of the barrel of a gun and the Party controls the gun." In fact, under the Chinese communists, the military has wielded enormous influence. In the early years of the People's Republic, from 1949 to 1954, the military played a key role in establishing and administering the new political system. The military also played a very important role during the Cultural Revolution when it intervened between com-

peting factions and began to control the revolutionary committees, China's administrative apparatus. Until Mao died, in over half of China's provinces, the provincial party first secretary, the key person in each province, was a military man. We must also remember that Lin Biao in September 1971 attempted a military coup, an indication of the military's strength and importance in the political system.

Deng Xiaoping used the military to win control after Mao died, but then he decided to reduce the military's staff and budget. Arguing that China could not afford both guns and butter, Deng told the military it would be better first to build the economy; later, with this larger economy, the country could afford more military expenditure. In fact, many of the claimed staffing reductions did not occur because numerous demobilised military units simply became units of the armed police.

We must also remember that security agencies have been an integral part of the Chinese communist regime since the halcyon days in Yanan when so-called 'democracy' and the 'mass line' were emphasised. In fact, the Chinese communists then relied on a Stalinist secret police, which is still important.

In looking at recent events, it is instructive to remember that the Chinese communist regime has consistently supported the Khmer Rouge even after the revelation of the latter's atrocities. And this regime has not hesitated to use violence against Tibetans, who the regime claims are Chinese.

What are the prospects for Chinese politics? The leadership in China remains deeply divided. Many leaders in the centre, at provincial levels and in the localities support economic and political structural reform and even support some reduction of ideological rigidity. While these people, probably a majority, must now lie low, the habits of the past ten years will not die too quickly. As noted, the elections at the 13th National Party Congress indicated a willingness to speak up. Similarly, at the National People's Congress and in local People's Congresses (China's legislatures), people have spoken up and opposed central party policy. On April 5 this year, over ten per cent of National People's Congressmen and women voted 'no' and another thirty per cent abstained in voting on a proposed law which the leadership supported. Perhaps we can also take heart from the attempts in the last ten years to emphasise a 'rule of law' and the implementation of 'procedures'. I believe these have met a responsive chord among a large number of Chinese and while a dictator and/or military force or security forces can easily overwhelm attempts to act according to 'the rule of law', there appears to be substantial support within China for return to a less arbitrary political system.

Predicting politics is quite difficult China will have a few difficult and sad years until the old leaders like Deng Xiaoping and Yang Shangkun die. After the old leaders die, younger leaders like Li Peng and Jiang Zemin will find it difficult to sustain their positions because they lack independent power bases. Chinese politics will be extremely fluid, but it is not difficult to see a reform-minded leadership coming to the fore again. On the other hand, we must never forget the existence of the powerful repressive military and security agencies. We must await the death of the old men to see how the complex web of Chinese politics develops.

China: At the End of the Capitalist Road

Neville Maxwell

Mao foresaw that the policies of the 'capitalist road' would turn out to be a short-cut to catastrophe for the country, leading it into economic collapse and social disorder. That took just over a decade. The 'reforms' which have been so applauded by Deng Xiaoping's western claque, have left China facing a long period of division and turmoil.

> It was a pig walking on its hind legs. Yes, it was Squealer. A little awkwardly, as though not quite used to supporting his considerable bulk in that position, but with perfect balance, he was strolling across the yard. And a moment later, out from the door of the farm-house came a long line of pigs, all walking on their hind legs... And finally there was a tremendous baying of dogs... and out came Napoleon himself, majestically upright, casting haughty glances from side to side, and with his dogs gambolling round him.
> He carried a whip in his trotter.
>
> George Orwell, *Animal Farm*.

IT is difficult to think of a political event that has been the subject of greater misunderstanding in the west than has the Tiananmen demonstration and its brutal suppression by the Chinese government. Forgetting the politics of the Chinese revolution, making it an act of faith that Deng Xiaoping's 'reforms' have brought great benefit to China and that the Chinese simply demand more of them, western observers and analysts have seen what they wished to see: an oriental replay of eastern Europe's rejection of communism.

The west's failure of analysis is signalled by the wild semantic confusion, degenerated now into utter garbling, of its descriptions of post-revolutionary China's political factions: 'radicals', 'conservatives', 'reactionaries', 'hard-liners', the labels and their wearers have switched and shifted bewilderingly. The ruling faction in China, best named as Dengist, has of course deliberately added to the confusion with its own chameleon verbal camouflage, first presenting itself as upholders of Mao Zedong against those they called his enemies and theirs, the 'gang of four'; then, with the power they took through the 1976 *coup d'etat* consolidated, moving through repudiation of the Cultural Revolution to tacit rejection of Mao himself—a 'mad recluse', they told us, for the last 19 years of his life; and finally Deng, to justify his repression, is found parroting the language of his own Cultural Revolution tormentors and labelling his victims 'counter-revolutionaries'.

Keys to clarify the confusion are available. The most detailed, accurate and sophisticated lies in the writings of China's 'Maoists' but for those who find such a source suspect *Animal Farm* will do. The Aesopian morals of that great political fable are two: that revolutions are born infected with the virus of counter-revolution, i e, those who lead the structuring of a revolutionary society can become a class whose self-interest is served by its undoing; and that in this age counter-revolution will always present itself as revolution continued. In Orwell's terms, the 'pigs' of the Chinese revolution seized power in the later 1970s, and instituted policies of restoration and regression which progressively reversed the achievements of the previous three decades; and of course in the 'human' world outside the farm these 'reforms' and the humanoid antics of the pigs, on golf course and in rodeo stage-coach, were

MANSINGHKA PRATISTHAN

TRI-STAR SOYA PRODUCTS LIMITED

Speech delivered by Shri M.P. Mansinghka, Chairman, at the 9th Annual General Meeting of the Company held at Bombay.

Ladies and Gentlemen,

I have great pleasure in extending to you all a warm and cordial welcome to this 9th Annual General Meeting of the Company. The Directors' Report and audited accounts of the company for the 8-month period ended March 1989 have been with you for quite some time and I hope you have studied those in your usual careful manner. When we met last on 30th December I had indicated about the distinctly favourable turn in the fortunes of your company which had been ravaged by severe financial drought for two consecutive years owing to an acute shortage of raw material. As you must have seen from the directors' report, the company's performance during 8-month period has been much better than envisaged earlier. The company has set altogether new records in production, sales turnover, exports, profits and profitability.

(Rs. in crores)

	8 months ended 31.3.89	12 months ended 31.7.88
Production (in tonnes)	61,671	42,793
Turnover	39.52	22.65
Export	15.11	7.66
Net Profit	2.24	(–) 1.97
Earning per share (in Rs.)	8.97	(–) 7.88

While I hardly need repeat here the relevant figures highlighting the company's spectacular achievements, it is well worth mentioning that your company's performance compares very favourably with that of other companies engaged in soyabean processing. If you have had again to go without a dividend this time even when the earning per share based on profit during 1988-89 works out to Rs. 8.97, it is simply because of the carryforward loss of the preceding two years which has now been reduced from Rs. 2.69 crore to only Rs. 0.79 crore. There is every reason to hope that the company will be in a position to return to the dividend list next year.

On present reckoning, the outlook for the current year can be regarded as very reassuring. During the first three months-April-June the company has been able to process 19700 tonnes of soyabean/expeller cake and has achieved a turnover of Rs. 12.1 crores (inclusive of exports of Rs. 6.9 crores). Despite considerable erosion of margins due largely to the decline in soya oil prices in the domestic market, the company has been able to maintain its profit at a reasonable level, the figure for the first quarter being Rs. 30.75 lakhs.

As you are well aware, in an agro-based and export-oriented industry like soyabean processing, raw material supply and the international environment are the two key elements in determining its fortunes. While nothing can be taken for granted, all indications, according to the meteorological department, point to a normal monsoon. The progress of the south-west monsoon so far has been very satisfactory. Considering the very useful work carried out by the Technology Mission in improving the organisational set up for the timely supply of the various crucial farm inputs it would not seem unduly optimistic to look forward to a further increase in the record kharif oilseeds production, including soyabean, in 1989-90. With assured raw material supply next season, the company should be in a position to further improve upon its 1989-90 performance.

In an increasingly competitive environment, continuous upgradation of technology is a must for improving cost efficiency as also the quality of the product. In this context I would like to mention that the United States has developed a technology by which the usage of expellers is eliminated and one can process high yielding varieties of oilseeds, direct by solvent extraction processing. The quality of oil, obtained is far better than expeller oil and the yield of oil is also higher. What is even more significant is that the cost of production is almost half. This technological innovation has brought about a virtual revolution in the oilseed crushing/processing industry.

You will be pleased to know that your company has decided to adopt this latest technology and hopefully the plant will have incorporated this technology before we meet next. The induction of this technology will impart great flexibility to the plant enabling it to process various oilseeds in our unit which in turn will make possible fuller utilisation of the installed capacity and thereby reduce considerably overhead costs.

In order to finance the modernisation programme, your company has decided to issue 10 lakh equity shares of Rs. 10 each at par on a Rights basis in the ratio of two shares for every five shares held. The letter of offer will be mailed to you shortly. I am sure you will find the Rights offer at par pretty attractive. I look forward to your enthusiastic participation in the company's growth.

You will be pleased to know that your company is now a recognised trading house. This will help improve the company's profitability.

I think this speech will seem incomplete if I did not make a brief mention of the well-conceived integrated policy for oilseeds aimed at accelerating the move towards self-reliance by helping growers without unduly hurting consumers. Creation of a buffer stock of five lakh tonnes of edible oils through indigenous procurement as well as imports and prescription of a price band – Rs. 20,000 to Rs. 25,000 a tonne – for the two major oils, namely, groundnut oil and rape-mustard oil constitute the key elements of the policy. It is unfortunate that the government should have failed to fulfil its commitment in regard to either of these. Six months have gone by since the announcement of the policy early in January. But rape-mustard oil is still quoted about Rs. 5,000 a tonne below the Rs. 20,000 a tonne mark. Quite apparently, procurement effort has not been adequate to absorb the available supply to achieve the price band objective or the buffer stock target.

Whether the government should have prescribed the same price band for rape-mustard oil as that for ground nut oil when the former had generally been quoted well below the latter is a moot point. However, if the government were really earnest about enforcing the minimum price in respect of rape-mustard oil and it found that the NDDB and the other state level agencies were unable to carry out procurement operations on the requisite scale it should have done away with the ceiling on stocks of oilseeds and oils under the storage control order and further relaxed selective credit control to enable the private trade to build larger inventories and also allowed the vanaspati industry to use rape-mustard oil freely in the manufacture of vanaspati. The government could reimpose the ceiling when the objective was achieved and prices threatened to pierce the upper limit of the price band.

If oilseeds production next season turns out to be higher than in 1988-89, the government will need to take effective steps right now to ensure improved management of the vegetable oil economy. The implementation of the 'integrated' policy has brought into sharp focus certain conceptual deficiencies and inadequacies in the organisational infrastructure and these merit special attention.

Before I conclude, I would like to place on record my sincere thanks to all our shareholders for the trust and confidence reposed in the Management, the Financial Institutions and Bankers for their wholehearted assistance in helping achieve our objectives, and to the Central and State Governments for their co-operations.

I would also like to extend my sincere thanks to my colleagues on the Board for their valuable advice, all the Workers and Members of the Staff and Officers of your Company for their continued diligence and dedication.

Thank you very much.

Note:–
This does not purport to be a report of the proceedings of the Annual General Meeting.

Sobhagya-8/89

rapturously applauded.

Whether Mao ever know of *Animal Farm* is not known, but he certainly lived it.

The Chinese Communist Party fractured almost immediately after its triumph in 1949. The coalition of classes, which Mao had put together and which overwhelmed the decadent Guomintang regime, divided over China's future road, in what appeared at first to be mere difference of priority. But the differences in fact were absolute. For the Dengists (whose first leader was Liu Shaoqi) the pre-eminent task was that of building China into a powerful modern state, and the natural leaders—and prime beneficiaries—of that process would inevitably be the bureaucracy, allied with the intelligentsia, reinforced with elements from the old order and supported by whatever friends could be won abroad. In a term, a new bourgeoisie—but one that was to be controlled, strictly when necessary, by the Communist Party.

In that scenario, the peasants would put down the arms with which they had won the revolution, take up again their sickles and hoes, and toil as usual until the benefits of modernisation began to trickle down into the rural sector. Even then, there would be other levels of filtration: a renascent rich-peasant and potential landlord class in alliance with urban interests would have to benefit first in order that agriculture could generate the surpluses needed for industrial modernisation.

For the Maoists, the task was to build society in the interests of the peasants and the workers, whose numbers would rapidly grow as China industrialised. So far as the peasantry was concerned, Mao's confidence that they potentially had an inexhaustible enthusiasm for socialism was vindicated in the extraordinarily compressed saga of the 1950s that carried rural China from the small-holding agriculture which land distribution had extended and revivified—and which Mao recognised as the route back to stagnation and poverty for the majority—through primitive and then sophisticated stages of co-operation and, with accelerating pace, into collectives and the newly conceived people's communes with their enormous potential for sustained, comprehensive and flexible development.

That triumph, with the secular increase in agricultural production and the rescue from poverty of the majority of the peasants, say 60 per cent, in a mere 25 years, the Dengists have had to deny and belie in order to substantiate their false claim that they inherited from Mao a failed agricultural strategy, and that their reforms had to be introduced to save an economy on the point of collapse. Credulous specialists in the west, well-disposed towards the 'reformers' who were so eager to learn from them, have been glad to accept those formulations.

It became apparent in the early 1950s that the growth-at-all-costs strategy for China's development, which would reverse the revolution's egalitarian thrust and jeopardise the country's new-won economic independence, enjoyed committed support in the communist leadership. That the strategy they sign-posted 'capitalist road' would lead to a shot-in-the-arm surge of rural prosperity the Maoists recognised, accepting that it would therefore have powerful appeal to many peasants; but they foresaw that its beneficent effects would be short-lived, bought at the cost of the factors for long-term growth that collectivisation had built into the rural economy.

Through the 1950s and especially after the first years of the 1960s when the Dengist faction of the party had the opportunity to introduce, tentatively, what later it could impose as 'the reforms', Mao evolved an analysis of his opponents' policies that carried on into diagnosis of their class affiliation. By the mid-1960s the Maoists had concluded that a new bourgeoisie was emerging in China; and that the peasants and workers who constituted the vast majority of the society were in a relationship of conflict—class conflict—with the bureaucrats who formulated the policies that shaped their lives, and with the groupings interlinked or in common cause with the bureaucracy: professionals, intellectuals, party cadres, especially those of the higher ranks, and their families.

The Cultural Revolution was the Maoists' counter-attack against that emergent class, whose hostility to the revolution could be inferred from their policies although it was of course denied in their rhetoric. Although it appeared at first that the Cultural Revolution had succeeded in consolidating and advancing the egalitarian principles and practices that served socialism, the power of the Dengist right of the Communist Party was not broken, merely put to tactical retreat. By the mid-1970s the Cultural Revolution was on the defensive, the right resurgent. In 1976, the year of his death, Mao was quoted as saying of China's cadres: "You are making the socialist revolution, and yet don't know where the bourgeoisie is. It is right in the Communist Party—those in power taking the capitalist road. The capitalist roaders are still on the capitalist road."

Indeed they were. Only a month after Mao's death they struck, in a classic praetorian *coup d'etat*. Unit 8341 of the PLA, charged with the safety of the national leadership, was turned against the left, and China's great reversal, its Restoration, began. As Mao had foreseen, once the right had full power in the party leadership, the purge of the left would be easy to achieve and China could be made to 'change colour'. Mao foresaw also that the policies of the 'capitalist road' would turn out to be a short-cut to catastrophe for the country, leading it into economic collapse and social disorder. That took just over a decade.

The problem, from the Dengists' point of view, was that if the Communist Party is used to bury socialism it changes into something very different and becomes a Stalinist or even fascist party. The students in Tiananmen knew, as do most Chinese, that the party has become corrupt and alien, and believed perhaps that it had also become impotent and irrelevant. They forgot that Deng had made much of the 'professionalisation' he intended to work on the army, so that it would no longer be a 'people's liberation army', custodian of moral and social values, but learn to goose-step and to obey, like any other third world force. Deng himself is best seen now, for all his claims to have put down a 'counter-revolutionary rebellion', not as a communist but as the Shah of China.

The 'reforms', which have been so consistently applauded by Deng Xiaoping's western claque, have left China facing a long period of division and turmoil. Deng's new model army cannot be used successfully as an instrument of coercive government for China as a whole, and the process of political disintegration that has begun cannot readily be reversed. The problems facing Beijing were enormous and beyond resolution even before the students took to the Square: not only an economy out of control and a currency threatened by accelerating inflation but, deadliest of all, an acute grain shortage that is the direct consequence of the decollectivisation of agriculture. China would need a coherent, effective government with the support of a united people to steer a way to national survival through the rapids into which the 'reforms' have led it. As it is, with the only alternatives being repressive military rule or challenges by force that could lead to civil war, China faces an ineluctable regression into the disorder, fragmentation and renewed mass poverty from which its revolution once rescued it.

Nehru and the Visvesvaraya Legacy

Vinod Vyasulu

Against the background of the ongoing discussions on the Nehru legacy, this note seeks to examine one important strand in the legacy that Nehru himself inherited—the work of Mokshagundam Visvesvaraya in the princely state of Mysore in the early years of the 20th century—and to see to what extent he was influenced by this earlier legacy and to what extent he developed it further.

I

NEHRU's achievements and contributions are widespread. Confining attention to economic matters, his achievements seem stupendous. Nehru was the chairman of the Economic Planning Committee of the Congress Party before independence. He was familiar with the various views expressed on issues of planning, such as the Industrialists' or Bombay Plan of 1944. After independence, he constituted the Planning Commission as an independent body to render expert advice. Together with the Indian Statistical Institute, the Planning Commission did an enormous amount of excellent work in the field of planning—not only in the theoretical structure that led to the Second Plan, but in a number of related areas as well. If there is one area in which India is at the forefront of research on a global scale, it is in planning.[1] At least some of the credit for this should go to Nehru. Further, to obtain political acceptance of the plan, the National Development Council was constituted and it worked well enough in the early years.

Apart from the institutions of planning, Nehru was also responsible for the setting up of productive public sector enterprises outside the government, as it was felt that departmental undertakings were not suited for commercial operations. The Industrial Policy Resolution of 1948 was meant to reassure foreign capital. The IPR of 1956 took a more positive approach to what the state could do, and defined the role of the public sector which was to invest in core sectors that required huge investment and long gestation periods. Hindsight apart, Nehru contributed a great deal in the early years of independence to setting up institutions and creating healthy conventions that are essential for progress.

In trying to understand the Nehru legacy today, it would be useful to understand also the legacy inherited by Nehru and which formed the basis on which he made his own contributions. This, however, will be an ambitious task well beyond my competence to undertake. There may have been useful lessons from the experience of Baroda, and its Diwans, for example, V T Krishnamachari. What is therefore proposed in this paper is to examine one important strand in the legacy that Nehru inherited and to see to what extent he was influenced by this earlier legacy, and to what extent he developed it further. I refer to the work of Mokshagundam Visvesvaraya in the princely state of Mysore in the early years of the 20th century.[2] Visvesvaraya is well known as an engineer. It is clear however that he may also be seen as an economist and a pioneer in India's planning efforts. He was also elected for a term as president of the Indian Economic Association.

As the Diwan of Mysore state and as perhaps the most accomplished engineer of his times, he has made major contributions in various fields. These include the design of drinking water and sanitary systems of many cities including both Hyderabad, the capital of Andhra Pradesh, and Hyderabad in Sind, and Karachi, now in Pakistan. He made contributions to systems of flood control in Orissa and to the generation of electricity in Mysore and elsewhere. He was associated with Tata Iron and Steel Company in Jamshedpur and was the founder of what is today known as the Visvesvaraya Iron and Steel Company in Bhadravathi. He played an important role in the economic development of Mysore. In brief, he was a man whose accomplishments at the level of a princely state which was under indirect British rule may be seen as parallel with those of Nehru on the larger canvas of the nation, fifty years later.

The contributions of Visvesvaraya were well known to Nehru.[3] In 1936, Visvesvaraya had submitted a major proposal on nation-building to the Congress members of the Bombay legislature of which province B G Kher was then prime minister. This was elaborated on and published later for wider circulation. He was also a member of the Congress Committee on Planning of which Nehru was chairman. Visvesvaraya like Nehru, was a Bharat Ratna of independent India. Visvesvaraya's centenary was celebrated in 1960, and fortunately enough he was alive at that time and his brief memoir written in 1959 makes fascinating reading. Prime minister Nehru presided over the centenary function in Bangalore on September 15, 1960.

II

Visvesvaraya was in the service in the Bombay presidency as superintending engineer, sanitation, from which he took early retirement so that he could contribute freely to society, as he saw fit, without the constraints of office. He decided to live in Mysore, and was persuaded to join the government as chief engineer. Being an active person, he was deeply involved in the policies of the state in which he lived, especially in the promotion of education and industry, which he made a condition for accepting employment. He was invited by the Maharaja of Mysore in 1912 to function as Diwan. He had travelled widely in Europe, the United States and Japan and had experience of work in both British India and the princely states, and in the management of industrial concerns. He can be considered the father of management science in India.

His writings are full of references to the process of development, especially the process of industrialisation that took place in the advanced countries of Europe, the US and Japan; and he repeatedly stresses the gaps between these industrialised countries and Mysore in particular, and India in general, and the need to catch up by following their policies. From his 1934 book, *Planned Economy for India*, it is clear that Visvesvaraya appreciated the importance of estimating national income, and that he understood the structural changes that take place in an industrialising economy, especially the secular decline in population dependent on agriculture. For Visvesvaraya, industrialisation was the means to an end—the end was a society in which citizens enjoyed a clearly defined minimum level of social services: a minimum level of education, a minimum level of health, certain guaranteed opportunities to contribute to productive work. He also believed that these were best provided at the local level, and made elaborate suggestions for local self-government systems. As an enlightened citizen of society, he believed that if this was to be achieved, the productive capacities of the economy were to be extend-

ed and while there was potential for growth in agriculture, the primary increase in productivity and output would come from industrial development. Industry would make possible both the ability to produce and increase production, provide employment and also make available a large number of goods at reasonable rates.

In his view, British policies were clearly responsible for holding India back, and greater autonomy—Dominion Status—was a minimum requirement for progress. This comes out clearly in his comments on the proposal to set up a Reserve Bank in 1934. He considered a strong nationalist state to be essential for industrial development. Such a state would follow policies similar to those of the UK, Japan, Germany, etc, and thus take the country forward.

His working life of about 75 years as an engineer-statesman was devoted to promoting this process both technologically as an engineer and administratively as a civil servant. Thus in the time he was responsible for policies in Mysore state, he concentrated his energies on training the population so that they could contribute productively in a rapidly industrialised society. In order to do so, he set up systems for the systematic collection of data and information at the district level. He started with the establishment of training institutions of higher learning and he made the patronage of the state available for a rapid growth of industry. Visvesvaraya was the first to set up a department of industries in India and he made plans for the setting up of a large number of units, many of which came up much after his term as Diwan ended. These include the five-tonne per day fertiliser (ammonium sulphate) plant at Belagola, the iron and steel plant, a soap factory, and many others. He believed that it was necessary to build up a base in the engineering industries and in heavy chemicals as these would provide the essential foundation for a more rapid development of industries. At the same time, he encouraged traditional industries in the districts as these would both provide employment as also satisfy the consumption needs of people in local areas.

To quote from the authoritative and pioneering work of Balakrishna,[4] "with the Diwanship of Sir M Visvesvaraya in 1912 there were signs of a transition... This was an epoch-making era in the history of economic progress in Mysore. The leading economic policy of the state during this period was one of direct undertaking by government of large industrial concerns. Schemes were conceived on a very large scale, and executed on colossal proportions. The Mysore Iron Works and the Krishna Raja Sagara Dam are two of the maior schemes which attained fruition during this period. This policy brought about a thorough reorientation in the industrial outlook of the people of Mysore... The justification of the policy consisted in the fact that even after a decade of encouragement, private enterprise was not sufficiently courageous to undertake large concerns..." It may be noted, however, that there was considerable controversy around Visvesvaraya's views—the debates between him and Alfred Chatterton, the director of industries, and Albion Banerjee, an official who temporarily succeeded him as Diwan, are fascinating. Visvesvaray's insistence on investment by the state has a clear Keynesian flavour for a writer in the early 20th century.

Visvesvaraya's plans have the clear-cut precision one would expect from an engineer. They are blue-prints for action. His ideas about society seem over-simple, even naive at times. A man who believed in efficiency, he may have found it difficult to understand social complexities, individual motivations and political forces.[5]

In his own words, the aim of any plan of reconstruction should be, first and foremost, to increase production and income, to bring into the country up-to-date machinery and render its use familiar to the people, to spread among them a knowledge of sound business policies, principles and practices, to extend mass education and to equip the leaders with technical skill and executive ability. In a brief note in 1959, he noted three achievements—the setting up of the University of Mysore, the first in an Indian state, the setting up of industries, especially the iron and steel works in Bhadravathi, and the setting up of systems to systematically gather statistical information in the districts of Mysore. From his ideas and suggestions, it is possible to argue that a base for the policies of the Second Five-Year Plan had been laid.

Economists have been aware of Visvesvaraya's contributions, but they have not been given much importance. In there comprehensive survey of Indian contributions to economic analysis, Bhagwati and Chakravarty refer to pre-independence ideas of planning, but do not discuss them further as they lacked a clear analytical base. Bhabatosh Datta[6] in his review of Indian contributions to economics in the twentieth century devotes three pages to Visvesvaraya's plan of 1934 which he opines was not original but was at the same time a competent marshalling of data and information by a none-economist. He points out a major gap in Visvesvaraya's analysis—the absence of demand estimates. He also comments that it is a remarkable effort for somebody working in the remote south.

A summary of the recommendations he submitted in 1936 to the Congress Committee on Planning is given in the appendix. It shows the base that he provided for the post-independence contributions of Jawaharlal Nehru.

III

Nehru had an important role to play in the freedom movement in a country that now consists of 800 million people, about half of whom are born after independence. He was clearly identified with the dominant stream in this movement and for over fifteen years after independence he had an opportunity under extraordinarily favourable conditions—good foreign-exchange reserves, good harvests, a societal consensus—to try and mould Indian society and build institutions in a manner that was consistent with the vision for which his generation had made so many sacrifices. Nehru was the main architect of important institutions in independent India; he contributed to Indian foreign policy, to secularism and nation building; and to the process of planning in its many dimensions. Yet, there were in the Indian freedom movement, figures like Gandhi, whom many may consider more important, but who did not live long enough after independence to leave a mark on post-independence developments. This is true also of other figures like Subhash Chandra Bose and Sardar Vallabhbhai Patel. Some, like B C Roy and C Rajagopalachari, became less important figures in the popular mind as time passed. Thus, in terms of opportunities both before and after independence, Nehru seems to be unique.

Nehru is known for his commitments to central planning as a solution to problems of development. The best example of Nehru's planning vision is the Second Five-Year Plan which was developed on the basis of a plan-frame prepared by P C Mahalanobis in a Planning Commission of which Nehru was chairman. It is well known that this framework was influenced by the Soviet planning experience. The essential logic of the plan was to increase the rate of investment and to invest primarily in the core sector, in machines to make machines which would make available the essential equipment necessary for the production of consumer goods at a later stage. The public sector was to be established through the creation of new enterprises and was meant to occupy the commanding heights of the economy. To complement this, there was a small-industries policy which was meant to provide employment, to meet consumer needs and also develop a large class of entrepreneurs. The private sector was also assigned an important role in the industrialisation process. In order to ensure

that finances were available, the Imperial Bank of India was brought under government control as the State Bank of India, Life Insurance was nationalised, and the Unit Trust of India was set up.

An important result of the Second Plan was the establishment of steel plants such as Rourkela, Bhilai and Durgapur. Other industries established as a result of this strategy were what is today called Bharat Electronics, Hindustan Machine Tools, Indian Telephone Industries and many others. Nehru regarded these as the temples of modern India which could be instrumental in contributing towards a strong and self-reliant nation. On the other side, Nehru believed in community development under which a vast network of self-government and local institutions was sought to be developed. Zamindari was abolished. In order to provide the technical manpower required for these industries and institutions, he was responsible for the establishment of the Indian Institutes of Technology and the Indian Institutes of Management, apart from the large network of laboratories under the Council of Scientific and Industrial Research. The Indian Council for Agricultural Research, which existed under the British, was expanded. The Science Policy Resolution passed by parliament in 1956 recognised the role of science in modernising Indian society.

It would appear from the brief sketch above that there was indeed a great deal of similarity between the strategies advocated by Visvesvaraya in Mysore in the first half of this century and by Nehru for the Indian union in the second half of the 20th century. Visvesvaraya had the advantage of a smaller canvas, but his vision was national. Like Nehru, he functioned in Mysore at a time when political forces gave him a certain degree of freedom that is not common. He was successful to a remarkable extent in creating and fostering co-operative linkages between different institutions. For example, the process of extracting oil from sandalwood was developed in the chemistry department of the Indian Institute of Science and this process was used in the sandalwood oil factory that was set up. Similarly, there was a close link between the Bhadravathi Iron and Steel Works and the department of metallurgy of the Indian Institute of Science. In fact, the process of destructive distillation of wood which was used to produce charcoal was at that time considered to be a pioneering industrial process (even though it ran into trouble due to changes in marketing conditions later on). Brazil is now moving towards this technology.

In order to ensure that the voice of industry was heard, he set up the Mysore Chamber of Commerce and Industry, now the FKCCI. In order to ensure co-ordination between the efforts of industrialisation and policies of government, Visvesvaraya set up the Mysore Economic Conference which would deliberate at least once in a year on the major issues of policy for economic development—irrigation, agriculture and education, and industry and commerce. The Mysore Economic Conference thus performed a function similar to the Planning Commission in the 1950s. Bhabatosh Datta notes that the Planning Commission set up by Nehru performed functions similar to those recommended by Visvesvaraya in his 1934 plan.

When Visvesvaraya found that technical and skilled jobs were being dominated by the Brahmin community, he set up a revolving fund to award scholarships to meritorious students of other castes and very soon the Mysore University produced skilled engineers and others from the non-Brahmin castes who could claim their rightful share in society. Nehru, on the other hand, was a champion of the reservation policy, in which a certain percentage of jobs and opportunities were reserved in the constitution for the oppressed castes. Visvesvaraya, like Nehru, emphasised the importance of education and commerce. He regretted that universities were not awarding degrees in commerce and other job-related areas. Nehru expanded the educational system and tried to link it to planned development.

When it comes to an assessment of Nehru it is much more difficult to see what was achieved. First, we do not have the advantage of distance in time. Second, there can be many interpretations as to what was being sought to be achieved and what was actually achieved in recent years. Nehru had an emotional involvement in the planning process stemming from what has been called socialist ideals. Nehru believed that he was trying to build a socialist pattern of society, but what was achieved was state-led capitalism.

Visvesvaraya, on the other hand, though an admirer of the first Soviet plan, was very clear that this was not what India needed, not even what he called state socialism. "Having regard to the conditions prevailing in India, it is safe for this country to proceed along the lines practised in such countries as France and the US. India resembles France in the small size of the agricultural holdings and the US in the large size of the country and the magnitude of its resources, particularly manpower. We have yet to build up some measure of moderate industrial prosperity and for the present, capitalism is best suited for that purpose." Visvesvaraya's biographer, V S Narayana Rao, reports that he was a critic of Nehru's industrial policy, but does not give details.

The linkages between institutions did not work as Nehru would have liked them to have. The engineers produced in the IITs could not be quickly absorbed in Indian industry and this resulted in a stream of Indian engineers going abroad. This is true also of the graduates of the best schools of medicines such as the all-India Institute of Medical Sciences. Further, the new public industrial sector that was established, by and large, chose to import the technical knowledge required for production and thus there was a link with multinational companies abroad, but not a satisfactory link between research institutions such as those of the CSIR labs and Indian industries in contrast to the experience of Mysore under Visvesvaraya and his successors, like Mirza Ismail. It must be noted though that the Nehru effort was on a far larger scale, and there is need for caution in comparison.

Yet the strategies suggested for Mysore by Visvesvaraya faced much opposition. There was the issue of what today would be called a resource crunch, and the ambitious plans were greatly delayed. Many felt that the state should not be promoting industry. It was only with the rise of Mirza Ismail that some of Visvesvaraya's ideas were revived and implemented. In contrast, Nehru faced little or no opposition. The Congress represented national aspirations, every group in society stood to benefit from the proposed policies, and Nehru was able to move smoothly into the vacuum created by British withdrawal. It was a season of hope—problems appeared in the last years of Nehru's life, but the system came to crisis only after his death.

While there were many similarities in the ideas of these two stalwarts, there were differences as well. Visvesvaraya was a technocrat who apparently believed in a paternalistic system, and the western way of doing things, often in an imitative manner, and also in a society where various groups functioned in harmony. Nehru, on the other hand, was a liberal democrat who was more conscious of class differences. Yet his concern was moral and emotional. His idea of socialism did not amount to much more than state control of what he called the mixed economy. For Visvesvaraya, the cure for unemployment was rural industrialisation. Nehru had a much larger vision which he sought to operationalise through the community development programme. To Visvesvaraya, economic development was like a ladder that other countries had climbed faster, and his plans were meant to speed up India's rate of ascent following their policies. Nehru, on the other hand, had a wider international and historical perspective, and his foreign policy—e g, non-alignment—was meant to increase the space for manoeuvre of third world countries like India. Visvesvaraya was the austere and disciplined intellectual; Nehru

was an intellectual with a flair for communication and a political instinct. Thus Nehru appreciated the efforts made in Mysore state; he made full use of the industrial expertise built up. It was from the Mysore factories that some of the engineers and managers for the public sector units of the 1950s came; and it was to Mysore state and Visvesvaraya's home town, Bangalore, that the most sophisticated factories of the First and Second Plans were allotted, e g, ITI, HMT, BEL. Nehru left his own unique stamp through his implementation of the same strategy.

While both Visvesvaraya and Nehru shared a vision of a strong and united India, Nehru appears to have placed greater emphasis on the role of the union and its initiatives. Visvesvaraya argued for a national perspective and for co-ordination, but appeared to visualise a much greater role for what he called the provinces. He saw co-ordination emerging from discussions and co-operation among them in the spirit of Article 263 and the Inter-State Council, which Nehru never constituted. A hint of the difference is available in Visvesvaraya's comment that subordinating the Bank of Mysore to the State Bank of India was not desirable and not good for Mysore.

Finally, a link is being forged between the industries set up by Visvesvaraya and Nehru. Bharat Heavy Electricals came to Bangalore by taking over Mysore Porcelains and REMCO. Today, the state government is anxious to have the Steel Authority of India take over the VISL, and Bangalore has become the electronics city of India, and the headquarters of the space programme. Given the importance Visvesvaraya gave to defence, he would have welcomed this development.

IV

Now, at the end of the 1980s, the economic situation is very different from what either Visvesvaraya or Nehru must have visualised. The Nehru faith in socialism—state control from the commanding heights of the economy—is even being seen as a cause for inefficiency. Recent policies of liberalisation can be interpreted as a jettisoning of the Nehru concept of planning. Today the private sector is stronger, and it can be that it now wishes to take the initiative in industrial policy. But the capitalism that is developing, based on an aggressive assertion of class interests, would probably have surprised Visvesvaraya and disappointed Nehru.

As visionaries and planners, Visvesvaraya and Nehru both represented the needs of Indian industrialists. By the time of Nehru and independence there was a greater clarity and consensus in these ideas, and a better appreciation of politics in the sense of what was possible. There was a clear continuity in thinking in India on strategies for economic development as both spoke for the same class. They articulated their case and were instrumental in getting the state to implement policies that would achieve their objectives, especially after independence. In the process, India has developed an industrial capability, and a stable economy that is unique among third world nations. That is the achievement, and it has set the base for the challenges of tomorrow.

Appendix

M Visvesvaraya gave a talk on "Economic Planning" to the members of the Bombay legislature of which B G Kher was prime minister in 1936. He elaborated on the talk and published a pamphlet on "Nation Building" in 1936. Section IX of this pamphlet is reproduced below:

Summary of Recommendations

Of the proposals outlined in the preceding six sections of this paper, the following half a dozen items are fundamental for rapid economic advance. Details pertaining to these particular heads would have to be compiled and included, along with others, in the schedules and estimates of the five-year plan:

(1) Establishment of heavy industries, specially those relating to the manufacture of machinery and heavy chemicals;
(2) Extensive spread of cottage and small-scale industries and industrial life in rural areas;
(3) Providing banking and credit facilities and adequate tariff protection for both heavy and cottage industries;
(4) Establishing real self-government in villages;
(5) Introducing a district development scheme as outlined; and
(6) Universal mass education.

The following is a summary of the principal conclusions and recommendations:

(i) Economic planning is a means to an end. The end is a rise in material prosperity and standard of living.
A plan for a province will be part of the larger plan for India as a whole. A ten-year plan is suggested for Federal India and a five-year plan for a province.

(ii) Economic planning is part of a larger development, namely, "Planning for Reconstruction and Nation Building".
With the change in political status in the provinces, reconstruction on a planned basis in all three spheres—political, economic and social—becomes a necessity and this will be tantamount to nation building.

(iii) The organisation best calculated to promote the proposed developments will include (1) a five-year plan, (2) a development department, (3) a provincial economic council, and (4) a separate Development Budget.
It is not considered safe for any countr[y] to regulate its economic affairs in thes[e] days without a coherently designed polic[y] and a deliberate plan. Until a federal pla[n] is evolved and introduced, each provinc[e] should provide itself with a separate five-year plan of its own and the co-ordinatio[n] of provincial plans may be secured, as fa[r] as possible, by organising periodical conferences between the official representatives of the several provinces.
The development work under the pla[n] should be kept separate from the ordinar[y] administrative routine of the provinces. S[o] also, the development budget should b[e] kept distinct from the regular civil budge[t] of the province.

(iv) The five-year plan should give a schedule showing the growth or increase expected in the five-year interval, in income, production, trade, banking, and other occupations and activities within the province as previously indicated.

(v) The main result expected from these improvemen[ts] is a rise in the standard of living. In the present case, a rise of 50 per cent may be expected in ten years. It would, of course, be more if the central government were also autonomous. This large increase in production, income, etc, will be possible only in the early stages of the plan. As the resources become used up, the increase will necessarily be at a progressively diminishing rate.

(vi) In order that cottage and small-scale industries may be successfully established, local self-government in villages must become a reality. There should be no hesitation to grant self-government to village populations to the same extent that Japan has done. Rightly directed, the concession would help to stimulate creative power, aspiration and ambition in our rural communities.
To raise the standard of living of the masses, the District Development Scheme outlined will be found very efficacious and it should therefore be speedily brought into operation. This may be done without appreciably interfering with the existing administrative machinery.

(vii) Nation building will be a slow process at first but it is bound to grow as the country gets fuller control of money power, manufacturing power and the power of defence. The banks are the mainstay for all growth.

(viii) A beginning in planning may be made in each province at once by the establishment of a development department under the supervision of a minister with a competent secretary and a staff of three or more experts. An economic council of local men of experience and influence, financiers, economists and experts should be associated with the department.

(ix) The development department should be able to start surveys and investigations and prepare a provisional five-year plan as well as a plan for action in the first year. The preparation of these two plans by the department with the aid of the economic council, or a special committee appointed for the purpose should not take more than

three or four months at the outside.

(x) The resources of each province in men, material and equipment should be fully mobilised to serve these ends. The services of university and college professors, retired officials, economists, financiers, engineers, chemists and other experts, wherever available in the country, should be freely utilised by forming commissions, committees, informal brain trusts and the like. The population in every part of the country should be put to work and induced by suitable propaganda to respond cheerfully to the call made on them to raise their income and standard of living.

(xi) The huge waste of effort that is going on will be prevented if the government also awakens the general public to the fact that in present-day economy, agriculture, though a necessary occupation, plays a less important part than industries. In advanced England, agriculture, though protected and subsidised, is regarded as on the whole unprofitable.

(xii) This is machine age. It is power machinery that moves heavy railway trains, immense sailing ships, military and naval armaments, automobiles, aeroplanes, mills, pumping engines and a host of other instruments of mechanical production and propulsion. The condition of the country will remain low and primitive until deficiencies in equipment and use of machinery are made good.

Notes

[I am grateful to G V K Rao for his encouragement and to V K R V Rao, V M Rao, M V Nadkarni, Amal Ray and Vijay Padaki for their comments on an earlier draft. Responsibility for errors and opinions is my own.]

1 J N Bhagwati and S Chakravarty, 'Contributions to Indian Economic Analysis: A Survey', *American Economic Review*, Supplement, September 1969. This is focused on the post-1950 period.

2 The information on Visvesvaraya's work that follows has been culled from his writings, in particular.

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Planned Economy for India, Bangalore Press, Bangalore, 1934, Second Edition, 1936.

Reconstructing India, P S King and Son, London, 1920.

Nation Building: Scope and Structure of a Provincial Five Year Plan, Bangalore, 1937.

A Brief Memoir of My Complete Working Life, Government Press, Bangalore, 1960.

3 V S Narayana Rao, *Mokshagundam Visvesvaraya: His Life and Work*, Geeta Book House, Mysore, 1973.

4 R Balakrishna, *Industrial Development of Mysore*, Bangalore Press, Bangalore, 1940. It may be noted that this was written before the Bombay Plan of 1944.

5 Bjorn Hettne, *The Political Economy of Indirect Rule: Mysore, 1881-1947*, Ambika Publications, New Delhi, 1978.

6 Bhabatosh Datta, *Indian Economic Thought: Twentieth Century Perspectives 1900-1950*, Tata McGraw Hill, New Delhi, 1978

REVIEW OF POLITICAL ECONOMY

'Socialisation' of Critical Thought

Responses to Illiteracy among the Adivasis in Thane District

Denzil Saldanha

The non-party political groups in Thane district—by mobilising around adivasi cultural identity on economic issues related to their subsistence agriculture and through critical awareness, organisation and political action for social transformation—attempt to link the political with the cultural and economic. They thus offer a perspective for resolving the contradictions, between and at these levels, faced by formalised adivasi education. Above all, they create a climate of critical social awareness and political action which generates a felt-need for literacy-numeracy and functionality, in a more relevant formalised educational programme.

> Creating a new culture does not only mean one's own individual 'original' discoveries. It also, and most particularly, means the diffusion in a critical form of truths already discovered, their 'socialisation' as it were, and even making them the basis of vital action, an element of co-ordination and intellectual and moral order.
>
> [Antonio Gramsci, *Prison Notebooks* (1971: 325)].[1]

THIS paper attempts to focus on some of the efforts of non-party political groups in Thane district in the field of education. Their attempts at evolving an educational programme in the context of a democratic struggle and in tune with the felt-needs of the adivasis, are discussed within the wider scenario of adivasi illiteracy in the region and the relatively unsuccessful efforts of the state and voluntary social welfare agencies[2] to change the situation. One might visualise two possible factors leading to a change in the status of adivasi illiteracy in the future. On the one hand, the state sponsored developmental process—of dams and irrigation projects along the eastern belt of the district, and the setting up of industrial estates along the western railway line and highway—could lead to intensive multicropping, capitalist cultivation in agriculture and an industrial and urban spread along the coast. This could possibly result in a demand for formal education spurred on by a change in the economy, with the adivasis being integrated into the lower ranks of an unequal society, as clerical staff and wage labourers in agriculture and industry. On the other hand, the political assertion of economic rights and the accompanying process of the socialisation of critical thought among the adivasis promises to create a social basis for the need for literacy. The political groups working in the region are part of the latter process which ideologically hopes to influence the trajectory of development in the region and to direct the social history of the adivasis within a more egalitarian society. This paper shares that hope, and is as contingent and tentative as that process.

A brief social history[3] of the region would be in order and help towards the understanding of the socio-economic basis of present adivasi illiteracy. Thane district lies north of the Bombay metropolis and south of the Gujarat state. The region came under British rule in 1818. During the first half of the 19th century, the British land and forest policies resulted in converting the hunting, food gathering and shift cultivating adivasis into settled agriculturists. Throughout the 19th century and especially during the latter half, there was an influx of traders, moneylenders and liquor vendors resulting in the alienation of adivasi lands and their becoming tenants and bonded labourers; victims of forced exactions, indebtedness, torture and sexual oppression. Symington, a British official with a particularly keen insight into the problems of the adivasis in Thane, while writing in 1939 cited another official statement by Orr made in 1895 and in the process underlined a basic relationship between education and the economy of the adivasis which is valid even today. These officials expressed their concern at the impact of the British land and forest policies on the adivasis and their scepticism about education, in isolation, as a solution.

> We are sometimes told that in the triumphant march of education these backward tribes will some day learn to protect themselves against the people who are now robbing them of their lands. But long before 'education in its triumphant march' has got anywhere within reach of the Warlis, every inch of their land will have passed to their masters, and they will have no land on which to illustrate the advantages of education. Besides, it is their very poverty, resulting from the enormous share of the produce of the soil that they must give to their masters, that bars the advance of education; they must be constantly in search of their daily bread so that they cannot spare time for education.

And Symington himself added in 1939:

> Mr Orr's prognostication regarding the march of education has been only too unhappily fulfilled; but nothing as yet has been done to stay the process of the land passing out of the ownership of the old inhabitants or to save them from oppression even as tenants.[4]

A militant phase of adivasi struggle began with the entry of the Kisan Sabha in 1944 and continued till 1948. The dialectics between peasant organisations in the region and the post independence, state initiated land reforms and development measures have resulted in a predominantly poor peasant and agricultural labour, subsistence economy in single crop, rain fed agriculture for the present day adivasis. They are dependent on the state and a class of landlords, capitalist farmers, traders and creditors for employment, inputs into agriculture and for credit for tiding over the lean months. Alienation of adivasi lands continues, with increasing deforestation and restrictions on the use of the forests. The adivasis numbering 729, 424 formed 21.76 per cent of the total population of the district which was 3,351,562 according to the 1981 Census. Over a period of a little over a 150 years, today's adivasis have been hustled through several modes of production to suit the hegemonic interests of the larger economy—from hunting and shifting cultivation to settled agriculture and then to tenancy and bonded labour; and finally, in the present, to indebted poor peasants and agricultural labourers. This social history was surely not the appropriate basis for the demand for literacy to arise.

The comments of Symington made in 1939 are still valid today, with the difference that from tenants and bonded labourers the adivasis have been converted to indebted poor peasants and agricultural labourers. Illiteracy is an expression of the subordinate status of the adivasis within this trajectory of development. And yet, literacy is undoubtedly an important factor in a process of change in this position of the adivasis. In a subsequent section, one suggests that the efforts of the political groups in the region are a possible solution to this contradiction.

Scenario of Adivasi Illiteracy

Table 1 presents a picture of the position of literacy among the adivasis as compared to that in the totall population in Thane district according to the 1981 Census. It also indicates the availability of educational facilities in the villages. While the literacy rate in the total population in the district is 50.50 per cent, higher than that of the state (47.18 per cent); the adivasi literacy is only 14.4 per cent, even lower than that for adivasis in the state (22.29 per cent). Whereas the former may be explained by the relatively better performance of female literacy within that for the general popula-

tion in the district, the latter represents a dismal picture of both male (22.34 per cent) and female (6.29 per cent) literacy among the adivasis in the district. The talukas of Palghar, Dahanu, Talasari, Jawhar, Mokhada, Wada, Shahpur and Murbad which extend into the interior forested and hilly belt of the district and have a greater proportion of adivasis, display poorer levels of adivasi literacy than the talukas of Thane, Vasai, Kalyan and Ulhasnagar which are more urbanised and have a predominantly non-adivasi population. Rural-urban differentials in literacy rates vary sharply and the concentrations of adivasi population in rural areas reinforces this difference. Against a literacy rate of 38.58 per cent in the total population in rural Thane, the same stands at 65.46 per cent in urban. Female literacy among the adivasis follows the above rural-urban pattern, being extremely low in general (6.29 per cent) and comparing unfavourably with that of the males (22.34 per cent)

There has been a remarkable increase in the rate of literacy for the total population in the district. The progress has been tenfold from 1901 (5.31 per cent) to 1981 (50.50 per cent); with a doubling of the rate since around the time of independence in 1951 (24.34 per cent) and a near tripling of the rate of female literacy from 14.19 per cent to 40.15 per cent, for the same period. This has been primarily due to the urbanisation and industrialisation of the district with an influx of non-adivasi population. In fact, the proportion of adivasis decreased from 30.29 per cent in 1961 to 21.76 per cent in 1981. Another important factor responsible for the general progress in literacy has been the increase in the number of educational institutions. The number of primary schools increased from 1775 in 1960-61 to 2562 in 1980-81 and the secondary schools from 83 to 261 for the same period.[5] Table 1 indicates that by 1981, 95 per cent of the villages in the district had at least one educational institution. At present there are 183 balwadis, 76 ashram schools and 830 adult education centres in the district and they have the adivasis as a special focus of attention.[6]

However, the slow progress of literacy among the adivasis stands in sharp contrast to that in the general population and is despite state efforts in education. Table 2 gives a sharper picture of the comparative rates of literacy for the general population excluding scheduled castes and tribes and for the latter, for the years 1961, 1971 and 1981, for which some comparable data are available from the census. The literacy rate for the general population excluding scheduled castes and tribes shows a marked increase over a higher range from 42.32 per cent in 1961 to 61.09 per cent in 1981. The scheduled tribes, in contrast, are able to build on an extremely low base of 4.67 per cent in 1961 to achieve a rate of 14.41 per cent in 1981. The poor rate of female literacy among the tribes is all the more apparent when one compares it with that of the scheduled castes and the former category, especially for the period 1961-71. The scheduled castes have a low proportion to the total population of the district and are mainly found in the urbanised talukas.

It seems clear that this relative stagnation in adivasi literacy is not for lack of an infrastructure of educational institutions. In fact, Table 1 reveals that the very talukas of high adivasi concentration are the ones that are relatively better off as far as the availability of educational institutions is concerned. The adivasi pattern of living in scattered hamlets within a demarcated village and the consequent distance from the

TABLE 1: LITERACY AND VILLAGES WITH EDUCATIONAL INSTITUTIONS IN TALUKAS OF THANE DISTRICT—1981

Talukas	Literacy in Total Population			Literacy in Scheduled Tribe Population			Scheduled Tribe Population and Per Cent of Total Population	Number and Per Cent of Villages Having One or More Educational Institutions
	Persons	Males	Females	Persons	Males	Females		
1	2	3	4	5	6	7	8	9
Thane	406199	251042	155157	9138	6088	3050	25931	75
	(63.60)	(71.57)	(53.90)	(35.24)	(45.34)	(24.39)	(4.06)	(89.29)
Vasai	159976	95249	64727	10423	7524	2899	53486	82
	(57.42)	(66.14)	(48.08)	(19.49)	(27.85)	(10.95)	(19.20)	(89.13)
Palghar	120236	74864	45372	14884	11880	3004	95710	215
	(45.53)	(54.76)	(35.62)	(15.55)	(24.06)	(6.48)	(36.24)	(95.13)
Dahanu	61306	40620	20686	15791	13230	2561	145984	151
	(27.59)	(36.10)	(18.86)	(10.82)	(18.04)	(3.52)	(65.69)	(92.07)
Talasari	10788	8408	2380	7185	6128	1057	60863	27
	(16.09)	(25.56)	(6.97)	(11.81)	(20.58)	(3.40)	(90.76)	(100.00)
Jawhar	18783	13352	5431	10728	8535	2193	94307	122
	(17.16)	(24.45)	(9.90)	(11.38)	(18.26)	(4.61)	(86.14)	(100.00)
Mokhada	10785	7886	2899	8823	6957	1866	59570	77
	(16.79)	(24.31)	(9.12)	(14.81)	(23.17)	(6.31)	(92.74)	(97.47)
Vada	36382	23437	12945	7540	6066	1474	48863	160
	(38.04)	(48.54)	(27.33)	(15.43)	(24.56)	(6.10)	(51.10)	(96.39)
Bhiwandi	184459	127720	56739	5044	4005	1039	35124	206
	(46.53)	(56.42)	(33.36)	(14.36)	(22.13)	(6.10)	(8.86)	(97.17)
Shahpur	63724	43626	20098	6402	5272	1130	53833	198
	(36.88)	(49.45)	(23.76)	(11.89)	(19.04)	(4.32)	(31.15)	(97.06)
Murbad	41916	29936	11980	3701	2983	718	26848	167
	(36.33)	(51.38)	(20.98)	(13.79)	(21.69)	(5.48)	(23.27)	(98.24)
Kalyan	316500	187059	129441	2587	1748	839	12589	101
	(66.67)	(73.38)	(58.89)	(20.55)	(27.25)	(13.89)	(2.65)	(90.18)
Ulhasnagar	261406	158192	103214	2848	2000	848	16316	82
	(57.81)	(66.02)	(48.55)	(17.46)	(23.60)	(10.82)	(3.61)	(93.18)
Thane District	1692460	1061391	631069	105094	82416	22678	729424	1663
	(50.50)	(59.64)	(40.15)	(14.41)	(22.34)	(6.29)	(21.76)	(95.25)
Maharashtra State	29620806	19056503	10564303	1286765	946747	340018	5772038	
	(47.18)	(58.79)	(34.79)	(22.29)	(32.38)	(11.94)	(9.19)	

Note: Figures in brackets in columns 2-7 are literacy percentages of the respective populations.
Source: *Census of India*, 1981, Series-12, Maharashtra, Part 13-B, Primary Census Abstract.

village school might partly explain difficulties in access. But this in no way explains the evident adivasi 'resistance' to education and the persistence of illiteracy despite state efforts by way of an infrastructure of schools and teachers. The number of teachers in the rural areas of Thane district which stood at 8,815 in 1981 and gave a ratio of teachers per 1,000 of rural population of 4.73 does not compare unfavourably with the ratio for the state which was 4.90.[7] The symptoms of adivasi non-enrolment and drop out from educational institutions, cumulatively manifested in illiteracy, might be more meaningfully explained by: (1) the continuing subordination of the adivasis within a subsistence economy and their inability to withdraw labour power—even though it be that of the children—from the production process and invest it in education, (2) by their uncertainty that even if a differed economic gratification were made through present investment in education this would eventually bear fruit in a context of constrained employment opportunities and, finally (3) by the way in which education is conducted, i e, the content, context and mode of transmission of knowledge within educational institutions and its conflicts with the adivasi way of life.

Data collected in 1980[8] on two primary schools run by the zilla parishad in a village in Talasari taluka provide a micro-view of some of the immediate factors that might still be contributing to the poor educational level among the adivasis at the district level. Both the schools taught till the 4th standard, the one in Patil Pada starting in 1953 and that in Wadi Pada being established earlier in 1949. Of the 70 children registered in the two single teacher schools in 1980, only 3 were girls. Table 3 gives a distribution of the students in the schools over the 4 classes and for the period 1970 to 1980. The teacher reported that only 25 per cent of the children of the appropriate age group were registered. 45 of the 70 children attended regularly. Poor economic conditions, the need for child labour and the lack of a tradition of education were some of the reasons for poor attendance, given by teachers and parents. While books, pencils, slates and a set of clothes were supposed to be given free of charge by the zilla parishad to the adivasi school-going children, only 5 and 10 out of the 34 in the Patil Pada school benefited from slates and clothes, respectively. Girls generally studied till the 2nd standard and dropped out, their education being considered as a burden in depressed economic conditions and anyway of not much use later. The data from the table indicate that as a general trend only about 25 per cent of the children who entered the 1st standard, were to be found in the 4th standard. Only 37 children from the village schools passed the 4th standard, over the ten year period. Opportunities for study beyond the 4th standard were, at the time, by way of an ashram shala which taught till the 7th standard, in a nearby village. 15 students from this village were reported to be making use of the facility. Eight children in the village were reported to have passed the 7th standard, over the past years and another five the high school. Two of the latter were attending college. According to the 1981 Census, the male literacy was 21.12 per cent, the female literacy 1.02 per cent and that of the total population 9.85 per cent, in this adivasi village.

P Prabhu and V Suresh,[9] based on their close contact with the field, describe the poor state of government sponsored formal education of the adivasis in the region.

> By their (educational authorities) own admission, less than 15 per cent of the state sponsored schools function. Most schools exist only on paper. Children are enrolled, taught, examined and promoted in the records alone. Less than 10 per cent of school going children enrol in school. Of these less than 10 per cent finish higher school. In a population that is 90 per cent illiterate, schooling is not at a premium. Sending a child to school means sacrificing a working hand. Sustained schooling is possible only in the better off families. As for the 60 per cent of the families who migrate for work, schooling is impossible. Schools have failed because the tribals does not demand education as a right. The curriculum has no relationship with his life at all. The motivation of teachers is low, even those who are tribals from the area. The reason why education has failed as a development strategy is because the tribals never wanted it in the first place. The rich families took to it because it promised a job.
>
> When only one per cent of the children in the school going age finally complete schooling, education cannot even be considered a mixed blessing. One could call it a disaster.

The reason given for this pessimistic assessment of the condition of the few educated adivasis is the alienation and the schizophrenic existence that awaited them in urban contexts for which they were so inadequately prepared.

The dismal scenario of adivasi education in the district prevails despite the efforts of several voluntary social welfare organisations. The western talukas of the district have, in particular, been well served by the zeal of these organisations which has been motivated by a mix of humanitarian concern, religious and political ideologies and innovative educational philosophies. A few examples may be mentioned: Pragati Pratisthan (Jawhar taluka); Balkanji Bari (Bapgaon, Dahanu taluka); Vishva Hindu Parishad (Talasari taluka); Maharashtra Gopalan Samitee (Sutrakar, Talasari taluka); the institutional complex of Grammangal (Dabhon, Dahanu taluka), and Gram Bal Shikshan Kendra (Kosbad, Dahanu taluka), moved by the inspiration of Tarabai Modak and Anutai Wagh; the educational network of the Gokhale Education Society's Agricultural Institute (Kosbad, Dahanu taluka); the Catholic Church, Jesuit mission inspired, Gnanmata Sadan (Talasari taluka) with 11 elementary schools and 1 high school; M D Society (Vadoli, Talasari taluka); Samajvadi Mahila Sabha, (Masvan, Palghar taluka). The ideological and educational orientations of these institutions with their social imapct within the contending hegemonic processes in the region, could be a subject of a study by itself. What is clear is that they have not made any major impact on adivasi illiteracy. We might now turn to the activities of some political groups which offer a contrast to the foregoing institutionalised educational programmes of the state and of voluntary agencies with a welfare orientation.

TABLE 2: COMPARATIVE LITERACY IN THANE DISTRICT— 1961, 1971 AND 1981

	Literacy in General Population Excluding Scheduled Castes and Tribes			Literacy in Scheduled Caste Population			Scheduled Caste Population and Per Cent of Total Population	Literacy in Scheduled Tribe Population			Scheduled Tribe Population and Per Cent of Total Population
	Persons	Males	Females	Persons	Males	Females		Persons	Males	Females	
1	2	3	4	5	6	7	8	9	10	11	12
1961	477917	331629	146288	3435	2425	1010	22722	23353	19799	3554	500558
	(42.32)	(55.68)	(27.41)	(15.12)	(20.37)	(9.34)	(1.37)	(4.67)	(7.81)	(1.44)	(30.29)
1971	860573	551089	309484	13404	9085	4319	36170	53457	46330	7127	579538
	(51.66)	(61.74)	(40.01)	(37.06)	(47.86)	(25.13)	(1.59)	(9.22)	(15.79)	(2.49)	(25.40)
1981	1550731	954911	595820	36635	24064	12571	83825	105094	82416	22678	729424
	(61.09)	(69.90)	(50.83)	(43.70)	(54.08)	(31.97)	(4.71)	(14.41)	(22.34)	(6.29)	(21.76)

Note: Figures in brackets in columns 2-7 and 9-11 are literacy percentages of the respective populations.
Source: *Census of India*, Maharashtra, for various years.

I have chosen three organisational formations: Vana Niketan—Shramik Mukti Sanghatana, Vidhayak Sansad—Shramjivi Sanghatana and Kashtakari Sanghatana, because in their history over the last 10 years or so, they illustrate movements over overlapping strategic options that are available to voluntary groups. The first two initiated their acitivities with a developmental and perhaps even a welfarist orientation and then shifted emphasis towards political action for an alternate process of development. The third appears to have launched itself quickly onto the plane of political action. All three viewed education as part of concerted action for social transformation.

The Vana Niketan was established as a rural development project in Murbad taluka, Thane district, in 1981 by four professional social workers. This was a follow up to the field placement of students from the College of Social Work, University of Bombay, in 1979-80. The first few years were spent on surveys relating to education, encroachments on forest lands and practitioners of herbal medicine. Cultural festivals for the adivasis, exhibitions and adult education centres were some of the activities during the early phase. In 1985 a people's organisation, Shramik Mukti Sanghatana, with a collective agitational thrust was formed and in early 1986 the Vana Niketan discontinued its relation as a demonstration project of the College of Social Work, but continued as a newly registered development organisation.

The organisation has presently spread its influence from Murbad taluka over the neighbouring Kalyan and Shahpur talukas and works among the Thakur, Katkari and Mahadev Koli adivasis, in that order of importance. It works in 90 hamlets spread out over 40 villages through Shramik Mandals or village committees. Four adivasi full time activists, apart from five adivasis who work part time and three middle class activists, devote their energies to the organisation. Much emphasis is placed on popular initiative through collective decision making, where the process of forging a "strong peoples movement with enlightened local leadership" is considered more important than the outcome of that process in immediate economic gains. The organisation is active on issues relating to land, rights to the forest, enforcement of the minimum wage, the employment guarantee scheme, the freeing of bonded labour, drinking water facilities in adivasi villages health and culture. Apart from the social awareness generated on these issues through village meetings and demonstrations, education is carried on in a more structured manner through 10 non-formal educational centres and five balwadis , in co-operation with the Gandhi Trusteeship Foundation, Bombay. Fifteen training camps for adivasi youth and eight for women in particular, have been conducted. Science awareness marches have been organised with the assistance of the People's Science Movement, Bombay. The focus of these marches is on ending superstitious practices, on environmental education and on fostering a scientific outlook.[10]

A recent joint initiative of the Shramik Mukti Sanghatana and the People's Science Movement has resulted in preliminary work towards setting up a 'school'—Jeevan Shikshan Shala—for non-school going adivasi children, 12 to 13 years of age. By this age most children are forced by circumstances to become regular agricultural labourers in the region. The aim of the 'school' is "to give opportunities to the children who have been deprived of education, to prepare them to face a life full of struggles at all levels and to take decisions of their own to solve the problems of the community".[11] The work will initially concentrate on Murbad taluka and hopes to spread to the district with the assistance of other mass organisations. The total duration of schooling will be 30 days, split up over four units of six days each, held in different hamlets, followed by three follow-up camps of two days each. Twenty boys and twenty girls have been selected for training during a workshop for children held from May 9-16, 1988, when about 60 children had turned up. The topics selected for the 'school' are: Literacy and numeracy that will provide basic reading ability and the arithmetics of adivasi monetary transactions, measurements of length, area and time and map reading;

The anatomy of humans and animals leading to an understanding of health, illness and medicine, man's relation with the environment and the issues of health and deforestation ensuing from a break in these relations;

The social history of the adivasis, their cultural traditions, man the producer, forest and agricultural practices and government schemes for the adivasis.

The themes, as may be observed, cover the broad framework of literacy numeracy, basic functionality and social awareness, and in a manner that would be relevant to an adivasi context. Fortnightly meetings and field visits for the volunteers of the People's Science Movement are being held from July 17, 1988 as a preparation for the non-formal 'school' that will be held in four sessions, from December 1988 to May 1989.

The Vidhayak Sansad is a registered trust started in 1979 with the aim of rural development with social justice. Starting as a health centre based in Dahisar village and serving 12 villages in Vasai taluka in Thane district, the organisation has spread its activities to the Bhivandi and Wada talukas, in addition to Vasai. Its work is among the Warli,

TABLE 3: DISTRIBUTION OF STUDENTS OVER STANDARDS IN PRIMARY SCHOOLS, 'KULAMBI' VILLAGE, 1970-1980

Standard	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	Total
Patil pada primary school												
1st	10	12	13	13	15	12	15	17	15	18	22	162
2nd	7	6	4	4	6	9	8	3	9	7	8	71
3rd	4	1	4	4	4	4	9	4	4	4	2	44
4th	2	3	4	4	5	6	3	5	4	1	2	39
Total	23	22	25	25	30	31	35	29	32	30	34	316
Appeared for 4th exam	2	3	3	4	5	4	2	5	3	1		32
Passed 4th exam	2	1	1	3	3	3	1	3	3	1		21
Wadi pada primary school												
1st	8	8	8	13	13	17	15	13	15	18	17	145
2nd	10	8	5	5	6	6	8	11	6	6	10	81
3rd	7	8	5	4	4	4	6	4	5	4	6	57
4th	3	4	8	3	4	3	3	4	4	2	3	41
Total	28	28	26	25	27	30	32	32	30	30	36	324
Appeared for 4th exam	1	4	8	3	1	3	2	4	2	1		29
Passed 4th exam	1	1	2	3	1	2	1	2	2	1		16

Source: 'Primary Schools in 'Kulambi' Village' in D Saldanha, op cit, 1984, p 503.

Mahadev Koli and Katkari adivasis, in that order of importance. Apart from the health centre, a creche for the children of working women, balwadis, libraries for children and adults; income generating schemes like basket making and goat rearing were some features of the first phase of the programmes.

This social welfarist approach with individualised assistance to beneficiaries was soon confronted with the socio-economic context of the lives of the adivasis. The major problem was at the level of the social relations of production—the question of bonded labour and indebtedness among the adivasis. A sister organisation, Shramjivi Sanghatana, was registered as a trade union in 1982 and addressed itself to the problems of agricultural labourers and marginal farmers. 496 adivasis have been so far released from debt bondage through a mix of agitations, writ petitions, appeals through the media and the legislature and supportive measures for the released adivasis. The thrust of intervention gradually shifted from an individualised welfarist approach to a developmental approach which, while attempting to provide inputs to raise the forces of production, confronted the exploitative social relations through collective self-assertion. The data on the organisation suggest that accompanying this conflictual process, co-operative forms of alternatives to individualised agricultural subsistence were attempted by way of co-operative production units for brick making and horticulture, grain-banks to tide over the lean months and social reform measures like group marriages and drives against alcoholism to counteract indebtedness. To encourage local participation and leadership, 102 village committees have been set up and training camps have been initiated. The organisation has, at present six full time adivasi activists and four non-adviasi ones from the urban middle class.[12]

How does the foregoing relate to education? I think it is through the generalised critical social awareness that is generated through the process of struggle for collective development and the specialised study camps for adivasi leadership. These camps were organised in the months of September, October and November from 1985 onwards for three days each month. 122 adivasi activists have been trained, the vast majority of whom are illiterate and without any formal education. A participatory approach based on a collective critical review of social experiences was a characteristic of these camps. It had the advantage of generating solidarity in the process of a search for solutions and directions. By moving from the concrete to the abstract in a collective process of critical thought, the camps attempted to, and, from all indications, succeeded in bridging the gap between the individual and the collective, between thought and action in the process of transforming the actual situation. The broad topics covered, and in an order of abstraction and generalisation, were questions related to land, issues in dealing with the police and the courts, the government's development schemes, and local geographical knowledge. The local self-governing bodies such as the gram panchayat, panchayat samity and zilla parishad and the mechanisms of exploitation were a second set of subjects of greater complexity. The sessions would end with an introduction to scientific observation through dissection of animals and the use of the telescope and microscope. Selected activists trained in one programme served as trainers in succeeding camps. The trainees were given action oriented tasks to be performed at the police station, gram panchayat office, the revenue office and the village school.[13] The trainees who emerged from the camps were centres of a ripple effect which spread at the village level to varying degrees through informal discussions and meetings with the village committees.

There is no direct emphasis on literacy at the camps, except for the capacity to sign one's name. The walls of the huts around the training camp are covered with symbols, models, graphs, slogans and pictorial illustrations. The adivasi trainees, the vast majority of whom are illiterate, are given a pencil and notebook and encouraged to fill it up. This provides an initiation into the symbolic systems implicit in literacy and numeracy. Group songs, games, group report writing, role plays and dramatisation are other modes of instruction that are used in a context of illiteracy and a consequent limited capacity for abstraction. The non-adivasi activists of the Shramjivi Sanghatana believe that critical awareness creates the social basis for a felt need for literacy. That basis exists at the moment and the next step would be to move on to literacy. The trainees have already experienced the need for literacy and seek it out through literate members of their village community. As one literate activist put it: "If social awareness is lacking, consistency in attending a literacy programme becomes difficult for the adivasi. If we organise the literacy classes now (i e, after the social awareness training) we will get a tremendous response."

Education understood in its most meaningful sense, as the generation of a critical social awareness, is intimately interwoven with the activities of the Kashtakari Sanghatana. The organisation sums up its activities in "five basic concepts: Janashikshan, janajagruti, janakarya, janasanghatana, janashakti—people's education, generating people's awareness, expressing itself in peoples action, leading to people's organisation and finally culminating in people's power".[14] The salutation of the raised, closed fist came to symbolise and reinforce these five principles. The organisation was initiated in a context and, to a large extent, as a result of 'people's education'. It continued for the first few years, after its founding in 1978, with an intensive educational programme linked to action. Repression from the state, the dominant landlord-trader-moneylender class in the region and from an unexpected quarter, a competing and earlier mass organisation in the region—the Kisan Sabha (CPI-M), forced it to cut down on many of its activities and to take a defensive stance after 1982, especially in Talasari taluka. Innumerable court cases have also contributed to draining the energies and the meagre finances of the cadres, deviating their attention from more urgent tasks. Its influence is presently to be found in the Dahanu, Jawahar and Mokhada talukas and predominantly among the Warli adivasis.

During the initial years, weekly meetings used to be held in the villages with the adivasi men and women. The discussions would be in the form of a collective analysis of the context and causes of poverty, an understanding of self-worth and the need to take individual and collective responsibility for changing one's conditions. Two-day camps, youth festivals of a longer duration, special camps for women and meetings with other activists/organisations, such as the Bhoomi Sena in Palghar taluka and the Shramik Sanghatana in Shahada taluka, Dhulia district, were some of the activities during the early phase. The organisation visualised adult literacy, health camps and agricultural training camps as building on this social basis of critical awareness, responsibility and action. It explains its educational philosophy thus:

> The fundamental objective of all this education has been to encourage the people to posit an act of freedom—the free process of education does not domesticate the mind and the will of the learner as happens in the course of formal education. We want our education to be the starting point of freedom. The awareness which takes place in the process of people's education, that takes place continually, is also understood in an act of affirmation, the act of affirmation of confidence in oneself. Hence the awareness begins with the discovery of each person as a dignified human person. In the festivals we call it the theory of self image. The image the people have of themselves is what determines their behaviour and so a people acting for freedom must begin to understand themselves as free human beings, people whom the bondage of poverty and deprivation, the marginalisation and dehumanisation will not crush. The awareness of the human person leads to the discovery of the dignity of the other person as well.[15]

Action resulting from understanding led to a second act of affirmation, that of a sense of identity with the Kashtakari Sanghatana. The organised or spontaneous actions of the people have been classified in the following manner:

(a) stop illegal moneylending;
(b) recover money illegally taken from the people by moneylenders, shopkeepers, merchants, etc;

(c) recovery of unpaid wages by grass merchants, forest contractors, labour contractors, etc;

(d) resistance and demand for stopping acts of beating, harassment by shopkeepers, merchants, etc; and

(e) resistance to high-handed behaviour of shopkeepers, supervisions of landlords, etc.[16]

Other types of issues/actions have been "to establish rights that are due to the people under the various development schemes of the government", to resist the extortions of government officials, especially those of the police, revenue and forest departments; the alienation of adivasi lands to the landlords and traders; to ensure work and wages under the Employment Guarantee Scheme (EGS) of 1977; issues related to the forest, i e, the regularisation of adivasi encroachments on the forests, commercial deforestation and social forestry; the formation of common platforms with other organisationss on issues relating to the EGS, state repression, on the women's question and on the regularisation of forest lands; the anti-drunkenness drive; and finally the attempt to establish alternate forms of co-operative activity through committees to settle internal disputes, through grain banks, mutual labour assistance, joint cultivation and group marriages. All these actions have been accompanied and followed by reflection in informal village groups, in meetings of village committees and in those of co-ordination committee of the organisation.

The methods of education are lectures, group discussons, case study, simulation exercises and role play. Skits, songs, recitation of stories and the use of symbols are cultural activities that are integrated into the educational programmes. The following is a vivid record of one of the simulation exercises that has been used to stimulate analysis of concrete everyday experience and action:

> A skinny, scantily dressed woman joins the group. She walks noiselessly and coveringly around the circle, clutching a lump of earth protectively. She stumbles once or twice, manages to regain balance. The third time she slips, she falls, the lump of earth from her hands goes crashing to the earth and crumbles. Frantically she tries to draw the fragments together but is unable to do so. In desperation she makes four piles: near one she places a bottle, near the next some money, beside the third she places a few grains of paddy and the fourth she retrieves and holds carefully to her bosom. She lies prostrate for sometime and then withdraws. The effect is electrifying. The participants watch in stunned silence, from somewhere in the circle, a stifled sob is heard. Slowly and painfully they begin to respond. One crushes the money beneath his heels, symbolic of driving the moneylender away, another kicks the bottle, doing away with drink, a third attempts to collect the mud, he is joined by another and yet another—symbolic of the collective attempt to regain the land. To Somwari and the others, the challenge dawns: take responsibility for your own life, unite to change the present, to ensure a better future. There is no indecision. Somwari becomes one with the Kashtakari Sanghatana.[17]

The organisation places heavy emphasis on collective participation in the process of planning, execution and reflection on actions, seeing it as a "process of peer group learning rather than a programme from the top". The non-adivasi activists in the organisation are aware of the problems of political education in a context of a culture of illiteracy reinforced by socio-economic exploitation, as may be seen from the following record:

> With the bulk of the members and a considerable proportion of the village cadre being illiterate, the theoretical formation of the cadre and the political education can take place only by word of mouth. Further the adivasi language being relativey simple with few if any conceptual terms, communication of concepts becomes difficult. The third factor being the simplicity of the people which necessitates the over-simplification of complex theoretical matters. The combination of the three making the process of political education tedious and slow. Every matter needs to be explained, nothing can be left for private reading and study.[18]

In August 1986, the organisation arrived at a political understanding with the Lal Nishan Party.[19] This has effectively given it some legitimacy in the eyes of the rival organisation, the Kisan Sabha (CPI-M), and has reduced the tension between the two. The Kashtakari Sanghatana has recently proposed to build on the basis of the political awareness gained in the process of struggle for the eco-political rights of the adivasis, through a more intensive focus on alternatives, especially in the areas of adivasi medicine, forestry and education.

As a step towards an alternate co-operative health programme, the organisation plans holding a training camp from March 25 to April 24. Two representatives from each of 10 village health collectives consisting of 20 families each would have an opportunity of interacting with practitioners of ayurveda, acupuncture and homoeopathy, so as to supplement their traditional skills in jungle medicine. This alternative which is considered "meaningful, based on peoples' resources and manageable by the people", hopes to incorporate the skills of the 'bhagat', the adivasi medicine man.[20]

The organisation also visualises a non-formal educational programme that would be close to the cultural and economic context of the everyday life of the adivasis. Fables that are part of the oral tradition among the adivasis and illustrate the conflicts faced by them, have been picturised by the adivasis in their local art form. These will be used as the medium and the basis of a literacy programme that will be articulated with the infromal teaching-learning situations and socialisation processes in the culture of the adivasis, and the confli[illegible] experienced at the level of the social relatio[illegible] of production. The following are samples [illegible] two fables which convey the popular unde[illegible]standing of how, through liquor and mone[illegible]lending, two communities of non-adiva[illegible] settlers in the region expropriated t[illegible] adivasis of their possessions and their ve[illegible] persons.

> A tribal managed to keep the messenge[illegible] of Jam (God of death) at bay. The forest w[illegible] his ally in the task. Jam angered at the disa[illegible]pearance of his messengers, was intrigued [illegible] to how it could have happened. But he w[illegible] at a loss as to how it happened. He decide[illegible] to come down to earth in the form of [illegible] Parsee. He set up a khomar (liquor distille[illegible] and shop) in a tribal village and offere[illegible] liquor to the tribals. News of his munificen[illegible] spread far and wide and there were willin[illegible] guests. The tribal together with his fathe[illegible]-in-law heard of the Parsee's bounty an[illegible] decided to visit the liquor shop. While the[illegible] sat and drank, the Parsee listened to the idl[illegible] chatter of his guests. From the boasts of th[illegible] drunk tribal, he learnt of the trick by whic[illegible] the messengers of Jam had been foole[illegible] and imprisoned in the forest. The Parse[illegible] challenged the drunk tribal to give proof o[illegible] his feat. In a stupor, the tribal led the Parse[illegible] to the forest and reveled the secret. Th[illegible] Parsee then shed his disguise, his messenger[illegible] rushed out and grabbed the spirit of the triba[illegible] and went back to their heavenly abode.
>
> The Marwari or Vani moneylender is portrayed as a bandicoot who meets a woman returning from the forest with a headload of firewood. He requests the woman to take out a thorn embeded in his tail. While taking the thorn out, the rat's tail breaks. As compensation, the rat takes away her sickle. He offers the sickle to a man splitting bamboo with his teeth. When the sickle breaks he takes away the baskets that the tribal man was weaving. He offered the basket to yet another tribal farmer who was carrying the grain from the threshing floor in a leaf. When the basket breaks after use, he takes away the drinking water pot. The pot is offered to another set of farmers who lack the means to carry water to their fields. On breaking the pot, the rat takes away the produce of the fields which he offers to yet another family who are starving. The food is consumed, and the rat takes their cattle in exchange. He comes across yet another tribal who is forced to use his wife as a beast of burden to pull the plough. He offers a bull. When the bull finally dies, the rat walks away with the tribal's wife.[21]

It is hoped that a literacy programme based on popular 'common sense' and linked to the ongoing struggle for exercising political control, will be an added weapon in the process of social transformation.

CONCLUSION

The theoretical argument which emerges from the foregoing data gathered from field visits, interviews, observations and secondary sources, may be briefly stated as follows:

The vast majority of the adivasis in Thane

strict, as a result of a historical process f economic domination by landlords, aders, forest contractors and creditors, find emselves today as indebted agricultural bourers who are seasonal migrant workers grass cutting and in the industrial inforal sector; as poor peasants who are unable eke out a subsistence level of living from neir uneconomic holdings in single crop, ain-fed agriculture; and finally as labourers who are bound in various forms of contracual arrangements as a result of indebtedess. The inequitous relations at the conomic level are paralleled and reinforced y a process of cultural hegemony, of which ducation must be seen as a part. While this egemonic process fails to entice and llocate the vast majority of adivasis within trajectory of capitalist development of griculture and a structurally unequal ndustrial society, it results in a gradual lestruction of adivasi identity and a comnercialisation of adivasi culture. In culurally hegemonic and socio-economically polarised contexts, the process of transmision of knowledge in effect becomes an implantation and, thus, alienating. The few adivasis who are able to attain the certificaion levels of this alien educational system are allocated to lower-middle class positions n the government administration, in the social welfare programmes and in the educaional system itself.

Formal education undeniably provides a certain competence within this adviasi context, a major aspect of which would be an initiation into middle-class status and functioning especially for the few who are second generation learners in the formal system. The vast majority of adivasis look on the formal education system with awe, as a ritual that they can ill-afford because it is irrelevant to their immediate needs. The symptoms of this stance are the incidence of non-enrolment, stagnation and drop-out cumulatively manifested in illiteracy. Illiteracy, in this particular adivasi context, may be seen as a rational strategy for survival in the context of subsistence agriculture; a withdrawal from an alien system which in its context, content and mode of transmission of knowledge is considered unrelated to immediate eco-cultural demands; and as an act of resistance and preservation of cultural identity.

The majority take recourse to the more spontaneous, unstructured teaching-learning processes that are built into their everyday life socialisation and their strategies for survival within conditions below subsistence. These are, for instance, the transmission of agriculutral, food gathering and forestry skills within the domestic sphere, at the level of economic production; the gynaecological and child rearing skills transmitted thorugh the 'dai' at the level of biological and social reproduction; and at the level of cultural reproduction, the role of the 'bhagat' in giving a sense of ethnic identity to the people through rituals at various ceremonial occasions, enchantations related to the agricultural cycle and through his practice of herbal medicine. P Prabhu and V Suresh,[22] activists of the Kashtakari Sanghatana, observe that the socialisation of the adivasi children is free from enforced discipline and corporal punishment. Organic learning takes place in the company of older children and adults. At the age of 4-5 they function as 'balgyas' (child sitters), then become 'govari (cowherds) at the age of 8-9. The boys soon graduate to being 'nangrya' (ploughmen) and fishermen and the girls to mature female roles such as collection of fodder, firewood and manure, sowing, weeding, transplanting, harvesting and winnowing. Disputes and negotiations are settled publicly, thus providing a learning experience at a tender age. These informal teaching-learning situations involving the communication of knowledge are considered directly and immediately relevant.

There exists a range of educational efforts attempting to confront the problem of adivasi illiteracy in Thane district. There is no basic difference between the formal educational institutions of the state/local self-governing bodies and those of the voluntary social welfare institutions. A social welfare approach that visualises education as a rescue act, an exercise of patronage of individualised beneficiaries who are objects of a process of transmission of knowledge, is a common charcteristic of both these efforts. Among the latter institutionss, one might find a few noteworthy attempts to bridge the contradictions at the level of culture, by integrating elements of adivasi practice into the educational programme and to relate education to the economic needs of the adivasis by taking education to their doorsteps and imparting training in functional skills. Some of them are marked by their humanitarian concern for identifying and nursing a minority of adivasis through the educational system. Religious and political ideologies play an important part in these educational efforts from above, and the adivasi objects of patronage become show pieces and dependable clients entrusted with the task of winning over a wider circle of clientele from among the adivasis. However, both state and voluntary social welfarist efforts in education in the region have in common a near total neglect of the contradictions of the social relations of production which form the real context of adivasi agricultural subsistence. These contradictions find no reflection in the context, content and mode of transmission of knowledge in formal education. In fact, despite the humanitarian concern, the effective thrust is towards weaning away a minority from the process of resolving these contradictions. Voluntary effort in institutionalised education in the region may be seen, in effect, as a more efficient instrument than that of the state, for the social reproduction of the relations of production along the lines of the state sponsored strategy of development.

If the essential components of the Adult Education Programme—literacy-numeracy, functionality and social awareness—may be understood in a general, conceptual and symbolical manner, as the basic windows to fields of knowledge and hence as integrating principles of even the formal educational curriculum, then the educational efforts of state and welfare agencies may be seen as having a major focus on literacy-numeracy, with some degree of functional allocation within a differentiated and alien system, to the total neglect of action for social transformation based on critical social awareness and political assertion of identity. The foregoing analysis and what follows might suggest an implicit continuum within the educational process: (1) From the ritualisation of a symbolic system and its knowledge content involved in the transmission of 'literacy-numeracy', and a special area of focus of the state's social welfare approach to education; (2) to the communication of a 'technologically' relevant knowledge with the function of allocating to middle-class professions within an inequitably structured *status quo*, as may be found in a few innovative attempts in voluntary welfare agencies that combine literacy-numeracy with some degree of 'functionality'; (3) and finally, and in a manner suggesting a break in the continuum, the generation of awareness of the conflicting context of survival for the adivasis, its causes and alternatives as implicit in 'social awareness', and which forms the primary concern of the non-party political groups in the region. One might then see that the levels of voluntary mediation between state and society correspond to preferred educational/developmental thrusts.

In contrast to the social welfarist approach to education, one sees the educational efforts of the non-party political groups in the region focusing on 'social awareness'. The former is confronted with the dichotomy of, on the one hand, providing the adivasis a selective access to an 'elitist', 'good' education, geared to and emanating from industrial and urban contexts (an example is the Navodaya Vidyalaya approach), within the constraints of finance and the limited capacity of the economy to absorb this educational output; and on the other, in its search for relevance, offering a watered down education, 'appropriate' to the needs of adivasis in their present location within a sharply polarised rural and agrarian structure. The approach of the political groups offers a perspective for resolving some of these contradictions which are confronted by the more institutionalised, formal educational process at the cultural and economic levels of adivasis existence by linking education to the political act of social transformation along the lines of an alternate development strategy. They see their educational programmes as offering a critique and a possible corrective to the more formalised processes of transmission of knowledge. Some of these organisations—Vana Niketan/Shramik Mukti Sanghatana,

Vidhayak Sansad/Shramjivi Sanghatana have initiated their efforts on an economic developmental plane by attempting to provide training, technological and organisational inputs within the stagnant forces of production. This has been done in a participatory and collective manner. They soon moved to a political plane as they were confronted with the need to resolve, through agitational means, the contradictions of the social relations of production which enmeshed the lives of the adivasis. This demanded a change in organisational structure and linkages, with sister organisations being created. The Kashtakari Sanghatana appears to have started directly with a more political and agitational thrust, resulting in heightened repression. All these organisations laid heavy emphasis on the generation of a critical social awareness through group discussions in the adivasi villages and training camps for activists.

These processes are not self-consciously 'educational' in character in a 'formal' sense, but contain an inbuilt component of transmission of knowledge, technological skills and social awareness as part of a 'formalised' process of social transformation. They have visualised knowledge to be not only an instrument of harmonious control over the environment for greater economic returns, but also as a means to empowerment through critical awareness and participatory organisational forms. Social transformation is itself seen as an 'informal' process of education. The very relevance of these developmental processes and their immediacy to the needs of the adivasis renders them articultated with the life of the people, so that ironically they no longer may appear as 'educational'.

The non-party political groups—by mobilising around adivasi cultural identity on economic issues related to their subsistence agriculture and through critical awareness, organisation and political action for social transformation—attempt to link the political with the cultural and economic. They thus offer a perspective for resolving the contradictions, between and at these levels, faced by formalised adivasi education. Above all, they create a climate of critical social awareness and political action which generates a felt-need for literacy-numeracy and functionality, in a more relevant formalised educational programme. The major question is: Can an endogenous system of transmission of knowledge and competence be evolved which critically questions and mobilises to action in the very process of transmitting accumulated human reflection on the socio-economic context of people's relation with their environment? One sees the efforts of these political groups as a tentative answer to this question. These nonformal educational processes in adivasi regions suffer from an illegitimacy in comparison with the more formalised systems of education. They are, after all, attempting to set in motion an alternate hegemony whose future will be decided by a historical process. 'Science' can definitely lend its critical support to these 'commonsensical' approaches to the 'socialisation' of critical thought.

Notes

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The original version of this paper was presented at the national symposium on "Education and Democracy", organised by the Nehru Memorial Museum and Library, New Delhi, October 10-12, 1988.]

1 The theoretical formulation underlying this paper has been inspired, in part, by a reading of A Gramsci, especially the *Selections from the Prison Notebooks*, edited and translated by Q Hoare and G N Smith, New York, International Publishers, 1971. The concepts of hegemony and of science in its relation to common sense are used in the Gramscian meaning of the terms, interpreted in the context of the field situation in Thane district. For a theoretical and methodological discussion of the use of these concepts, see D Saldanha, 'Antonio Gramsci and the Analysis of Class Consciousness: Some Methodological Considerations', *Economic and Political Weekly*, Vol 23, No 5, January 30, 1988.

2 I have drawn on the classification of voluntary agencies provided by Harsh Sethi, 'Groups in a New Politics of Transformation', *Economic and Political Weekly*, Vol 19, No 7, February 18, 1984, which is: (a) relief and charity organisations; (b) developmental groups; (c) groups engaged in mobilisation, organisation, politics and political education; and (d) protest groups and related activities. I have modified the classification to suit the region, as will be seen in the text. The classification (a) might be better termed as social welfare agencies and, in practice, seen as an extension of state functions. Category (b) developmental groups has been retained and (c) and (d) might be better understood as converging into non-party political groups. The classification is not static and exclusive, as has been pointed out by the author, with a tendency of movement from (b) to (c), in particular, and as seen in the organisations discussed in the text.

3 For a detailed social history of the adivasis in Thane district, see D Saldanha, *A Socio Psychological Study of the Development of Class Consciousness*, Department of Sociology, University of Bombay, 1984, pp 160 ff (PhD thesis).

4 D Symington, *Report on the Aboriginal and Hill Tribes of the Partially Excluded Areas in the Province of Bombay*, Bombay: Government Central press, 1939, pp 47- 48.

5 Directorate of Economics and Statistics, Government of Maharashtra, *Socio Economic Review and District Statistical Abstract of Thane District*, Bombay, 1981-82, p 24.

6 Data provided by the education office, Thana Zilla Parishad, Thana, 1989.

7 Directorate of Education, Maharasht[illegible] Pune, General Population Tables, Part II 1981.

8 D Saldanha, 1984, op cit, pp 502-505.

9 'Transcience and Transition in Soc[illegible] Institutions: The Warli Experienc[illegible] Kashtakari Sanghatana, 1987, pp 31- (unpublished).

10 This information is gleaned from V[illegible] Niketan, *The New Man has to be Create[illegible]* Murbad: Van Niketan, 1988 (a booklet [illegible] Marathi) and interviews with I Tulpule a[illegible] V Sathe. A video documentation of t[illegible] activities of this and the other two organis[illegible]tions is also being undertaken.

11 Circulars from People's Science Movemen[illegible] Bombay, "Jivan Shikshan Shala", dat[illegible] 6-7-88 and 22-8-88.

12 The foregoing information is drawn fro[illegible] Vidhayak Sansad, *Rural Reconstruction, [illegible] Joint Venture of Vidhayak Sansad a[illegible] Shramjivi Sanghatana*, Dahisar, Tal Vasa[illegible] Vidhayak Sansad, 1986 (approx).

13 This brief description is derived fro[illegible] D G Prabhu, 'Activists' Collective Stu[illegible] Camps, Effective Weapons for Soci[illegible] Change', *Sad Padyatun*, Vol 1, No [illegible] May 1987 (in Marathi). Interviews wi[illegible] V Pandit, D G Prabhu and observations [illegible] group discussions and training camp[illegible] helped to complete the picture.

14 This and the following quotes and informa[illegible]tion on the Kashtakari Sanghatana a[illegible] drawn from The Kashtakari Sanghatan[illegible] *Review of the Past Twenty-Two Month[illegible] Historical Survey of the Activities of th[illegible] Sanghatana*, 1980, p 1 (mimeographed).

15 Ibid, pp 2-3.

16 Ibid, p 6.

17 P Prabhu, 'Breaking the Silence (Aakrosh) 1981 (approx), mimeographed article fro[illegible] the unpublished files of the Kashtaka[illegible] Sanghatana.

18 The Kashtakari Sanghatana, *The Perspec[illegible]tive*, 1982 (approx), p 28 (mimeographed)

19 "Kashtakari Adivasi Brothers and Sisters o[illegible] the Thane Region: A One-Hearted an[illegible] United Call of the Lal Nishan Party and th[illegible] Kashtakari Sanghatana", August 1986 ([illegible] leaflet in Marathi).

20 An undated leaflet on the subject, brough[illegible] out by the Kashtakari Sanghatana.

21 P Prabhu and V Suresh, 'Transcience an[illegible] Transition in Social Institutions: The Warl[illegible] Experience', Kashtakari Sanghatana, 1987 pp 20-21 (unpublished).

22 Ibid, p 9.

Culture and Subaltern Consciousness

An Aspect of MGR Phenomenon

M S S Pandian

This essay is about how dominant ideologies succeed in the terrain of struggle and produce consent among the subaltern classes. This process is illustrated by exploring the screen image of MGR and its insertion in the pre-existing common sense of the subaltern classes in Tamil Nadu.

I

SOCIAL scientists working within the broad Marxist framework have achieved substantial advances in understanding varied forms of protest movements, revolts and anti-establishment organisations in India. Two volumes on peasant struggles in India edited by A R Desai [1979, 1986] and six volumes of 'subaltern studies' edited by Ranajit Guha [1982, 1983, 1984, 1985, 1987 and 1989] would bear ample testimony to this achievement.

To study protest movements and revolts is to enquire into the counter-hegemonic projects of the subaltern classes. While it is no doubt important to study these counter-hegemonic projects and draw lessons from them, it is equally important to recognise that such projects are few and far between in time and space. In other words, the dominant reality has been one of the subaltern classes accepting the hegemony of the elite through such processes like deference to the elites and emulation of elite values.

However, there is hardly any study on how the ruling elites produce[1] consent from the subaltern classes in concrete situations. This lack in the current scholarship has already been pointed out by some scholars [Sarkar: 1984; Patnaik: 1988]. The present essay takes this as a point of departure and makes a modest attempt to explore into subaltern consciousness while under hegemony, through a case study of the immense popularity enjoyed by the late M G Ramachandran (MGR hereafter) among the people of Tamil Nadu.[2]

There are specific reasons for choosing the MGR phenomenon as a concrete instance to analyse the problem. The eleven-year rule of MGR did not cause any particular structural changes in the economy to benefit the subaltern classes in Tamil Nadu. Their material conditions indeed worsened during this period [MIDS, 1988]. On the other hand, his government ruthlessly used the state machinery to put down even the mildest of protests from workers, peasants, fisher people, teachers, government employees, etc. Also, his rule diluted unrecognisably the cultural gains achieved by the subaltern classes due to the drawn-out struggles of the Dravidian movement during its early progressive phase. Given this, one would expect that the subaltern classes would have resented MGR's politics. On the contrary MGR enjoyed a stable, if not growing, popularity among the poor in Tamil Nadu throughout his tenure in office. His party polled a third of the total votes in every election, and his followers exhibited an almost personal bond with him throughout. When he died on December 24, 1987, several lakhs of people converged in the city of Madras and his funeral witnessed an unprecedented spectacle of grief. Besides, thirty-one of his followers committed suicide.[3] Thus the 'ascribed' consciousness and the 'actual' consciousness of the subaltern classes are substantially divorced in Tamil Nadu.[4] For this reason, an exploration into the MGR phenomenon would further our understanding of how the elite produce consent among the subaltern classes.

Moreover, there exist only a few studies on the MGR phenomenon [Hardgrave Jr, 1979; Samuel, 1983; Thandavan, 1983; Sivathamby, 1981]. All these studies, except Sivathamby's, are empiricist, sometimes adulatory, and do not raise questions concerning the subaltern consciousness *vis-a-vis* the MGR phenomenon. (This is a secondary reason for taking up the MGR phenomenon for the study.) However, I must hasten to add that the essay is not going to explore all aspects of the MGR phenomenon. The phenomenon being multi-layered and complex, we would take up only one of its aspects for analysis: How a specific image of MGR was presented on the screen, where in the cultural mosaic of the subaltern classes this image is rooted, how and why this image became popular and what is the nature of its ideological content.

II

Before we embark on a discussion of the phenomenon itself, it is important to spell out a few things about the central analytical category employed in the essay, i e, the category of common sense of "the philosophy of the non-philosophers" developed and elaborated by the Italian Marxist Antonio Gramsci. Gramsci developed the category of common sense as a critique of the Enlightenment tradition which held the worldview of the common people as devoid of any sense and at the same time, as a critique of the pre-Enlightenment tradition as well which celebrated their worldview as *the* philosophy.[5]

According to Gramsci, common sense is the ensemble of cultural presuppositions by which the subaltern classes make sense of the world they live in. This worldview or consciousness is pre-theoretical, unsystematic, incohate and contradictory. In Gramsci's words [1973: 419] "Its (common sense's) fundamental characteristic is that it is a conception which, even in the brain of one individual, is fragmentary, incoherent and inconsequential, in conformity with the social and cultural position of those masses whose philosophy it is". This consciousness is primarily dominated by sediments of the ideologies of the elite:

> . . .this same group [subaltern classes] has, for reasons of submission and intellectual subordination, adopted a conception which is not its own but is borrowed from another group; and it affirms this conception verbally and believes itself to be following it, because this is the conception which it follows in 'normal times'—that is, when its conduct is not independent and autonomous but submissive and subordinate [Gramsci, 1973: 327].

However, common sense is not completely regressive carrying only the elements of dominant ideologies, but it contains progressive, autonomous elements as well which assert themselves when the subaltern classes act against the elite "occasionally and in flashes".

> This is the healthy nucleus that exists in "common sense", the part of it which can be called "good sense" and which deserves to be made more unitary and coherent [Gramsci, 1973: 328].

This contradictory character of common sense gives it a certain plasticity, i e, it can be selectively appropriated and reconstituted by different political forces. Given Gramsci's own political concerns, he suggested that any movement of the people should develop a critique of the common sense by "basing itself initially, however, on common sense in order to demonstrate that "every one" is a philosopher" [Gramsci, 1973: 330] and it should make the good sense or the progressive elements within the common sense "more unitary and coherent".[6] In other words, "...ideology, in this meaning of common sense, is not just an instrument of domination or a set of false beliefs. Rather, it is a terrain of struggle. It is the site on which the dominant ideology is constructed but it is also the site of resistance to that ideology" [Simon, 1987].

The present essay is about how dominant ideologies succeed in this site of struggle and produce consent among the subaltern classes. This process is illustrated, as we have suggested already, by exploring the screen image of MGR and its insertion in the pre-existing common sense of the subaltern classes in Tamil Nadu. We shall begin with how MGR's image was constructed in films.

III

Varanthira Rani (a popular weekly with circulation of about 3 lakh copies) predicted, in its issue dated February 15, 1987, that the then Tamil Nadu state assembly would be dissolved and fresh elections held. Though the prediction proved wrong, the basis for this prediction was itself interesting and significant. The prediction was made in the knowledge that new prints of MGR starrers were being produced! MGR films were repeatedly screened during election campaigns, and All World MGR Fans Association (which had about 10,000 branches in Tamil Nadu) served as the backbone of AIADMK.[7] MGR himself openly admitted; "Fans Association and party are not different".[8]

There has always existed a symbolic relationship between films and politics of Dravidian parties in Tamil Nadu. While this may sound like a truism, it is, yet, important to detail the modes through which films have sought to intervene in politics. This has happened in one of three ways: There have been films that have indulged in direct political propaganda; for instance, *Parashakthi, Velaikari* and *Oor Iravu*. More usually, reference to party symbols, and anagrammatic usage of party leaders' names in songs and in the course of dialogues has been a common feature of DMK style political propaganda. An interesting third usage has been the mixing of documentary footage with shots of the actual film in question. In *Panam* and *Thangarathnam*, during the course of a dialogue sequence, as an answer to a query, the scene shifts to reveal documentary shots of DMK Party conferences. And, of course, M Karunanidhi and C N Annadurai were film script-writers and there has been no dearth of film personalities being involved in party politics in Tamil Nadu. In fact, film actors beginning with N S Krishnan, K R Ramaswamy, S S Rajendran and, of course, MGR have always drawn crowds, especially to party conferences.

MGR began his acting career in films in 1936 with Ellis R Duncan's *Sati Leelavati*. His acting spanned forty years and 136 films, and for the first twenty years, he, by and large, acted in mythological roles.[9] Only from the late 1950s he was seen in social roles, achieving recognition in this regard with *Thirudathe* (1961). Henceforth, MGR's screen roles comprised several stereotyped characters all of which constituted 'MGR'.

A characteristic MGR role was that of a working man combating every day oppression. Thus he had acted as a peasant, fisherman, rickshaw puller, carter, gardener, taxi driver, quarry worker, shoe-shine boy, cowherd, etc. In fact, many a successful MGR films were titled thus: *Thozhilali* (1964) (worker), *Vivasayee* (1967) (peasant), *Padakotti* (1964) (boatman), *Mattukara Velan* (1970) (cowherd Velan), *Rickshawkaran* (1971) (rickshaw puller), and *Meenava Nanban* (1977) (fisherman's friend). Even in films where he assumes dual roles it is the subaltern MGR, who is given cinematic prominence. A striking example is *Mattukara Velan* (1970) in which he acts both as a cowherd and a lawyer. The cowherd outsmarts the lawyer throughout. Aptly enough the film was named after the cowherd.

These films are ostensibly about the oppression faced by the poor with MGR of course, being constituted as one among them. By employing a carefully constructed system of *mise en scene,* these films, celebrate his subalternity and create a mood for the audience to identify themselves with him. We shall cite just one such element of *mise en scene* here, that is food which constitutes the central concern of the everyday struggle of the poor. In *Thozhilali* (1964) MGR, as a manual worker, drinks gruel from an earthen pot, and licks pickle from off his fingers. In *Kanavan* (1968) he asks for *Neerakaram* (water in which previous day's cooked rice has been soaked) in his rich wife's house. In *Ninaithathai Mudippavan* (1975), he eats Ragi dosai, drinks *sukku kappi* (a hot concoction made of dry ginger, jaggery and water) and expresses his desire to have cold rice and cooked cereal. MGR's films endow these food items with a specific semiotic significance. It is immaterial whether the poor actually eat these kinds of food, though they often do. What is being presented here is a food-sharing structure that integrates MGR the Hero with the subaltern masses. In *Mattukara Velan* (1970), a cowherd MGR impersonates as a lawyer. When good food is served to him, he laps it up avariciously without bothering about the upper class manners, smearing his face in the process.[10] Along with food, other props like the design and colour of the costumes are also used to define MGR as a subaltern on the screen.

The social universe of the MGR films is an universe of asymmetrical power. At one end of the power spectrum are grouped upper caste men/women, landlord/rich industrialists, literate elites and, of course, ubiquitous male—all of whom exercise unlimited authority and indulge in oppressive acts of power; At the other end of spectrum can be found the hapless victims—lower caste men, the landless poor, the exploited workers, the illiterate simpletons and helpless women. Power is seen as all-pervasive, omnipotent and undifferentiated while its victims are always already meek, beaten and homogeneous in their suffering. Thus we have landlords who try to grab peasants' land [*Vivasayee* (1967)], rural rich who wield whips on farm hands [*Yenga Veetu Pillai* (1965)], moneylenders who exploit the poor [*Padakotti* (1964)], industrialists who dismiss workers at their whim [*Thozhilali* (1964)], avaricious men who desire others property [*Mukarasi* (1966)], city sleekers who leave poor rural girls pregnant [*Theier Thiruvizha* (1968)], casteists who don't allow their lower caste servants to enter their houses [*Nadod* (1966)], married men who desire othe women [*Vivasuyee* (1967)], etc.

The conflict between these superordinat oppressors and MGR as a subaltern and it resolution form the core of his films. MGR in the course of the conflict, appropriate several signs of authority of those who dominate. In a semi-feudal social formation where a wide spectrum of everyday practices like speech, dress, body language and food are semiologically differentiated into signs of authority and deference, this appropriation of signs of authority by a subaltern is significant.[11] Let us take up three such signs which repeatedly and prominently appear in MGR films. They are: (a) the authority to dispense justice and exercise violence, (b) access to education and (c) access to women.

(a) He fights oppression as an individual—though belonging to a subaltern class. As Sivathamby [1981: 41] puts it, "...the world of conflict exists as a world centred around the hero and his personal emancipation symbolises the emancipation from the social evil depicted". The odds he has to face and overcome in his struggle against injustice are insurmountable by ordinary mortals; but he brings humanly impossible situations under control and establishes justice.

MGR's role as an individual justicer, unfolds itself with particular emphasis on the stunt sequences that are present in any MGR film. These sequences are an articulated expression of his struggle against oppression: an unarmed MGR fights an armed adversary singlehandedly or engages in fighting landlord's hirelings. For instance, in *Maadapura* (1962) MGR with a fractured arm in sling fights with a mafia chief. Also, in quite a number of films, MGR demonstrates his skills in the extremely popular rural martial art of *silambam*. These fast moving sequences are so popular that MGR fans can recount effortlessly how many of them are there in different films and provide graphic details of them. Every time a new MGR film is released, film magazines carry letters from MGR's fans expressing their admiration of MGR's fighting skills.[12]

It is not just that MGR fights exploitation and oppression but he is always invincible in his struggle. He can only win and he wins with remarkable ease. He can bend crowbars and maul ferocious tigers with bare hands. In fact, MGR's invincibility has become a byword in popular consciousness and MGR himself has acquired cultic power. For example in *Manal Kayiru*, a non-MGR starrer, it is significant that a cowardly character, inspired by MGR appearing with a whip in his hand in the poster of a hit film of yester years (*Enga Veetu Pillai*) is suddenly transformed and beats up and defeats the villain [Samuel, 1983: 272-73].

MGR's role as a subaltern hero fighting for justice reveals two aspects: First, MGR appropriates to himself the right to dispense justice. Secondly, he appropriates the right

to employ physical violence. Both are in real life monopolies of the elite.[13]

(b) The second sign of authority of the superordinate classes which MGR appropriates on the screen is education/literacy. In *Padakotti* (1964) MGR is the only literate fisherman in the whole fishing hamlet. In *Thazhampoo* (1965) he is the first post graduate in the family of an ordinary plantation worker. In *Thozhilali* (1964), MGR, a manual worker, spends endless nights reading and earns a degree. In *Pana Thottam* (1963) and *Naan Yean Piranthaen* (1972), he pledges his house to acquire literacy. In *Petralthan Pillaiya* (1966), MGR, a honest tramp, adopts an abandoned child and vows to give him English medium education!

In MGR films the hero's use of literacy *as a weapon of struggle against oppression* is often contrasted with its use as a weapon of oppression in the hands of the elite. In *Padakotti* (1964), the villain who is a rich fish trader forces the poor and illiterate fishermen to put their thumb impressions on promissory notes, keeping them ignorant of their contents. But MGR, the only literate fisherman in the hamlet appears on the scene, reveals what is written in the promissory notes and saves the illiterate from the manipulations of the trader. In *Yenga Veetu Pillai* (1965), MGR, a literate worker, exposes the landlord's plan to grab other people's property through fake documents. Thus literacy, hitherto a privilege of the elite, now becomes an instrument of subversion in the hands of a subaltern hero, a challenge to education as a sign of authority.

(c) The third sign of authority which MGR appropriates on the screen relates to women. In a male-dominated society where the landlords could easily rape peasant girls and have concubines as a status symbol, access to and control over women's bodies is a sign of authority. Here, control over men of subaltern classes is exercised *inter alia*, by emphasising their inability to defend their women from being molested and raped. MGR defies this norm. In his films, he starts off as a poor man but ends up marrying a rich woman or as a lower caste man marrying an upper caste woman. If a powerful villain comes in his way, the poor MGR invariably succeeds. In *Mattukara Velan* (1970) he marries the daughter of a lawyer who earlier throws him out of his house for being a poor cowherd. The pattern repeats in *Thazhampoo* (1965), *Peria Idathu Penn* (1963), *Yenga Veetu Pillai* (1965) and *Pana Thottam* (1963). In *Nadodi* (1966) and *Num Nadu* (1969), a lower caste MGR marries an upper caste woman. In films like *Pallandu Vazhga* (1975), *Ayirathil Oruvan* (1965), *Mahadevi* (1957), *Theier Thiruvizha* (1968) and *Padakotti* (1964) MGR marries the desired girl after intense struggle against powerful villains.

It is significant that in MGR films, the upper class/caste women always desire a lower class/caste MGR. In this sense, MGR seems to grant women the 'freedom' to fall in love and get married despite class/caste difference. This 'subversion' of norms granted a certain notional freedom to women and at the same time assert the virility/valour of men of subaltern classes.

These three instances are not the only ones where MGR appropriates the signs of authority. In subtler and surer ways, he likewise uses other signs of authority such as dress, body language, etc. When the rest of the poor submit to the rich with folded hands, MGR confronts them, standing erect, with hands akimbo. Unlike others, he refuses to tie the towel around his waist, which is a sign of deference, but instead ties it around his head. And MGR was well aware of the significance of such a presentation. In his words, "it is not enough if you are a good man. You must create an image that you are a good man. Every man must have an image. Take Nagi Reddy or S S Vasan or myself. Each of us has a distinct image. The image is what immediately strikes you when you see a person or hear his name. You put forward an image of yourself if you want to get anywhere."[14]

Where and how does this screen image of MGR fit into the pre-existing cultural presuppositions or common sense of the subaltern classes in Tamil Nadu? It is in the heroic ballads which are a dynamic element of the subaltern common sense in Tamil Nadu, one may look for answers.

IV

The border area between Tiruchi and South Arcot districts is a country of dense cashew forests. Sometime in the recent past, in certain villages in this area, there existed a degrading custom that every woman has to spend her marital night with the village *Nattanmai* or the headman. This custom was put an end to when Kodukoor Arumugam beheaded three *Nattanmais*. Kodukoor Arumugam is still a hero of the poor in the region, celebrated in folk-songs.[15]

Throughout the Tamil countryside, there are such folk-heroes. To name a few: Muthupattan, Chinnanadan, Chinnathambi, Jambulingam and Madurai Veeran. They are remembered from generation to generation through popular heroic ballads.

Chinnathambi is a Chakkiliar (an untouchable leather worker). Lowly Chinnathambi accepted the local king's offer of a reward, for venturing into the forests to kill wild boars which were depredating peasants' crops. His valour launched him on a successful career which was traditionally denied to the Chakkiliars. He became the commander of the garrison guarding the king's fort at Thirukkurunkuti. The jealous upper caste Maravas, who were the traditional commanders of the garrison, murdered him. But the people from among whom Chinnathambi rose to power did not allow him to die; they immortalised him in ballads which are in circulation in Tirunelveli district [Vanamamalai, 1981: 161-63].

The ballad on Chinnanadan also belongs to Tirunelveli district. Chinnanadan *alias* Kumaraswamy married his two-year old cousin when he was eighteen. But he fell in love with a lower caste girl, Ayyamkutty, and refused to accept his cousin as wife. Though he had to forego his family property, he did not flinch from his resolve. While he was murdered by his own kin, his wife and Ayyamkutty committed suicide. The cult of Chinnanadan is alive in four villages and there are shrines dedicated to him around the small town of Eral in Tirunelveli district [Vananmamalai, 1981: 160-61].

Madurai Veeran ballad and cult are very popular especially in northern Tamil Nadu. Madurai Veeran, like Chinnathambi, was a Chakkiliar who eloped with King Bommanna's daughter and defeated his army single-handedly and with much valour. His spreading fame earned him the admiration of the king of Tiruchi and he worked for him combating the upper caste Kallar bandits. He recklessly flirted with the women of royal household and finally managed to carry away the king's sweetheart Vellaiammal. An incorrigible adventurer and violator of sexual and caste norms, Madurai Veeran was finally quartered by the king of Tiruchi [Vanamamalai, 1981]. It is not only that he is remembered in ballads and through several hundred shrines dedicated to him, but his pictures decorate the toddy and arrack shops in Madurai and Ramanathapuram districts.

The last of the ballad that I would cite is that of Muthupattan, a rebellious Brahmin. After discarding his sacred thread and removing his tuft, he skinned carcasses, ate beef and drank liquor—all these in order to marry two Chakkiliar girls, Timmakka and Pommakka. This Brahmin-turned Dalit protected the cattle of his father-in-law from marauding bandits backed by local landlords. He was finally murdered by the bandits by deceit [Vanamamalai, 1981: 155-58]. Near Papanasam dam, there is a temple dedicated to him. And there are such other revered heroes like Kathavarayan and Kouthalamadan [Blackburn, 1978: 136].

The common characteristics of these tales of love and valour are only too evident. In the words of Vanamamalai [1981: 172-73]: "All the heroes... are low-caste men who protect crops (Chinnathambi), protect the cattle (Muthupattan), protect the rights of the lower caste women (Hanuma, Kouthala madan, Jambulingam), challenge sexual caste norms (Muthupattan, Chinnanadan), challenge the privilege of the higher caste groups and demand equal rights for the lower caste men with talent and skill (Chennanna and Lakshmanna)."[16]

Our analysis of the heroic ballads so far, when read together with the points that we have made about the celluloid image of MGR in the previous section, would show that there is remarkable correlation between MGR on the screen and heroes of the ballads. However, the relationship between

the themes of MGR films and ballads is not only one of unity, but of divergence as well. This divergence in the themes demonstrate how MGR films have appropriated the ballads and reconstituted them. This divergence is important to see the differences in the ideological content of the films and ballads.

V

For at least two reasons, the heroic ballads constitute a progressive element/good sense in the ambiguous and contradictory mosaic of the common sense of subaltern classes. Firstly, in a social milieu, where common people's life is disrupted by landlord-instigated adventures like crop destruction, denial of irrigation water, dispensation of arbitrary justice, and raping of peasant girls, the people will naturally aspire towards a condition of stability in life processes. But, if people aspire for adventures, these are adventures carried out on account of their own free will to achieve what they consider to be just.[17] Thus, the people's aspiration that can be read in the popularity of heroic ballads is an aspiration to use their free will to get justice done.

Secondly, Madurai Veeran, Muthupattan, Chinnanadan and others, in their deaths affirm their essential humanity and this defiance of established norms and vindication of a common humanity have endeared them to subaltern classes ever since.

The ballad-like MGR films are bereft of this progressive content. Here, one should remember that cinema, especially the Tamil cinema in question here, follows a linear narrative sequence with the beginning rising to a climax and dovetailing to a neat finish. In these closed narratives, contradictions are rather ironed out than being allowed for their intensification leading to a rupture of the narrative. In MGR films the closure is such that a neat solution is offered for the injustice *within* the moral economy of the system itself. In other words, the subaltern protagonist in the film, i e, MGR, establishes what is considered to be just *within* the system and thus reaffirms the system itself. It is a world of transformed exploiters with untrasnformed property and power relations. In *Yenga Veetu Pillai* (1965) and in *Vivasayee* (1967), the cruel landlords become 'good' landlords. In *Ayirathil Oruvan* (1965) the pirate king who oppresses the poor undergoes a change of heart, but remaining a king. In *Nadodi* (1966), the rich castiest finally gives his daughter in marriage to MGR who is a poor man and of lower caste origin.

The moral economy of the system is reaffirmed through a different mode, in films where MGR acts as an elite hero. Here he often plays the role of a renouncer: In *Naan Anaiyittal* (1966), MGR constructs hundreds of houses in his land and asks the poor to occupy the houses and colonise the land. In *Nadodi* (1966), he gives away his plantation to the workers. In *Ithaya Kani* (1975), he divides the profit equally between himself and workers. The examples can be multiplied. Here, "...an appeal to the idea of sacrifice was really an appeal to the power that flowed from inequality. In order to be able to make sacrifices one needs to possess; he who did not possess could not sacrifice. The glory of the renouncer belonged to the 'possessor'; to talk of sacrifice was to talk of possession, and hence of power" [Chakrabarty, 1984: 149-50]. Thus the glory in these films is to the 'possessor' and not to the dispossessed, unlike in ballads.[18]

This transformation of the folk hero of the ballads into a non-problematic hero on the screen who seeks justice within the moral economy of system is a reconstitution of the former hero to serve elite interests.[19] This reconstitution is possible as the common sense of the subaltern classes is largely contaminated by the sediments of elite ideologies. For instance, there are folk-songs in rural Tamil Nadu which adulate the 'good' landlords.[20] But this is not all. The subaltern classes give assent to the reconstituted narrative since, as far as they are concerned, fragments of their reality are presented in these narratives. Besides the speedy and effective dispensation of justice and redressal of afflictions allow a measure of vicarious pleasures to creep into their otherwise impoverished lives.

VI

In the previous section we have noted the thematic divergence between ballads and MGR films and the ideological content of this divergence. The question is how MGR, whose presentation on the screen is ideologically regressive, could emerge as a hero for the whole of the Tamil-speaking area, while the heroes of the ballads could not.

Two things have to be borne in mind here: One, the process by which the localised folk heroes have been reconstituted as pan-Tamil heroes through the mediation of MGR, the actor-figure. Two, the selective appropriation of folk traditions that has carefully distilled away the defiance and the bravado of folk heroes to project a non-subaltern figure as the quintessential Tamil hero. The first was made possible through the technology of filmic form itself and through the political lineage granted to MGR by party support—both of which helped the emergence of the first all-Tamil hero. The second, can be seen in the alternate kind of heroes, promoted by Tamil Nadu's political elite.

A stark example of the second type of heroes in Tamil Nadu would be that of Veerapandya Kattabomman. Kattabomman was a feudal chieftain of Panchalamkurichi in southern Tamil Nadu who fought the British in his own interest and was eventually executed by them at Kayattaru on October 17, 1799. The elite in Tamil Nadu have made this non-subaltern a hero of the whole of Tamil-speaking area. Sivaji Ganesan erected a memorial for him in Kayattaru in 1970;[21] the then DMK government renovated the ruins of his mud fort at Panchalamkurichi at a cost of seven lakh rupees in 1974.[22] Every year a Kattabomman festival is organised at Kayattaru with state patronage, and during the festival various forms of folk arts depicting Kattabomman's life is peformed.[23] An extremely popular film on the life of Kattabomman was made in Tamil with Sivaji Ganesan in the lead role.[24]

Now let us turn to the first type of hero—i e, MGR in Tamil context. Unlike the folk heroes who are disadvantaged not to reach a wide audience, MGR had access to the medium of cinema. In dealing with the role of cinema in projecting a particular presentation of MGR and its effectiveness in reaching a wide audience, one has to analyse two aspects: (a) social context of cinema as a medium compared to other forms of performances and (b) the popularity of cinema as a medium in Tamil Nadu.

Cinema as a medium is relatively 'democratic', cinema tickets being comparatively cheap, it is possible even for the poor to watch a film once in a way. Moreover, the seating arrangement within any cinema hall is not according to one's social status, but according to whether one can afford a ticket or not. This is important because in witnessing shows of performing arts in rural Tamil Nadu, the order of seating of patrons is done hierarchically depending on one's social position. "The cinema hall was the first performance centre in which all the Tamils sat under the same roof. The basis of the seating is not on the hierarchic position of the patron but essentially on his purchasing power" [Sivathamby, 1981: 18-19]

These two factors—the affordability of witnessing a spectacle on the screen and cinema hall as "social equaliser"— made film an extremely popular entertainment for the subaltern classes. The popularity of the medium can be gauged from the fact that most of the village monographs brought out by Census of India 1961 records watching films as the only entertainment of the rural people in Tamil Nadu. It is indeed a thin line that divides entertainment from ritual and various kinds of social festivities. In fact, watching MGR films has become almost a ritual in itself. One can witness crowds gathered to watch MGR films, burning camphor before huge cut-outs of him, distributing water to the populace—as one would before a deity during temple festivals.

In addition, the proliferation of cinema halls in Tamil Nadu is extensive. In the whole of India, next to Andhra Pradesh, Tamil Nadu has the largest number of cinema halls. On March 31, 1986, Tamil Nadu had a total of 2,153 cinema halls out of which 820 are temporary halls.[25] The temporary cinema halls which are located in rural and semi-urban areas, are usually 'touring talkies' that are shifted from one place to another. The price of the ticket is very nominal. The 'touring talkies' are almost exclusively visited by the rural and semi-urban poor, while the rich, given their social status,

o the nearby town to watch films in pro- cinemas.

'his means that throughout Tamil Nadu, ple have access to cinema halls and ma is a very popular medium among the ple. While heroic ballads can circulate y within a limited locality due to elite tifity and non-availability of such elite- trolled medium like cinema, films could sent MGR to a wide audience throughout state. MGR could, thus, emerge as a hero the Tamil-speaking area as a whole.

VII

At least one important question remains: w did the subaltern classes fail to dif- entiate the screen image of MGR from GR in real life? One of the reasons could the large-scale circulation of a con- ucted *imaginary* biography of MGR that ojects his real life as not being different m his life on screen. Political platforms, wspapers, pamphlets, films, calendars and rty posters were used with remarkable ills in constructing this biography. The ocess of this biography-construction could the subject of a full length essay and I all cite only some stark examples here to ustrate this process.

MGR's early life was no doubt a life of isery. When he was just two and a half ars old, he lost his father. Due to acute verty, he had to forgo schooling and join drama troup as a child actor. It took him any years of hardship as a low-paid stage tiste before he could gain a foothold in ms. His modest beginning and acute verty of early days were well- propagated rough public speeches, pamphlets, party wspapers, etc. MGR himself often refer- d to his early days of sweat and tears handavan, 1983: 159]. For instance, in an l-India Radio talk on June 30, 1982 on the ee noon-meal scheme for the school-going ildren in Tamil Nadu he said, "This heme is an outcome of my experience of treme starvation at an age when I knew ly to cry when I was hungry. But for the unificence of a woman next door who ex- nded a bowl of rice gruel to us and saved s from the cruel hands of death, we would ave departed from this world long ago." The expensive biographies of MGR which are old in village fairs and urban pavements nd bought by the literate poor also provide raphic details of MGR's poverty.[26] Thus, IGR is not an elite person who tells tales f other peoples' oppression on the screen ut is himself a victim of oppression telling is own tales and those of similarly placed nen and women.

If MGR is a renouncer of wealth in films, e is, as this constructed biographies would ave it, a renouncer of wealth in real life as vell. Even before MGR became the chief ninister of Tamil Nadu, his munificence was vell-propagated. Hardgrave Jr [1979: 102] vrites:

> MGR is a symbol of hope for the poor in South India. Without children, he has adopted the poor as his wards. He is always the first to give for disaster relief; he supports orphanages and schools... MGR's generosity is well advertised, for it is the grist of his fame. When fires had destroyed some Madras hutments, he gave a lakh of rupees for relief and announced that the hundredth day of a film then running would not be celebrated because of the slum dwellers' sufferings... As one fan puts it "He is always there when the huts are burnt".

The party organisation of DMK had an enormous role in propagating MGR as a real life renouncer of wealth. DMK leaders, including its founder and popular leader late C N Annadurai, repeatedly projected MGR as a giver of wealth to the poor.[27] Pro-DMK dailies like *Dravida Nadu* and *Murosoli*, and magazines like *Mutharam*, celebrated MGR's munificence. A DMK propaganda song used during the 1962 elections ran as follows:

> The Palm of Bharatha Karnan
> Became pink because of
> His munificence.
> But the whole body of Dravida Karnan
> Became pink because of
> His munificence everyday.[28]

The Dravida Karnan is of course MGR.

The 'popular biographies' which circulate among the poor, again, celebrate MGR as a renouncer. One of the events which is repeatedly mentioned in these biograpies is MGR's auctioning off of a sword made of 110 sovereigns of gold to raise war funds during the 1962 Indo-China war. Often it is rhetorically posed, "who will have the large heart to donate 110 sovereigns of gold". People do have an obsessional attachment to gold and such narration effectively poses MGR as a renouncer of wealth.[29] If MGR gave up his acting career and became the chief minister, it is because, according to these biographies, he was a renouncer:

> ...if he produces four or five films, he can earn crores of rupees. He knows this very well.
>
> Then why is he not acting in films? If he decides to act in films, no law can prevent him...
>
> ...Do you know what is the reason for his giving up film acting?
>
> He wants to serve the people of Tamil Nadu.
>
> He wants to wipe out their problems...[30]

MGR's supposed invincibility was, time and again, constructed by various kinds of media so much so that he was conferred a degree of immortality in real life as on the screen. He was presented as one who was thrice-born: The first one was when he was actually born like rest of us; the second birth was when he survived an attempt made on his life by his film world associate and a popular Dravida Kazahgam propagandist M R Radha on January 12, 1967, and his third birth was when he recovered beyond expectations from his debilitating illness in 1984. In fact, unlike most of the DMK leaders, MGR's birthday was never celebrated and his age was a secret. After 1967, his followers were encouraged to celebrate January 13, the day on which MGR recovered from bullet injuries, as his birthday. In his autobiography, he writes: "As you all know, I was shot at on January 12, 1967. People think that I died on that day and I was reborn on the next day. That is why they greet me on that day."[31]

Thus, through particular constructions of MGR's biography, his films were portrayed as an imitation of his real life. One can cite several examples of the effectiveness of this obliteration of distance between the cinematic and the real. G K Ramaswamy [1979: 55] in his study on MGR fan clubs notes:

> The members are not able to go beyond the impressions created through the films and MGR's character is believed to be what is depicted in his films. This is clear from the fact that when the followers were asked to substantiate their contention that MGR is good or a principled man, they invariably cited instances from his films.

The most resounding proof of how people do not differentiate MGR, the image and MGR, the real, can be had from what his followers did during his serious illness in 1984. In *Olhi Vilakku* (1970), MGR's hundredth film, MGR carries on a losing battle with death. A widow to whom MGR has provided asylum sings to god, with inconsolable sorrow, to spare MGR's life and take away hers instead. This very song echoed throughout Tamil Nadu when MGR was ailing. If god replied to this song of grief in the film by sparing MGR's life, it could happen in real life also! He survived. When he finally died, it was so sudden that the people were not given an option!

VIII

The significance of MGR as a phenomenon and the elite who supported him, thus, lies in the recognition that the mosaic of common sense or the untheorised philosophy of the subaltern classes is an important terrain of political intervention. By using this site of struggle, which is often ignored by other political forces and by reconstituting a progressive element of the common sense for reactionary politics, MGR could join the ranks of Madurai Veeran, Muthupattan and Kathavarayan and

supersede them. MGR's success rests, to a large extent, on this.

Unfortunately, the various shades of political dissent in Tamil Nadu, ranging from the DMK to the CPI(ML), dismissively characterise MGR as a 'lunatic' and a 'clown'. It is time these self-assured 'philosophers' sit up and take a few lessons from 'lunatics' and 'clowns'—of course, not to practise MGR style reactionary politics but to appropriate its 'other'.

Notes

[This essay wouldn't have been written but for the encouragement and intellectual partnership of S V Rajadurai and V Geetha. I have also benefited a lot from my discussions with the following friends: Arun Patnaik, Barun De, Anjan Ghosh, R S Rao, Nirmal Sengupta, Sarajit Majumdar, A Venkatachalapathy, J Jeyaranjan and Anandhi, S. My thanks are due to all of them.] .

1 James Freeman's [1979] excellent study of Muli, a scheduled caste labourer in a Orissa village and Michael Moffatt's [1979] study of Pariyans of Endavur village in Southern Chengleput district are some of the exceptions.

2 M G Ramachandran presided over Tamil Nadu as its chief minister from 1977 to 1987 with a brief break in 1980. He was born in Kandy in Sri Lanka in 1917. Driven by poverty, he began his career as a child actor in plays by joining at a tender age Madurai Original Boys Company owned by M Kandaswamy Pillai. After protracted struggle, he emerged as an immensely popular film star on the Tamil screen. Along with his acting career, he became active in the DMK politics. In 1972 he founded a separate party, Anna Dravida Munnetra Kazhagam, which was rechristened as All-India Anna Dravida Munnetra Kazhagam during Emergency. After prolonged medical battle and ill-health, he died on December 24, 1987 as the most popular leader of the poor in Tamil Nadu.

3 *The Statesman*, January 17, 1988.

4 It is because the material life conditions of the subaltern classes do not produce the immediate consciousness of their existence, that their 'actual' consciousness can be effectively mediated. Thus it has been possible for MGR to pose real problems and offer imaginary solutions.

5 On Gramsci's category of 'common sense', see: Cirese, 1982; Davidson, 1984; Patnaik, 1988; and Saldanha, 1988.

6 According to Gramsci [1973: 332-33]: "If it [Philosophy of Praxis] affirms the need for contact between intellectuals and simple it is not in order to restirct scientific activity and preserve unity at the low level of the masses, but precisely in order to construct an intellectual-moral block which can make politically possible the intellectual progress of the mass and not only of small intellectual groups".

7 Soon after MGR founded Anna DMK in 1972, the DMK promoted an organisation called 'Tamilar Padai'. The members of 'Tamilar Padai', who were mostly urban lumpens, tried their best to disrupt the screening of MGR starrers.

8 *Thuglak*, February 1, 1984.

9 MGR appeared as Vishnu in *Dakshayagam* (1938), as Indra in *Prahlada* (1939), as Parameswara in *Sri Murugan* (1946) and as Indirajit in *Seetha Jananam* (1947).

10 The films we cite in the course of the essay are only examples. The patterns presented repeat with little variation in large number of MGR films.

11 For a general discussion on this, with illustration from peasant insurgencies in colonial India, see: Guha, 1983: Chapter 2.

On this semiological differntiation of everyday practices into signs of authority and deference note what Beck [1972: 155], writes "...Food passes between some groups but not between others, and guests of a given community are invited to sit on the porch of some homes but in the courtyard of others. Ranking is also implied in the form of address used between groups, and by subtle body gestures that accompany conversation. For example, a man of one community may cover his mouth when speaking, or stoop slightly and look at the ground, while another from a caste that claims superiority to the first may stand erect, fold his arms on his chest, and look straight ahead. Adjustment in clothing can also serve as indicators of status. Women generally draw the end of their sari over both shoulders when in the presence of superiors. Men, similarly, lower their long skirt like vesti... so as to cover their calves when they wish to indicate deference." The widespread prevalence of such feudal semioticity in Tamil Nadu has been established in several studies [Ramachandran and Manoharan, 1981; Den Ouden, 1979; Good, 1983: 232-33; Ramaswamy 1983: 104, 108; Naidu, 1988: 119-20 and Muthiya, 1989]. Several news reports have also brought out this fact. [For example, see: *Junior Vikatan*, September 25, 1985, October 23, 1985, May 21, 1986, November 23, 1988, and May 3, 1989.] Again, this is true not only among the Hindus as ably shown by Poornam Demel [1988] in his study of the relationship between Vanniar Christians and Harijan Christians.

12 The comments in these letters run as follows: "MGR's fight from the rickshaw is wonderful", "MGR who fights from the rickshaw is indeed an youth", "MGR rotates life a top and fights. No actor in the world can fight like him" [see: *Cinema Kadir*, March 1970 and August 1971].

13 It would be interesting to note here what Hobsbawm [1985: 35] writes about social bandits: "These are the men who establish their right to be respected against all comers, including other peasants, by standing up and fighting—and in so doing automatically usurp the social role of their 'better' who, as in the classic medieval ranking system, have the monopoly of fighting. They may be the toughs, who advertise their toughness by their swagger, their carrying of arms, sticks or clubs, even when peasants are not supposed to go armed, by the casual and rakish costume and manner which symbolise toughness."

14 N Krishnaswamy, 'From Hero to Mesiah... Step by Step', *Indian Express* (Madra January 9, 1988.

15 *Junior Vikatan*, September 9, 1987.

Though the report does not give deta it is only evident that the women th degraded should have belonged to poo households/lower castes.

16 The same conclusion has been arrived at other folklore scholars like Blackburn [19 and Loordu [1979].

17 See Gramsci [1985: 372-74] for an elabor tion of this argument.

18 For an example of how this category of nouncer was used by Indian National Co gress, during the nationalist struggle mobilise people, see: Hardiman, [198 169-70.]

19 The efforts to change the radical content ballads is a regular process. In this regar Vanamamalai [1981: 187] cites an importa instance. In the recent recitals of Muthupa tan ballad, his wives are narrated a Brahmin girls brought up by a Chakkilia Unlike in the original ballad, they are no Chakkiliar girls. On enquiry it was foun that Muthupavalar of Kallidaikurichi wh sings the ballad was pressurised by uppe caste Vellalars and Brahmins to change th ballad. In the same way, there are purani insertions in ballads which portary lowe caste Madurai Veeran and Kathavarayan a Brahmins [Blackburn, 1978: 140-43]. Here one must bear in mind that ballads are essentially, oral narratives that stand to b transformed over periods of time, ofte reflecting the reconstituted social milieu Thus, they are open-ended and capable o infinite reinterpretations.

20 Vanamamalai, [1981: 101], and Ar Alagappan [1973].

21 *Cinema Kadir*, August 1970, pp 70-73.

22 Karunanidhi, 1987: II, 421-23.

23 Note that ABVP and RSS observe Ka tabomman's death anniversary every yea (see: *Manavar Sakti*, November 1, 198 p 14).

24 The film bagged the best actor award in th Afro-Asian Film Festival held at Cairo i 1960.

25 *Screen*, December 19, 1986.

26 For example see: Kalaipadam Velan, *Naa Yean Piranthen? Puratchi Thalaivar MGR* Madras, undated, p 26.

Jeya Ponmudi, *Sathya Mainthai Sadanai*, Sri Laxmi Pirasuram, Madras 1988, p 6.

We shall refer to such books as 'Popula Biographies' in the rest of the essay.

27 For a collection of speeches by C N Anna durai on MGR, see: R Srinivasamurthy (ed) *MGR: Yen Idaya Kani: Anna*, Sathya Tha Patipagam, Madras, 1984.

28 *Malai Murasu*, July 6, 1987.

29 See, for example: *Vetri Selvar MGR Veer Varalaru*, Sri Thanalaxmi Puthaga Nilayam Madras, p 35, undated.

Kalaipadam Velan, *Naan Yean Piran then? Puratchi Thalaivar MGR*, Madras p 48, undated.

30 Kalaipadam Velan, op cit, p 63.

31 M G Ramachandran, 'Naan Yean Piran then', part 45, *Ananda Vikatan* February 14, 1971.

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Communalism and Working Class
Riot of 1893 in Bombay City

Shashi Bhushan Upadhyay

The participation of social, religious or occupational groups in communal riots raises the problem of the concerned group's integration into the communal polity. In the context of the working class it has been argued that workers have been equally, if not more, responsible for adding to the dynamics of communal politics. This view has been questioned by some scholars and the idea of 'levels of consciousness' has been introduced to explain the apparent ease with which workers participating in workers' struggles have broken into communal riots soon thereafter. This paper studies the 1893 communal riot in Bombay and argues that while the workers, the majority of them being Marathas, were involved in the riot on the Hindu side, this did not lead to the development of a long-term communal consciousness among them.

THE participation of any social, religious or occupational group in a communal riot raises the problem of its relative integration to the communal polity. In the context of the Indian working class, Dipesh Chakrabarty's study of the Calcutta jute mill workers[1] is a seminal contribution. Here he argues that the workers were equally, if not more, responsible for adding to the dynamics of communal politics.[2] This view has been questioned by some scholars[3] and S Bhattacharya, in the context of the activities of the Bombay cotton mill workers during 1928-29 has introduced the idea of 'levels of consciousness' to explain the apparent ease with which the workers participating in the general strikes of 1928 and 1929 broke into communal riots soon after each strike.[4]

This paper tries to argue that although the intensity of the riot in 1893 in Bombay showed strong communal sentiments on both sides and the workers, majority of them being Marathas, participated on the Hindu side, it did not lead to the development of a long-term communal consciousness in them. Nor was it the most representative form of their activities. The 1890s also witnessed the increased participation of the workers in strike activities which matured over the years leading to the general strikes of 1919 and the 1920s. We also find them participating in protests against the imprisonment of Tilak in July 1908 with equal vehemence. The hardships which the workers faced in their homes and mills brought them into confrontation with their employers. But, at the same time, it also gave rise to sectarian feelings in them in their defensive bid to cope with their new lives. Feelings along the lines of caste, region and religion were prevalent. Their continuing links with the countryside also helped in maintaining their old-world loyalties. Religion was a major factor in their lives. It provided them refuge from hostile atmosphere, consoled them in adverse conditions, also gave them a hope for the future. At the same time, however, it provided an opportunity for the communalists to channelise these deep religious feelings into communal ones. That was precisely what happened in Bombay in 1893 when cow-protection propaganda and communal speeches and counter-speeches played on the religious sentiments of the people and led to a major conflagration involving a large section of the city's population and the large majority of the textile workers.

I
Demographic Picture

The two main religious groups in Bombay were Hindus and Muslims.[5] The Parsis and Christians, though significant formed very small minorities; and Jews, Jains and Buddhists were numerically insignificant. The percentages of the Hindus and Muslims in the total population of Bombay was as in table 1.[6]

This shows that the Muslims were never more than one-fifth of the total population of Bombay. But their distribution was not even and there were localities in which Muslims tended to congregate while there were some other localities in which the Hindus formed as much as 90 per cent of the population.

The Muslim population was preponderant in four sections—Chakla, Umarkhadi, Khara Talao and Second Nagpada—where they formed more than 60 per cent of the population while in all the other sections the Hindu population was more numerous. Table 2 shows the percentage of Muslim population to the total population of these four sections.[7]

There was further concentration within each section,[8] and hence the emergence of some Muslim 'mohollas'.

The majority of the Muslims were as much immigrants to the city as the majority of the Hindus, as is shown by the relatively fewer women than men (Table 3).[9]

Because segregation had occurred in other areas the percentages of Muslims to the total population of the mill areas were lower than overall city average as is shown in Table 4.[10]

Though very small, these figures were not less than the relative proportion of Muslims in the total workforce. In 1881, for example, Muslims constituted only 8.13 per cent of the total number of cotton mill workers and by 1921 this had gone down to 5.15 per cent (Table 5).

The Muslim workers could be found in all departments of the mill and there was "little trouble getting Hindu and Muslim weavers to work together".[11] So generally, there was at least no overt tension between the Hindu and Muslim workers in the mill. The situation, however, became different during and immediately after the riots as is shown below.

II
Background to the Riot

Talking about the causes of the riot, R H Vincent, the acting commissioner of police, did not have the slightest hesitation in ascribing "the origin of the ill-feeling between the two races to the anti-cow-killing agitation of Hindus".[13]

But, on August 22, 1893, after the riot ended, one P B Joshi wrote to the secretary that the "real cause of the riot is... not the cow-killing agitation, but the Prabhas Pattan affair".[14] And the British government, acting diplomatically, 'observed' that "while the cow-protection movement has undoubtedly been pushed of late with growing vigour, the movement itself is not a new one". It also wanted "to avoid gratuitously wounding the feelings of Hindus", and so "the governor in Council hesitates to adopt the opinion that the cow-protection movement is the principal cause of these riots". The governor in council therefore, decided that the main cause of "the outbreak was the infection spread by the riots which had broken out in other parts of India, and especially those at Prabhas Pattan, and the uneasy feeling generated through them amongst Muhammadans that Muhammadanism and the followers of that faith generally were suffering at the hands of the Hindus".[15]

It is true that the cow-protection movement was not a new one. But whenever and wherever it was pushed with 'growing vigour' it started a process of communalisation which culminated in a single or multiple riots.[16]

In Bombay, the society for preservation of cows and buffaloes, named Gaurakshak Sabha, was first established on July 28, 1887. Its president was not a Hindu but a very

prominent Parsi millowner, Sir Dinshaw Maneckji Petit, who had been awarded the knighthood previously. Of two secretaries, one was Parsi and the other Hindu.[17]

The intent and purpose of this society, apart from the protection of cows is not known. Most probably it did not have any other motives. The presence of the persons who were very 'honourable' in government records,[18] seemed to prove that. This society held meetings in different parts of the presidency, like Ahmedabad, Poona, etc, apart from Bombay, in which speeches were made to mobilise support to stop the killing of cows. In the beginning the nature of the movement was not communal as was shown by the support given to it by newspapers like *Kathiawar Times* which was edited by a Muslim, in its issue of April 14, 1888.[19]

Whether the nationalists found it an already existing base to mobilise support for their cause, or whether some of them tried to use this religious symbol for their anti-government propaganda, like Tilak's Ganapati and Shivaji festivals later on, is not known. But at some point anti-British sentiments did appear. One Shriram Swami went about lecturing in Poona, Sholapur and Bombay from the platform of this movement and it was reported that, on July 14, 1889 in Sholapur, he said that "from want of unity between Hindus and Muhamadans the whole wealth of the country is carried to England". He, however, ended his speech "making an appeal" to stop kine-killing.[20] It cannot be ascertained whether this 'appeal' was just a postscript or genuine feeling. The fact remains that he was also making anti-British propaganda through this medium.

One police report goes to the absurd extent of stating that the entire cow-protection movement was the handiwork of the young generation of Hindus who visited Europe and had "imbibe(d) their hatred for the British from the foreigners" and "their vanity is equal to their political cheek and they look upon the British as aliens who feed upon and keep them from their birthright". It asserted that the "cow-protection movement was only a means to an end".[21]

This movement worked the other way also. While some nationalists took advantage of it to disseminate nationalist thinking, there were also some zealots who carried on their propaganda for cow-protection from the nationalist platform. In a meeting of representatives of Indian National Congress held at Jalgaon on July 28, 1889, Chintamanro Vakil of Bhusaval, gave a lecture on the protection of cow.[22]

In another instance, during the convention of the Congress in Bombay in December 1889, the Nagpur Cow-Protection Association distributed thousands of pamphlets entitled *Prarthana* exhorting the people to agitate against cow-killing.[23] In fact, sometimes the cow-protection and anti-British propaganda got so mixed up that there were some who blamed the Congress for the riots.[24]

Though sometimes Hindu nationalist and religious sentiments merged, the nationalists failed to dominate this particular movement. In fact, there is no evidence that they even tried to do that. The more religious and fanatic elements took over the movement in later years. There were no more talks of the drain of wealth or of birthright. Now the cow became the centre of everything. It was not a 'means to an end' but an end in itself.

There were much wider links of these cow-protection bodies all over India. So we learn that one Shriram Swami Alanangi was sent from Allahabad to lecture about cow-protection in Bombay on December 18 and 28, 1889.[25] Similarly, one Jairam was sent by Bombay Gaurakshak Sabha to lecture in Ahmedabad on January 27, 1892.[26] Such instances were very common during this period.

Frantic activities were going on in the entire Bombay presidency on behalf of cow-protection movement. Similar bodies had sprung up in various places like Sholapur, Nagpur, Poona, Kolhapur, Satara, Khandesh, etc, either on their own initiative or fostered by emissaries from other places. And although these activities had not "gained much hold" as yet, the official circles were worried about the "feeling of unrest and religious antagonism" which this agitation was causing and had started talking about 'watchfulness' and 'precautionary measures'.[27]

The meetings and propaganda of the Bombay Gaurakshak Sabha went on as

TABLE 1: PROPORTION OF HINDUS AND MUSLIMS IN TOTAL POPULATION

	1881	1891	1901	1911	1921
Total population	773,196	821,764	776,006	979,445	1,175,914
Percentage of Hindus	65.2	66.1	65.5	67.8	71.2
Percentage of Muslims	20.5	18.9	20.1	18.3	15.7

TABLE 2: PERCENTAGE OF MUSLIM POPULATION TO TOTAL POPULATION IN MUSLIM-DOMINATED AREAS

Section	1881	1901	1911	1921
Chakla	62.76	64.46	62.24	56.93
Umarkhadi	59.27	62.49	64.10	61.04
Khara Talao	61.08	63.78	69.36	67.36
Second Nagpada	77.37	67.65	67.69	60.65

TABLE 3: NUMBER OF FEMALES PER THOUSAND MALES

Religion	1881	1891	1901	1911	1921
Hindu	664	571	610	521	531
Muslim	679	633	617	507	452

TABLE 4: PERCENTAGE OF MUSLIMS TO TOTAL POPULATION IN MILL AREAS

Section	1881	1901	1911	1921
Byculla	14.2	20.7	21.9	20.9
Tadwadi	10.4	12.2	10.8	10.7
Mazagaon	14.1	13.9	15.2	13.5
Parel	7.5	5.7	4.8	5.4
Sewri	4.2	4.3	5.2	5.8
Sion	12.6	7.9	7.8	7.4
Mahim	12.6	8.5	11.8	11.7
Worli	3.1	6.0	5.4	5.2
Average percentage in the mill areas	9.8	9.9	10.4	10.1

TABLE 5: COTTON MILL WORKERS ACCORDING TO RELIGION[12]

Year	Total No of Cotton Mill Workers	Total No of Hindu Workers	Ratio of Hindu Workers to Total (Per Cent)	Total No of Muslim Workers	Ratio of Muslim Workers to Total (Per Cent)
1881	25,241	22,821	90.41	2,053	8.13
1911	1,18,512	1,04,400	88.09	12,575	10.60
1921	1,17,110	1,10,065	93.98	6,032	5.15

the sabha was held at the Mulji Jaitha Market. It announced that the subscriptions collected from August 2, 1887 to June 30, 1888 was Rs 11,932. The firm of Morarji Gokuldas presented 83,000 sq yards of land in Chembur for the construction of cattle sheds. Again on September 1890, a public meeting was organised where Swami Achutanand gave lecture on the protection of cows.

Though not much evidence is available, it is perhaps about this time that the cow-protection agitation was undergoing an imperceptible change. Its meetings became more frequent. Co-operation from societies in the other parts of the presidency was sought and given. Money was collected from wealthy people. A change in the nature of activity also came about. Earlier this society had satisfied itself with holding the meetings and distributing the pamphlets and hand bills. But now it started a somewhat more active mass contact programme by collecting signatures and selling and distributing pictures which made more appeal to the illiterate masses. The religious movement now acquired a communal overtone. The cow was no longer an end in itself. It again became a means to an end. But now the end was different.

In January 1891, pictures and illustrations of a cow "supplicating for protection were on sale at a pice a piece in Bombay".[28] R H Vincent, the commissioner of police, wrote that "pictures and pamphlets illustrating the sanctity of cow and the sin of slaughtering it were also sold and distributed in thousands all over the presidency, but chiefly in Bombay".[29]

Another more sinister picture was that of a "cow looking quite *gharib*... being milched by a handsome matron (in the dress... of a Dakshini Brahmini). A plump healthy child... playing near. In the background was a Brahmin in a reverent posture, worshipping the cow, and on the other side a Muhammadan 'mlechcha' of a butcher, with a hangdog, villainous face, brandishing a long knife and looking sinisterly at the cow."[30]

Such pictures and posters would obviously do the intended work. In August 1891, one Abdul Rahman of Bombay distributed a Urdu pamphlet in Ahmedabad "strongly attacking the Gaurakshak Sabha and stating that the agitation was only meant to excite the Muhammadans and to cause ill-will throughout the country".[31]

The cow-protection propaganda, however, went on apace. On November 1891, one Jivaraj Jetha collected about 3,000 signatures to be presented to the Hindu Council members. On November 7, 1891, the secretary of the Gaurakshak Sabha asked the police commissioner for the permission to parade the cows on the roads in Bombay after the general meeting to be held on November 8. The commissioner declined to grant the permission. The meeting, however, was held before an audience of about 4,000 meeting.[32]

In March 1892, six people arrived in Bombay from Sholapur "to solicit funds for the purchase of cows which had fallen into the hands of butchers in consequence of famine in that district".[33] By the end of September 1892, the Nagpur Gorakshak Mandali sent four delegates to Bombay to collect "Rs 60,000 in aid of the Nagpur Fund". Pandit Keshav Narain Vaidya from Kolhapur published 25,000 copies of four pamphlets on cow-protection and distributed most of them in Bombay in September. A meeting of the Bombay sabha, held on October 29, 1892, circulated a printed appeal which exhorted the people to contribute to the Nagpur Fund.[34]

In April 1893, the sabha again wanted to take a procession of thousands of cows through the streets of Bombay, but again the police commissioner did not permit this.[35] Despite that, big meetings were held on April 15 and 16. The police report says:

> On the former date there was an immense procession, about 12,000 people of Hindus, chiefly Kachis, with a sprinkling of Parsis, in the quarter of the town inhabited by them. House were covered with flags, etc. Some 200 milch cows gaily decorated were collected in Madhav Bagh, and a great many speeches were made in favour of the movement. On the sixteenth a sort of regular meeting was held in Madhav Bagh, which was attended by some 20 delegates and about 15,000 persons. Addresses were delivered and prizes were bestowed on the owners of the best-fed cows. Medals were also given to the lecturers who had worked zealously for the cause. Many Hindu shops were closed in the honour of the event, and a theatrical performance took place in the New Alfred theatre in the aid of the Gorakshak Mandali. The principal movers in the matter wanted very much to parade all the cows they could get hold of in the procession through the streets, but they allowed themselves to be persuaded that it would be better not to do so in the town, where there were so many people not in favour of the cow-protection society.[36]

It was in April 1893 that the police commissioner thought that riot would take place because "feelings were running very high indeed".[37]

In July, another cow-protection society named Gau Palan Updeshak Mandali, with Lakhmidas Khimji as its president, came into being. It took an even more extreme position and its "leader and members displayed still greater virulence in the dissemination of their views". It also brought out a paper named *Gau Updeshak*.[38]

Now both the societies started competing with each other in taking more active step to stop the killing of the cows. So while the "agents of the Gorakshak Mandali (or sabha) and their friends took occasion on the night before the Bakr-Id to go about the town and ascertain in what places the Muhammadans intended on the following morning to kill cows" in order to prevent it,[39] the Gau Palan Updeshak Mandali "ob-[...] where they intended to keep all catt[le] intercepted and purchased by their agents e[n] *route* to Bombay."[40]

The societies also tried "to enlist the sym[pathies] of several Hindu constables" an[d] sometimes succeeded.[41] In such an a[t]mosphere even minor incidents had th[e] potential for causing disturbance. So, whe[n] a restive cow, which was being escorted t[o] the cattlehouse by a Muslim constable fe[ll] into a ditch and died, "there was ever[y] likelihood of a disturbance". People gathere[d] and accused the constable of maliciousl[y] murdering the cow and did not allow the car[]cass to be removed for 16 hours.[42]

Such activities and incidents were boun[d] to have their impact sooner or later. In th[e] minds of the middle class Muslims i[n] Bombay, some sort of sectarian sentimen[t] had already been injected during the lat[e] 1870s and 1880s by the Anjuman-i-Islam, a "non-religious yet communal body". Th[e] issues centred around Turkey and Khilafat had started to create pan-Islamic sentiments. But these things were mainly limited to the middle class Muslims. The cow-protection propaganda, however, reached down to the lower class Muslims that they would be deprived of their cheap and chief article of food. Some zealots of the sabha also went into the Muslim-dominated areas and preached their creed, despite warning from several quarters.[43] All this was slowly preparing the ground for a conflagration by alienating the two communities from each other and creating tension between them. In such an atmosphere came the news of the riots at Prabhas Pattan.

It is true that the news of riots from Rangoon, Bareilly, Azamgarh, etc, had already been reaching the city and people's feelings were getting polarised. But the physical proximity of Prabhas Pattan made it more possible for both the sides to carry on active propaganda and to arouse sectarian feelings. The riot in Prabhas Pattan (in the Muslim-ruled state of Junagarh) had occurred by the end of July 1893, on the Muharrum day in which many Hindus were said to have been killed.[44] Immediately after an agitation had started in Bombay. On July 30, 1893, Javerilal Yajnik spoke in a meeting of Hindus demanding "condign punishment for the offenders" and talked of "avenging justice." He said that "not only one of the most sacred temples dear to the Hindus had been defiled, but the holy *bithal* of the god Shree Krishna wantonly polluted, innocent monks and religious ascetics... were, in violation of inter-communal laws, ruthlessly massacred."[45]

The Muslims were not far behind. Aga Khan, at a counter meeting, talked about the killing of their co-religionists, desecration and destruction of their mosques by the Hindus. The atmosphere had become suddenly surcharged with passion.

Another campaign started in Bombay. The Hindus went around asking for subscriptions to get the offenders, punished

ile the Muslims did the same thing among eir co-religionists for the defence of e 'innocents' who were said to be suffer-g at the "hands of the local (Hindu) thorities".[46]

Both the cow-protection societies started opaganda work against the Muslims and llected money to get "the offenders unished". Deshmukh of Gorakshak Sabha ganised a public meeting at Thakurdwar Maratha Hindus on this issue. Many hers went around making inflammatory eeches. One Shivram Sudhale and arayan Trimbak Vaidya went, on one unday "from house to house to urge eople to sympathise with Prabhas Pattan fferers".[47]

There were many such instances. housands of rupees were collected, eeches were made denouncing Muslims, nd exhortations were made to support the fflicted Hindus in Prabhas Pattan. Such eetings were held almost every day. In one eeting by Gau Palan Updeshak Mandali, ohanas, Banias and Bhattias "outbid each ther in their subscriptions".[48]

There were attempts to hold meetings mong the mill workers also. We have vidence of one such meeting by Gau Palan Jpdeshak Mandali. But when questioned by he authorities, Lakhmidas Khimji, the ociety's president, denied this.[49] But judg-ng by the pace of the propaganda, it was ot unlikely that such meetings were held.

The Muslims were not sitting silent either. t was reported that "a large number of espectable Musalmans from Kalyan" rrived in Bombay during the Muharrum estival "complaining to their co-religionists (and afterwards to the police commissioner) hat they had not received fair treatment at he hands of the local (Hindu) authorities".[50] Many Muslims in Bombay were also holding meetings and collecting money to help the arrested Muslims in Prabhas Pattan. Their opinion was that "Hindus had circulated exaggerated reports, and succeeded in exciting the sympathies of their co-religionists in Bombay and subscribed large sum of money which would enable them to trump up charges against the Muham-madans".[51] There were rumours that the Muslims were discussing this issue "at dif-ferent mosques in the city", but the police report denies any such happenings.[52] There are, however, definite reports of a large meeting convened on August 10 "to arrange for the legal defence of the accused, and Rs 12,000 were subscribed on the spot".[53] On the morning of the eleventh also there was "a large meeting of Muhammadans especially (lower classes) . . . at the house of Haji Kasam Haji Ismail . . . About 1,000 per-sons who could not accommodated were standing from 7 to 8 in the streets, and it is rumoured that they were paid for the riot".[54]

And in the afternoon of the eleventh the riot started.

III

Events

It was the city's third communal riot in the nineteenth century. The first one was in 1851, when a Parsi journalist named Byramjee Ghandi had published a portrait of prophet Muhammad in his journal and the mobs were incited to a riot against the Parsis.[55] The second one took place in 1874, again between Muslims and Parsis, when a Parsi named Rustomjee Jalbhoy made a reference to the prophet in his translation of the works of Washington Irving.[56] But in none of the above two the magnitude and intensity of the riot was similar tc that of 1893. It was because the Parsis were few in number and were limited in a few areas, while Hindus and Muslims were spread all over the city.

When the riot started, the police was not exactly caught unawares. Since weeks past, rumours had been afloat about the possi-bility of such a riot. The administration did not take much precautionary measures and "as Bakr-Id, Muharrâm and several Fridays passed without any disturbances",[57] it was lulled into a false sense of security and order. Although there were strong rumours that the riot might start on August 11,[58] not many arrangements were made to such a con-tingency. Some policemen were posted near Juma Masjid but their numbers were grossly inadequate given the enormity of the problem.

When the worshippers went into the masjid for prayers, they were not carrying any sticks or weapons. The only thing observed was that "the attendance of worshippers exceeded the usual number by about a thousand souls".[59] But when the worshippers came out of the masjid after prayers, many of them were carrying sticks, etc, which lends credence to the opinion that the riot was pre-arranged.

Coming out of the masjid at around 1.45 p m the Muslim mob, "despite the endeavours of the respectable members of their community", started shouting *deen*, and rushed towards the Hindu temple situated in the nearby Hanuman Lane. The policemen posted there tried to restrict them and a fight ensued in which stones and other missiles were freely used. Some of the policemen got injured. But, finally, with the arrival of reinforcements, the rioters were repulsed.

As soon as they were driven away from this area, they spread out in various areas and along with many others started rioting there. Thus rioters could be seen in Bhendy Bâzar, all along Erskine Road, Null Bazar, Falkland Road, Duncan Road, Jagjivan Keeka Street and Cowasjee Patel Tank Road. They attacked vehicles, and tramcars were pelted with stones and "infuriated mobs of Musalmans surged from street to street, car-rying havoc and destruction in all directions. To trace the course of the tumult is beyond my powers, for the rioters seemed to be in every place at once".[60]

The military was called in. Many com-panies from Marine Battalion, 5th Bombay Infantry, Bombay Light Horse, etc, were ordered. But even this did not prove very effective because when the rioters were "driven back and dispersed by the police and military from one locality, it was only to unite in another and wreak their wanton rage on the hated Hindus and any who sought to hinder them. Wherever they went, their tactics were the same. Sticks and bludgeons were the weapons generally employed, and only too frequently with fatal results. Volleys of stones, broken files and other missiles were flung both from the streets and from the windows and tops of houses."[61]

Many Hindu temples in Nissanpada, near Kumbharwada and other localities were desecrated. The rioters broke the idols and hurled them on to the roads, to be trodden under foot."[62]

To the killing and desecration of religious places, another motive was soon added—that of loot. One pay clerk in the em-ployment of GIF Railway Company was assaulted and robbed of about Rs 4,000 of government money.[63] Many shops in Bhendy Bazar and other places were looted and their property destroyed.

It was only to be expected that the Hindus, among whom religious propaganda had been going on for some time and who were so preponderant in number, seeing their temples desecrated and destroyed, their co-religionists attacked and their property looted, would retaliate. The retaliation came right on the first day. Within an hour of the original outbreak by Muslims, one Muslim conveyance driver was "brutally assaulted".[64] On Falkland Road, Jagjivan Keeka Street and Duncan Road, the Hindu *tallimwallas* fought pitched battle with the Muslim *tallimwallas* wounding many of the latter.[65] Similarly in Arthur Road and Grant Road, several mobs of Hindus committed "retaliatory acts of violence".[66] At Kamathipura, a large body of Hindus at-tacked the mosque in that area and intense fighting ensued.[67] In Umarkhadi Road and neighbouring areas many mobs of Hindus attacked solitary Muslims and at Chinch Bandar, both parties fought pitched battles.

The mill workers were also brought into the fray right on the first day, though their participation was still limited. In Chinchpokli, the Hindu mill workers attacked the Muslim weavers only to be dispersed by the military,[68] and "towards midnight of the 11th 300 Hindu mill-hands came out, bent on revenge, at the Arthur Road; but were kept in their chawls with great difficulty."[69]

While people from both communities attacked each other, desecrated temples and mosques, looted property, both of them "turned upon European and native police and military". Little regard was shown for the authority and the military fired in several instances killing many people. These

incidents continued till midnight without stop. The military report says:

> No sooner was one district reduced to comparative quiet by the presence of troops, than fresh riots broke out beyond the spheres of existing patrols; and as darkness came on, the difficulty of watching long lines of streets with innumerable intersecting gullies increased enormously. It was felt, therefore, that the force employed was insufficient, and urgent orders were despatched to Colaba for four field guns and the loyal North Lancashire Regiment to parade at once and proceed to Paydhuni.[70]

This was on the first day. The second day, that is, Saturday, August 12, brought the mill workers into the vortex of the riot. Though they were influenced by cow-protection propaganda and the Prabhas Pattan riot, the immediate cause of their participation seemed to be the riot in Bombay itself. On Saturday, the workers left their mills and threw stones at other mills to bring other workers out. This way, after sometime, all the mills were closed and more than one lakh workers were on the street. The majority being Maratha Hindus, they naturally took the side of the Hindus and started attacking and killing the Muslims. They did not pay the least heed to the persuasion of their employers to remain at work and dispersed in most of the northern parts of the city. While many of them were "carrying generally pieces of firewood, and attacked the Musalmans at Chinchpokli, Arthur and Parel Roads, Siwri, Mazagaon and the vicinity, killing and wounding many",[71] some of them went towards Mama Hajani, a mosque very sacred to the Muslims, situated on the rocks surrounded by water. They attacked the people inside the mosque with stones and "brought down a portion of it by means of thick long bamboo sticks."[72]

On this day, most of the northern area were ruled by the workers. The *Times of India* reports:

> Early in the morning at about 8 o'clock, they (the mill workers) took possession of the whole of the Girgaum Road, the Girgaum Block Road, and their adjacent localities, and ran about like mad fanatics, raving and carrying out "*Mahadev Ki Jeh*", and belabouring, and in some cases murdering stray Muhammadans who happened to meet them in the streets. They attacked every shop owned by Muhammadans in these localities, and robbed and plundered right and left . . . A strong party of mill-hands then attacked the mosque of the Borees in a by-lane called Mangalwady on the main Girgaum Road, and having brought out the doors and windows and furnitures, including even the cooking pots, of the mosque into the street, set fire to them, causing a great panic to the inhabitants of the locality.[73]

When confronted by the police or military, the workers sometimes fought and at other times laid down their sticks only to pick them up after the withdrawal of the military. In one instance, being cornered by the military, a large body of mill workers laid down their sticks and bludgeons. But as soon a the military withdrew, they picked them up and attacked the Pathans in a neighbouring locality.[74]

These workers roamed around the railway lines attacking the Muslim employees at the stations and desecrating mosques on the roads leading to Dadar, and at other places in the northern parts of the city. They conducted these operations with much cleverness. The authorities found it hard to check them "for the rioters having learnt where the military and police guards were stationed, took advantage of this to select isolated spots for their operations and proceeded to murder and plunder such victims as they could find. The police and troops were frequently unable to reach such places for some time; and the marauders were thus able to carry out their nefarious intentions with comparative impunity".[75] In one instance, when information was received that the workers "had attacked the Masjid situated in the compound of a bungalow known as the Nawab of Beyla's house, now in the occupation of Mr Haji Cassum,[76] and a strong body of police was despatched for the arrest of the offenders. Before the police could get to the place, the mosuqe had been desecrated, and the *Koran* and other religious books and several odds and ends that were within the building were torn or broken to pieces."[77]

Though, on Saturday, the field was held by the Hindus, the Muslims were not far behind. In fact, in the early morning "a large band of Julahas, issuing from Madanpura, Ripon Road with old knives, nails, razors and other weapon tied on the end of sticks, crossed the flats beyond the Byculla club, and severely injured a number of Hindus". They also created trouble at Duncan Road and Khoja Street, and "at the junction of Don Tad and Paydhuni Roads they were throwing stones from three sides".[78] In another instance, a Muslim burial party, consisting of three to four thousand men, turned violent and was fired upon by the military "killing half a dozen and wounding about forty or fifty".[79] In yet another instance, the Julahas and others, in an attempt to rescue the arrested were fired upon and one got killed.[80] In Khetwady and Girgaum, some of the Hindu temples were wrecked, in Arthur Crawford Market Hindu shopkeepers were attacked and at the Jackeria Masjid, the police and military were attacked in which one policeman got killed; two Hindu temples at Durga Devi and Falkland Road were destroyed.[81]

At several places, both parties were engaged in desperate fightings. In Chinchpokly, "a free fight had taken place between the two rival factions . . . and there were eight men killed and about a hundred seriously injured."[82] In Kamathipura and Northbrook Gardens "there were desperate contests between Kamathis and Julahas".[83] Several burial processions were attacked. In Islampura, a fight took place between the *Chalee Chores* and the Hindu residents of that area in which many of the former were 'mortally wounded'.[84]

The mill workers were very active in these riots. They not only went to some other areas to attack the Muslims but also attacked their Muslim fellow workers. In one instance, a whole row of chawl houses on Parel Road, the upper storeys of which were occupied by poor Muslims "had been forced into a state of siege by the Hindus all over the way, who armed with lathis, had come down in hundreds, driven the occupants into their quarters, and hurling volleys of stones at them forcing them to close every shutter and hopelessly stand a siege".[85] In another instance, many Muslim workers wanted to leave the mill areas and go to Nagpada which was dominated by Muslims and they had to be escorted by the police through besieging Hindu workers.[86] In another incident, one Abdul Aziz, carrying food for his relative at Kaiser-e-Hind Mill, was killed near the mill.[87] Such incidents were quite common. Not only were the Hindu mill workers attacking and killing their fellow Muslim workers, but Muslim *talimwallas* were attacking Hindu *talimwallas*, Julahas from UP were murdering their own Hindu countrymen and vice versa.

Loot was one main motive now induced into the riots. Property was looted from religious places, shops and private houses. Passers-by were also robbed and sometimes the loot became the principal motive transcending all the others. The police report says that so "little regard was felt by the *budmash* element for their religious principles . . . that the shops of both Musalman and Hindu were robbed by members of their own race and creed".[88]

On August 13, some Hindu mill workers learnt that some Muslims had been given protection by a Parsi at Girgaum Road. They went to the Parsi and demanded some money "threatening that if it was not given they would force their way into the place and murder him". On this the Parsi paid them ten rupees. After some time, another batch of workers came demanding the same. On being refused, they broke open the gate and entered the house, but finding nobody there, returned.[89]

On Sunday, the mills remained closed and the assault, loot and desecration were taking place in most of the mill areas. In Worli, Matunga, Parel, Mazagaon, Lalwady etc, hordes of workers could be seen going around doing 'mischief'.[90] At Curry Road "four Musalmans were killed".[91]

Although such incidents were still taking place, by the evening of the thirteenth Sunday, the worst was over. On the following day however, there were again some disturbances in Kamathipura. In Chinchpokly, a mill area, two Muslims were murdered and in Worli, another mill locality, two *dargahs* were desecrated and demolished.[92]

The mills remained closed on Monday, the fourteenth, because the workers refused

to attend as they feared that in their absence their families would be attacked.[93] They caused some trouble also in Parel, Elphinstone Road and Fergusson Road, but when the military arrived, they put down their sticks and went away.[94]

Even after a week since the beginning of the riot, the mill workers were refusing to join their work. It was only on Saturday, August 19, that most of them went to their mills. But even then they did not feel quite calm as false alarms kept sounding time and again. In one instance, "The Hindu mill-hands working in the mills at Kala Chowkey Road stopped work about midday on Saturday and turned out into the roads on hearing a report that the Muhammadans were coming to attack them. Having awaited outside the mills about 10 minutes, and being assured that it was a false alarm, they resumed work."[95]

Events took a more serious turn on Sunday, the twentieth, when again a false alarm was sounded at Pydhuni. This time the Hindus who had gathered to defend themselves did not go back even after learning that the alarm was false. They started attacking stray Muslims and it was only after the arrival of the military that they were dispersed.[96] A similar alarm was raised at Bhuleshwar, Chokshi Bazar and Bhoiwada and again several passers-by were attacked. A Musalman was attacked and injured near the Mulji Jaitha Market where he had gone to make some purchases.[97]

The situation was such that even after four weeks since the riots broke out, the police commissioner did not feel confident enough to conclude that "peace has been entirely restored".[98]

The actual rioting had taken place only on three days, but its intensity was such that 81 persons were killed, 700 injured and 1,550 arrested; 60 temples and 33 mosques were damaged or destroyed; property worth lakhs of rupees was looted and destroyed.[99]

The aftermath of the riot saw another development and that was the shifting of quarters. Right since the beginning of the riot, people had started moving to the areas where their co-religionists dominated. During the riot, the police and military had to escort them and such escort parties were attacked in many instances. If the people ventured to move without escort they were doubtlessly assaulted and wounded or killed. Even after the riot was over we find people moving to safer areas. The *Bombay Gazette* reported that "some Hindu residents in Bhendy Bazar and surrounding streets had brought labour-carts to their doors, and were preparing to remove their goods and chattels to Hindu quarters".[100] Such instances were frequent. Many people had started leaving Bombay, at least for the time being. It was reported that "at least about ten thousand people including women and children left Bombay on Wednesday".[101] The events and developments showed that the communal feelings and the fear psychosis arising therefrom were getting rooted in the mind of the populace.

IV

Conclusions

As in any other riot, the people who participated in this riot had a variety of motives. Though the cow-protection propaganda and the Prabhas Pattan riot might have started it, once the riot was on, it had a logic of its own. The feeling of communal revenge, of personal defence, of group rivalry and desire to loot kept it going on. In fact, the cow-protection propaganda could not have made so much impact on the Hindu mind because many of the participants like Mahars and Telugu Chamars were "not only cow-eating but cow carrion-eating".[102] As for the mill workers, even though they were Marathas, they had little time for this cow-protection propaganda.

Another significant fact was that some of the rioters on both sides were paid by their co-religionist patrons. The police report states that "the ten or fifteen pardeshis who were near the Bhuleshwar temple on Saturday, the second day of riot, and Sunday have been paid by the *shetias* on Saturday morning". The report adds: "I saw about 70 Maratha Ghatis loitering about in Kandewadi, they were very much agitated and all had sticks. I asked them whether they were paid, promised payments, but they bitterly complained about the *shetias,* and on Sunday some of Malvanis threatened Vizbookandass".[103] Similarly we find that "cart-loads of sweet-meats were supplied by wealthy Hindus to be distributed among their poor co-religionists... The Muhammadans also have been distributing *nans* and plantains to the poor of their community."[104]

However, payments made to instigate rioting were not very common. Only in a few instances the rioters were paid, but in most others they participated on their own. Loot, mostly though not invariably, on communal lines was a stronger motive. But even looting did not form the primary motive on the whole. The desecration and destruction of small temples and *dargahs* were not motivated by the desire of loot.

The defensive reaction, though very prominent, could not account for the attacks committed either by the mill workers or by other groups. Going around murdering people could not be said to have been derived from the desire to defend themselves.

So, the conclusion which presents itself is that though a variety of motives went into the making of the riots, the lines between 'we' and 'they' were drawn along communal lines. All the other motives and identities tended to get dissolved into communal identities at that point of time. Caste, class, occupation and region were subordinated to the communal identity.

However, this was only for the time being. The relative proportion of Muslims in the Hindu-dominated areas or the Hindus in the Muslim-dominated areas did not show a major decline over the years, despite a few migrations. Similarly, we find other loyalties taking over when the Sunnis attacked the Bohras in 1904 and the Julahas in 1908 during the Muharrum, or in 1911, on Muharrum day when Muslims and Hindus fought together against the police.

In police firing seven Hindus were killed and many injured along with the Muslims.[105] Among mill workers also Hindus started working and living amicably with the Muslims, even though immediately after the riot they had forced some of the millowners "to dispense with the services of most of their Musalman employees".[106]

Notes

[I wish to thank S Bhattacharya for his comments on earlier drafts of this paper.]

1 Dipesh Chakrabarty, 'Communal Riots and Labour: Bengal's Jute Mill-Hands in the 1890s' in *Past and Present*, No 91, May 1981, pp 140-49.

2 He says that "from the early 1890s onwards a communal culture grew in the northern parts of Calcutta and its northern suburbs, areas which had concentrations of immigrant merchants and labourers". In ibid, p 142.

3 For example, Ranajit Das Gupta, 'Material Conditions and Behavioural Aspects of Calcutta Working Class 1875-1899', *Occasional Paper No 22*, Centre for Studies in Social Sciences, Calcutta. Also 'Some Aspects of Labour History of Bengal in the Nineteenth Century: Two Views', *Occasional Paper No 40*, Centre for Studies in Social Sciences, Calcutta, for Dipesh Chakrabarty's Rejoinder and Ranajit Das Gupta's reply.

4 S Bhattacharya, 'Labour and Capital in Bombay City, 1928-29' in *Economic and Political Weekly*, October 1981, Nos 42-43.

5 In the following account I shall use the term Hindu and Muslim. It is not because these identities are exclusively and permanently valid; they could never be. The people had several identities, e g, Marathas, Kamathis, Bhayyas, Seedis, Pathans, Julahas, mill workers, dock labourers, etc. These terms are also not used as academically convenient categories; that would be presumptuous. But at that moment, during the riots, all identities tended to get dissolved into two forms—Hindus and Muslims, i e, along communal lines It is in this sense that the use of these terms are justified.

6 *Census of India,* 1921, Cities of Bombay Presidency, pt I, p 14.

7 Calculated from various Census Reports of Bombay City.

8 Jim Masselos, 'Power in the Bombay 'Mohalla', 1904-15: An Initial Exploration into the World of the Indian Urban Muslim' in *South Asia*, 1976, Vol VI:

Three of the nine circles in Chakala in 1901, for example, had very low Muslim percentages of 7.8, 16.2, 23.0, while the other six had very high percentages ranging from 99.8, 93.2, 87.8, 68.1 down to

63.6. Even allowing for probable inaccuracies in census data, there were thus extremely heavy concentrations in these four sections which, combined with circles 3 and 9 of Mandvi and circles 4 and 5 of Bhuleshwar, may be said to constitute the Muslim quarter of the city, p 77.

9 *Census*, 1921, op cit, p 5.

10 Calculated from various census reports on Bombay city. Comparable figures for 1891 are not available.

11 Morris D Morris, *The Emergence of an Industrial Labour Force in India: A Study of the Bombay Cotton Mills, 1854-1947*, Bombay, 1965, p 79.

12 Computed from censuses. Comparable figures for 1891 and 1901 are not available.

The Gazetteer, op cit, p 226, says that "of the mill operative population about three-quarters are Hindus". These figures are impressionistic and not based on any data. There are, however, another piece of evidence which supports my statistical conclusion. Morris, quoting a BMOA survey in 1940, says that "Muslims, the only other large group distinguished, made up 5.2 per cent of total mill workers" (Morris, op cit, p 75). This figure is almost equal to the above figure for 1921 for all the workers.

13 Judicial Department (henceforth JD), 1894, Vol 281/94 (henceforth referred to as Police Report or PR), p 2. Maharashtra State Archives, Bombay (henceforth MSA).

14 JD, 1893, Vol 194, p 155, MSA.

15 Telegram from her majesty's secretary of state of India, dated, November 17, 1893, in PR, p 21.

16 See Gyan Pandey, 'Rallying Around the Cow: The Sectarian Strifes in Bhojpuri Region' in Ranajit Guha (ed), *Subaltern Studies II*.

17 Home Department (special), 1893, *Report on Cow-Killing Agitation* by E C Cox, Superintendent of Police in charge of special branch, MSA, p 371. Also JD, 1893, Vol 194, p 156.

18 The report says that "amongst prominent supporters are Mr Kavasji M Shroff, Mr Javerilal, Mr Malabari, Dr Deshmukh", etc, JD, Vol 194, p 156.

19 Home Department (spl), 1893, op cit, p 373.

20 Ibid, p 373.

21 JD, 1983, Vol 194, pp 157-8.

22 Home Department (spl), op cit, p 374.

23 Ibid, p 375.

24 Letter by Ameer Mahomed Khan to *Bombay Gazette*, p 12. (All the reports on the riot which appeared in the *Bombay Gazettee* (henceforth BG) and *The Times of India* (henceforth TOI) were compiled in simple volumes and are kept in the JD, 1893, Vol 194 files. All the references to these reports are from these files.)

25 Home Department (spl), op cit, p 375.

26 Ibid, p 378.

27 Home Department (spl), 1893, File No 1002, p 171.

28 Home Department (spl), Report by E C Cox, op cit, p 376.

29 PR, p 8.

30 JD, 1893, Vol 194, p 158.

31 Home Department (spl), op cit, p 377.

32 Ibid, pp 377-8.

33 Ibid, p 378.

34 Ibid, p 378.

35 PR, p 3.

36 Home Department (spl), op cit, p 380.

37 PR, op cit, p 3.

38 Ibid, p 3.

39 Home Department (spl), op cit, p 380.

40 PR, p 3.

41 Ibid, p 3; Home Department (spl), op cit, pp 380-1.

42 Home Department (spl), p 381.

43 PR, p 3.

44 Reported in *Pioneer*, quoted in *BG*, op cit, p 48.

45 Quoted by *Pioneer*; given in *BG*, p 48.

46 PR, p 3.

47 JD, 1893, Vol 194, p 155.

48 PR, p 3.

49 *BG*, op cit, p ii.

50 PR, p 3.

51 *Pioneer*; given in *BG*, p 49.

52 Home Department (spl), op cit, p 383.

53 *BG*, p 11; PR, p 3.

54 JD, 1893, Vol 194, p 156.

55 *TOI*, August 12, 1893, reprinted in the J D 1893, Vol 194.

56 Ibid.

57 PR, p 1.

58 PR, p 3. On August 10, in a meeting of Gau Palan Updeshak Mandali in Madhav Bagh, many speakers asked the Hindus to be prepared as the Muslims would create disturbances on 11th

59 PR, p 4.

60 PR, p 5.

61 Ibid.

62 Ibid.

63 Ibid, *BG*, p 2.

64 PR, p 6.

65 *BG*, pp 2-3.

66 PR, p 6.

67 *BG*, p 5.

68 PR, p 6; *BG*, p 5.

69 PR, p 6.

70 Quoted in PR, p 13.

71 PR, p 7.

72 *TOI*, August 14.

73 Ibid.

74 *BG*, pp 7-8.

75 PR, p 7.

76 He was the same person in whose build the meeting of Muslims was held on morning of eleventh.

77 *TOI*, August 14, 1893.

78 PR, p 7.

79 PR, p 8; *BG*, p 6.

80 *BG*, p 6.

81 *BG*, p 7.

82 *TOI*, August 14, 1893.

83 PR, p 7.

84 *TOI*, August 14, 1893.

85 Ibid.

86 Ibid.

87 Ibid.

88 PR, p 8.

89 *BG*, p 9.

90 Ibid.

91 PR, p 8.

92 *BG*, pp 11-12.

93 Ibid, p 11.

94 *TOI*, August 15, 1893.

95 *BG*, p 20.

96 *BG*, p 23; PR, p 8.

97 *BG*, p 23.

98 PR, p 9.

99 PR, Appendix A. These figures, pa ticularly about the dead and injured, a an understatement because it was difficu to account for the casualties at the heig of the riot and all the dead were n reported and most of the injured did n go to the hospital.

100 *BG*, p 13.

101 Ibid, p 28.

102 JD, 1893, Vol 194, p 158.

103 JD, 1893, Vol 194, p 157.

104 *TOI*, August 15, 1893.

105 Jim Masselos, 'Power in the Bomba 'Mohollas' in *South Asia*, 1976, pp 83-

106 *Indian Textile Journal*, August, 189 p 219.

CITIBANK

(INCORPORATED WITH LIMITED LIABILITY IN THE U.S.A.)

BALANCE SHEET OF THE INDIAN BRANCHES AS AT THE CLOSE OF BUSINESS MARCH 31, 1989

Previous Year As at December 31, 1987 Rs. P.	CAPITAL AND LIABILITIES	Rs. P.	Rs. P.	Rs. P
	1. Capital Face value of Securities deposited with Reserve Bank of India under Section 11(2) of Banking Regulation Act, 1949			
100,000,000.00				150,000,000.00
	2. Reserve Fund and Other Reserves			
NIL	i) Properties Investment Reserve (See Note 3) Transferred from Profits of earlier years		155,930,700.00	
NIL	ii) Furniture Equipment Reserve (See Note 4)		15,722,290.00	
NIL	iii) Reserve under Sec, 11(2) (b) (ii) of the Banking Regulation Act, 1949 Transferred from Profit and Loss Account		55,733,048.33	
				227,386,038.33
	3. Deposits and Other Accounts			
	Fixed Deposits			
NIL	i) From Banks	250,000,000.00		
4,073,935,261.99	ii) From Others	10,165,474,063.05		
4,073,935,261.99			10,415,474,063.05	
328,388,620.11	Savings bank deposits		444,482,355.10	
	Current Accounts, Contingency Accounts, etc.			
26,476,287.10	i) From Banks	26,966,049.79		
1,709,313,458.75	ii) From Others	2,067,115,153.29		
1,735,789,745.85			2,094,081,203.08	
6,138,113,627.95				12,954,037,621.23
	4. Borrowings from Other Banking Companies, Agents, etc.			
1,135,488,789.31	i) In India	2,512,080,975.62		
8,248,631.22	ii) Outside India	5,737,149.04		
1,143,737,420.53				2,517,818,124.66
	Particulars			
NIL	i) Secured	NIL		
1,143,737,420.53	ii) Unsecured	2,517,818,124.66		
129,503,935.64	**5. Bills Payable**			386,345,638.30
	6. Bills for Collection being Bills Receivable per Contra			
181,226,852.55	i) Payable in India		367,443,308.03	
61,794,711.21	ii) Payable outside India		79,957,628.70	
243,021,563.76				447,400,936.73

Previous Year As at December 31, 1987 Rs. P.	PROPERTY AND ASSETS	Rs. P.	Rs. P.	Rs. P
553,157,611.55	**1. Cash** (In hand and with Reserve Bank of India and State Bank, including foreign currency notes)			1,852,685,256.17
	2. Balances with Other Banks			
	On Current Account			
758,691,550.36	i) In India	1,152,218,598.18		
1,348,690.74	ii) Outside India	12,404,454.10		
760,040,241.10			1,164,623,052.28	
	On Deposit Account			
Nil	i) In India	NIL		
NIL	ii) Outside India	NIL		
NIL			NIL	
760,040,241.10				1,164,623,052.28
NIL	**3. Money at Call and Short Notice**			80,000,000.00
	4. Investments			
1,737,249,187.19	i) Securities of the Central and State Governments and Other Trustee securities including Treasury Bills of the Central and State Governments (Quoted Investments at Market Value—See Note 5; Treasury Bills at book value)		4,465,756,799.20	
	ii) Shares (Fully Paid—at cost)			
7,251,401.25	Equity	7,611,401.25		
750.00	Others	750.00		
7,252,151.25			7,612,151.25	
330,964,200.51	iii) Debentures or Bonds (at Market Value—at cost in the absence of quotations. See Note 5)		162,140,915.37	
	iv) Other Investments (at cost) Unit Trust of India			
100,000.00	Initial contribution	100,000.00		
NIL	Other Units	195,002,905.00		
100,000.00			195,102,905.00	
NIL	v) Gold		NIL	
2,075,610,538.95				4,830,612,770.82
	5. Advances See annexed Schedule (Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)			
	I. Loans, Cash Credits, Overdrafts etc.			
3,261,696,077.34	i) In India	7,019,225,135.18		
NIL	ii) Outside India	NIL		
3,261,696,077.34			7,019,225,135.18	

Previous Year Rs.		Rs.	Rs.
29,825,8[illegible]	i) Unexpired Discount	[illegible]9,703,404.09	
497,439,473.[illegible]	ii) Sundry Accounts	[illegible]10,719,141.36	
167,708,444.09	iii) H.O. and Branches Balances (net) (including Overseas Branches)	98,927,068.80	
694,973,789.30			829,349,514.25
2,247,592,415.63	**8. Acceptances, Endorsements and Other Obligations per Contra**		1,596,877,214.21
	9. Profit and Loss		
229,674,834.02	Profit as per last Balance Sheet	249,299,011.24	
NIL	**Less:** Amount Transferred to Reserve retained for Investment in Properties in India (See Note 3)	155,930,700.00	
56,003,833.00	**Less:** Amount remitted to Head Office	5,752,818.00	
173,671,001.02		87,615,493.24	
75,628,010.22	**Add:** Profit for the period brought from Profit and Loss Account	222,932,193.31	
249,299,011.24			310,547,686.55
	10. Contingent Liabilities		
5,041,626,463.90	i) Outstanding Guarantees (including Guarantees given on behalf of officers Rs. Nil Previous Year Rs. Nil)	3,217,745,322.53	
16,788,569,044.67	ii) Outstanding Forward Exchange Contracts	26,985,147,756.26	
1,464,520,400.28	iii) Bills of Exchange Re-discounted	36,155,865,137.33	
25,607,528.75	iv) Collection Documents released on Banks responsibility	7,114,384.97	
341,552,114.00	v) Claims against the Bank not acknowledged as debts	305,440,834.00	
NIL	vi) On Partly Paid Shares	Nil	
NIL	vii) Other Money for which the Bank is contingently liable	NIL	
10,846,241,764.05	TOTAL RUPEES		19,269,762,774.26

Previous Year Rs.		Rs.	Rs.
	[illegible] Bills Discounted and Purchased (excluding Treasury Bills of the Central and State Governments)		
839,277,237.65	i) Payable in India 847,426,530.29		
31,853,969.14	ii) Payable Outside India 63,976,414.07		
871,131,206.79		911,402,944.36	
4,132,827,284.13			7,930,628,079.54
	6. Bills Receivable being Bills for Collection per Contra		
181,226,852.55	i) Payable in India	367,443,308.03	
61,794,711.21	ii) Payable Outside India	79,957,628.70	
243,021,563.76			447,400,936.73
2,247,592,415.63	**7. Constituent's Liabilities for Acceptances, Endorsements and Other Obligations per Contra**		1,596,877,214.21
	8. Premises Less Depreciation		
19,732,013.59	At Cost as of December 31, 1987.	19,732,013.59	
NIL	**Add:** Additions during the period	13,743,900.00	
19,732,013.59		33,475,913.59	
NIL	**Less:** Deductions during the period	NIL	
19,732,013.59		33,475,913.59	
3,973,090.02	**Less:** Depreciation written off to date	5,393,746.95	
15,758,923.57			28,082,166.64
	9. Furniture and Fixtures Motor Vehicles etc, less depreciation		
137,422,464.90	At cost as of December 31, 1987.	203,419,306.92	
75,324,175.43	**Add:** Additions during the period (See Note 4)	215,169,797.17	
212,746,640.33		418,589,104.09	
9,327,333.41	**Less:** Deductions during the period	40,099,321.97	
203,419,306.92		378,489,782.12	
66,274,354.61	**Less:** Depreciation written off to date	94,328,842.89	
137,144,952.31			284,160,939.23
	10. Other Assets		
75,415,542.80	i) Accounts Receivable	115,181,547.34	
160,708,535.57	ii) Interest/Commission Earned not Collected	366,755,821.35	
28,436,264.11	iii) Interest Accrued on Investments	26,553,024.74	
170,951,603.71	iv) Clearing and Cash items	66,356,872.20	
415,835.65	v) Stamps on hand	163,490.65	
186,802,276.18	vi) Deposits and Prepayments and Capital assets under installation	233,010,675.30	
19,065,000.00	vii) Deposits with IDBI	19,065,000.00	
28,014,386.06	viii) Interest Paid in Advance	45,887,447.41	
11,278,788.97	ix) Sundry Accounts (Including Matured Investments Rs.1,160,000 Previous Year Rs.9,124,700)	181,718,479.65	
NIL	x) H.O. and Branches (Net) (including Overseas Branches)	NIL	
681,088,233.05			1,054,692,358.64
NIL	**11. Non Banking Assets Acquired in Satisfaction of Claims**		NIL
NIL	**12. Profit and Loss**		NIL
10,846,241,764.05	TOTAL RUPEES		19,269,762,774.26

Notes to the Accounts annexed

Per our report attached
For A.F. FERGUSON & CO.
Chartered Accountants
Sd/-
F.N. PAVRI
Partner

PLACE: BOMBAY
DATE: JUNE 30,1989.

Sd/-

CITIBANK

(INCORPORATED WITH LIMITED LIABILITY IN THE U.S.A.)

PROFIT AND LOSS ACCOUNT OF THE INDIAN BRANCHES FOR THE PERIOD JANUARY 1, 1988 TO MARCH 31, 1989

Previous Year Rs. P.	EXPENDITURE	Rs. P.	Previous Year Rs. P.	INCOME (Less Provision made during the period for Bad and Doubtful debts and other Usual or Necessary Provisions)	Rs. P.
625,393,672.38	1 Interest paid on Deposits, Borrowings etc.	1,464,548,427.99	1,060,533,196.45	1 Interest and Discount	1,960,470,965.87
62,293,231.51	2 Salaries and Allowances, Provident Funds, Retirement Benefits	122,608,988.31	277,219,949.51	2 Commission, Exchange and Brokerage	477,810,325.09
32,342.00	3 Directors and Local Committee Members Fees and Allowances	226,705.57	NIL	3 Rent	NIL
380,963,525.60	4 Rent, Taxes, Insurance, Lighting etc. (Includes Provision for Taxation—Rs.325,526,812 Previous Year Rs.357,205,204)	388,183,675.89	NIL	4 Net profit on sale on Investments; Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account)	NIL
2,027,374.04	5 Law Charges	2,992,519.53	NIL	5 Net profit on revaluation of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account)	NIL
13,133,720.39	6 Postage, Telegrams & Stamps	28,033,629.26	NIL	6 Income from Non-Banking Assets and Profit from Sale of or dealing with such Assets	NIL
225,000.00	7 Auditors' fees	525,000.00	843,234.94	7 Other receipts (Net)	54,057,490.53
35,992,236.89	8 Depreciation on and Repairs to the Banking Company's Property	81,385,214.00	NIL	8 Loss (if any)	NIL
14,131,475.06	9 Stationery, Printing, Advertisement etc.	32,092,432.27			
NIL	10 Loss from Sale of or Dealing with Non-Banking assets	NIL			
99,251,098.81	11 Other Expenditure (including Head Office Administration Expenses)	129,631,503.03			
105,152,704.22	12 Balance of Profit	242,110,685.64			
1,338,596,380.90	TOTAL	2,492,338,781.49	1,338,596,380.90	TOTAL	2,492,338,781.49

Previous Year Rs. P.		Rs. P.	Previous Year Rs. P.		Rs. P.
29,524,694.00	1 Short provision for taxation for earlier years	NIL	105,152,704.22	1 Balance of Profit for the period brought down	242,110,685.64
NIL	2 Transfer to Reserve under Section 11(2)(b)(ii) of the Banking Regulation Act, 1949	55,733,048.33	NIL	2 Excess Provision for Tax for earlier years written back	36,554,556.00
75,628,010.22	3 Net Profit carried to Balance Sheet	222,932,193.31			
105,152,704.22	TOTAL	278,665,241.64	105,152,704.22	TOTAL	278,665,241.64

Notes to the Accounts annexed

Per our report attached to the Balance Sheet

For A.F. FERGUSON & CO.
Chartered Accountants
Sd/-
F.N. PAVRI
Partner

PLACE: BOMBAY
DATED: JUNE 30, 1989

Sd/-
JAITHIRTH RAO
Chief Executive Officer—India

CITIBANK

(INCORPORATED WITH LIMITED LIABILITY IN THE U.S.A.)

PARTICULARS OF ADVANCES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT CLOSE OF BUSINESS, MARCH 31, 1989

Previous Year As at December 31, 1987 (Rs)		(Rs)
2,494,929,214.72	i) Debts considered good in respect of which the Banking Company is fully secured	5,801,792,445.58
1,203,466,074.41	ii) Debts considered good for which the Banking Company holds no other security than the debtor's personal security	1,772,436,170.47
434,431,995.00	iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	356,399,463.49
NIL	iv) Debts considered doubtful or bad, not provided for	NIL
4,132,827,284.13	TOTAL	7,930,628,079.54
44,554,539.78	v) Debts due by Directors or Officers of the Banking Company or any of them either severally or jointly with any other persons	74,832,067.58
NIL	vi) Debts due by Companies or Firms in which Directors of the Banking Company are interested as Directors, Partners or Managing Agents or in the case of Private Companies as Members	NIL
44,554,539.78	vii) Maximum total amount of advances including temporary advances made at any time during the year to Directors or Managers or Officers of the Banking Company or any of them either severally or jointly with any other persons	74,832,067.58
NIL	viii) Maximum total amount of advances, including temporary advances granted during the year to the Companies or Firms in which the Directors of the Banking Company are interested as Directors, Partners or Managing Agents or in the case of Private Companies as Members	NIL
10,264,668.01	ix) Due from Banking Companies	25,153,636.00

PARTICULARS OF REMUNERATION RELATING TO THE CHIEF EXECUTIVE OFFICER IN INDIA DURING THE 15 MONTHS PERIOD ENDED MARCH 31, 1989

1987 (Rs)		1988-89 (Rs)
7,92,000	i) Salaries	9,90,000
NIL	ii) Allowances	NIL
NIL	iii) Sitting Fees	NIL
NIL	iv) Bonus	NIL
NIL	v) Employer's contribution to Provident Fund, Pension Fund or any other Superannuation Fund	Nil
NIL	vi) Payments made by way of gratuities, pensions or otherwise in excess of the employer's contribution or interest thereon	NIL
1,99,116	vii) Estimated monetary value of any benefits or perquisites	2,24,869
9,91,116	TOTAL	12,14,869

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE PERIOD JANUARY 1, 1988 TO MARCH 31, 1989

1 The total gratuity liability in respect of the entitled employees as at March 31, 1989 to be discharged in future in accordance with the Payment of Gratuity Act and the Bank's Rules is estimated on the basis of actuarial valuation at Rs. 23,438,000 (previous year Rs. 12,511,000) which taking into account the estimated tax benefit works out to Rs. 8,203,300 (previous year Rs. 4,378,850) in respect of which provision of Rs. 5,382,271 (previous year Rs. 3,522,270) is held in the accounts.

2 The total liability as at March 31, 1989 to be discharged in future under the Bank's Pension and Voluntary Retirement Plans introduced in earlier years as determined by actuary is Rs. 425,013 (previous year Rs. 1,201,942) which taking into account the estimated tax benefit works out to Rs. 148,755 (previous year Rs. 420,679) which will be accounted for on a cash basis.

3 The Bank has retained in the Reserve Fund Account Rs. 155,930,700 representing Deposits for Premises taken on lease as per the Reserve Bank of India's guidelines. This amount has been retained with the approval of Reserve Bank of India out of the approved remittable surplus of earlier years.

4 The value of computers etc. used in the Indian business as of March 31, 1989 gifted in earlier years by the Banks' Head Office has been transferred during the period and shown as additions to Fixed Assets with a cor-

by Rs. 13,52,78,123, interest accrued on investments has decreased by Rs. 17,29,57,236 and profit after tax for the period has reduced by Rs. 1,31,87,690.

6. Sundry Accounts under the head "Other Liabilities" and "Other Assets" include amounts pending transfer to appropriate accounts.

7. Bills received from constituents for collection on their behalf are controlled through memorandum registers and are recorded in financial ledgers only when collected. These bills for collection outstanding as on March 31, 1989 have, however, been shown in the Balance Sheet under the relevant heads of account.

8. Bank's own Assets and Liabilities in foreign currencies are converted at the rates ruling at the year end and forward exchange contracts are reflected at contracted rates.

9. By the Companies Act, 1956, the Bank is exempt from disclosing matters not required to be included by the Banking Regulation Act, 1949 and these accounts have been prepared accordingly.

10. Previous year's figures have been regrouped wherever necessary. Current year's figures are for a period of fifteen months and hence not comparable with the previous year.

Education and Communal Politics in Benga

A Case Study

Poromesh Acharya

The relation between educational development and communal politics in Bengal during the 30s and 40s o this century is a fascinating subject which has not received the attention it deserves from scholars of either Benga politics or development of education in Bengal. Communal politics in Bengal has been generally studied fron the standpoint of land relations as an expression of land politics. This approach, while certainly not invalid, onl partially explains the problem of communalism in Bengal. Communal differentiation as rooted in the realm o cultural identity remains still an autonomous reality which needs to be taken into account particularly in dealin with issues like education. Against this background, this paper deals with the communal tensions generated b the introduction of the Bengal Secondary Education Bill, 1940, in the Bengal legislative assembly during the perioc of provincial autonomy.

I

THIS paper deals with the communal controversy and tension that overshadowed the political and social life of Bengal with the introduction of Bengal Secondary Education Bill, 1940, in the Bengal Legislative Assembly, during the period of provincial autonomy. The paper does not intend to deal with the problems of theorising communalism as such. Yet it may provide some insights into the problem.

The relation between educational development and communal politics in Bengal during 30s and 40s in the present century makes a fascinating study. This aspect, it appears, has not as yet received the due attention of scholars who have dealt with Bengal politics or development of education in Bengal. Communal politics in Bengal has been generally studied from the standpoint of land relations as an expression of land politics. Admitting the validity of this approach it can safely be said that this only partially explains the problems of communalism in Bengal. Communal confrontation cutting across the class structure is sometimes seen as the politics of manoeuvre due to the inner contradictions of the dominant classes. Communal differentiation as rooted in the realm of cultural identity remains still an autonomous reality which need to be taken into account particularly in dealing with issues like education. In fact, the history of education in India shows that education, even after the introduction of western education, was never a culture-neutral education.

It is interesting to note that the denial of this reality by the nationalists gave rise to the communal politics of education in Bengal during the first half of the present century. It is all the more interesting that nationalism in Bengal showed clearly Hindu moorings and developed on the basis of Hindu cultural identity in spite of all claims of nationalism as a secular ideology.[1] It was no wonder that Moslem intelligentsia in Bengal did not find much difference between Congress nationalists and Hindu nationalists. In fact, the only difference was that while Hindu nationalists consciously interpreted Indian nationalism in terms of Hinduism, Congress nationalists tried to interpret Hindu nationalism as a secular ideology. It was easy for the caste Hindus of Bengal to resolve the question of their Indian identity through Hinduism. But for Bengali Moslems it was a crisis.

The crisis of Bengali Moslems can be traced back to the last century when modern Bengali language, literature and system of education were being shaped by the stalwarts of the caste Hindu community variously known also as rationalists, or radicals or liberals. Obviously, a Hindu bias crept in and a feeling of alienation grew among the educated Moslems in Bengal. Bengali Moslems rejected the *dobhasi* literature and refused to accept Sanskritised or Hinduised Bengali. The Bengal government took note of it and in a letter in 1872, to the government of India wrote, "It is certain that they would have no desire to be instructed in an artificial Sanskritised Bengalee such as some Bengalee scholars effect".[2] Some *asraf* or higher caste Moslems in urban areas prescribed Urdu as the medium of instruction for Moslems in Bengal. But that was not acceptable to Bengali Moslems in general.[3] However, with the rise of nationalist movement this crisis of Bengali Moslems aggravated. Failing to find a Moslem idiom of Indian identity Bengali Moslems gradually took recourse to pan-Islamism.[4] As a matter of fact, they were rather pushed to such a situation by the denial of the nationalists of the cultural roots of communal differentiation.

Bengali Moslems, however, could not resolve their crisis by taking recourse to pan-Islamism and accepting Pakistan. It was only after the formation of Bangladesh that the problem could be somewhat resolved. But that is another story beyond our topic of discussion.

II

By the turn of the century Moslem public opinion became vocal against the Hindu domination over the system of education. They, at the same time blamed themselv for not taking the initiative but leaving it Hindus to shape the system of educatio They, however, identified three major pr blems of education. These were: (i) langua problem, (ii) problems of religious educ tion, and (iii) Hindu bias in the existi education. The government of India in letter to the secretary to the government Bengal stated, "The reasons which ha retarded the spread of secondary educatio among the Muhammadans are the pover of the community, the linguistic difficult the demand for religious instruction an want of Muhammadan representative on the governing bodies of education institutions".[5]

In the year 1915 the Bengal governme constituted a committee to consider que tions connected with Muhammadan educ tion. As a general policy the committe recommended that "while it is necessary maintain special institutions for Moslems is undesirable to develop further a syste of education for this community separa from that of other communities. Th existing system should be carefully examine to see where they fail to satisfy members o the community and necessary modificatio should be introduced".[6] The committee fu ther recommended that "the adequat representation of Moslems on the manag ing committees of high schools should b made a condition of receiving grant-in-ai from the public fund" and that "the univer sity should insist on the adequate represen tative of Moslems on the managing commit tee, before granting recognition to any nev school".[7] It also recommended that, in al government schools 15 per cent of the place be reserved for Moslem boys. There shoul be more Moslem headmasters and assistan teachers and adequate provision shoulc be made for Arabic, Persian and Urd teaching.[8]

It appears that the committee could no resolve the problem of language study to the satisfaction of all. It recognised that 'Bengal must be the medium of instruction' in primary 'schools attended by children whose

nacular is Bengali'.[9] At the same time it that 'Muhammadan boys should have opportunity of learning the elements of du to facilitate their study of the ran.[10] For the secondary level they sug- ted a three language formula of English, ngali and Urdu. It stated "we have care- ly examined this question of languages to whether the number of languages can- t be curtailed, and the general conclusion which we arrived was that only one of the ee languages (Persian, Arabic and Urdu) ed necessarily be studied thoroughly".[11] may be noted that this emphasis on Urdu s not without reason. According to the mmittee, "Urdu is a language which is not ly spoken by the Moslems of other parts India but has also come to be regarded the *Lingua-franca* of the whole coun- y".[12] In fact by introducing Urdu, Bengali oslems wanted to resolve their problem of dian identity.

The Calcutta University Commission 17-1919 also considered the problems of ucation of Bengali Moslems. The Com- ission received several Moslem deputations d summarised some of their grievances. few revealing grievances were as follows:

a) 'the encouragement by the university of Sanskritised Bengali, which is difficult for usalmans to acquire'.

b) 'the use by the university of books hich are either uncongenial to Musalmans being steeped in Hindu religion and tradi- on, or even positively objectionable to em, because they contain statements of- nsive to Muslim sentiment.' Elphinstone's istory of India is cited as a case in point,

(c) The requirement that each candidate hould write his name, instead of giving a umber, on the answer books shown up at niversity examinations. (It is suggested that is practice operates to the prejudice of loslem candidates) and,

(d) It was alleged that 'out of 895 xaminers appointed by the Calcutta Univer- ity in 1917 in subjects other than Urdu, ersian or Arabic, nine only were Musalmans'. As such they demanded 'fair hare' in the appointment of university xaminers.[13]

The claim for 'fair share' in educational management became the main issue during he period of diarchy. Hartog observed, "the ransfer of the Department of Education to opular control, as represented by a minister, oth increased the public interest in it and made it more sensitive to the currents of ublic needs and public opinion. Muham- madan community particularly had wakened to the need and possibilities of education".[14] In fact, during the period of diarchy certain concrete measures were taken for the extension of primary education in Bengal. A centralised and uniform system of primary education was being introduced n Bengal for the first time. As a result primary education made a certain degree of progress. Interestingly, Moslems formed nearly 54 per cent of the total roll strength, and the Hindus and other communities together formed 46 per cent. Moslems, however, were still lagging far behind in secondary and higher education. They strongly believed that the Hindu bias in the present system was a major if not main, hindrance to their education. And to change it they need to achieve some control over the system of education.

There was a very strong resentment among Bengali Moslems against the prescribed text-books and the Sanskritised Bengali language. The Report of Dacca University Committee stated in this regard that "Bengali literature as at present permeated mainly by Hindu ideas, and there is a great paucity of literature on subjects derived from authentic Arabic or Persian sources such as will interest Muhammadan students". It suggested that "the government or the university should encourage authors to publish Bengali books of a Muhammadan character, and that such book should be included in the works prescribed as models of style".[15] An analysis of the Moslem public opinion as reflected in journals edited by Bengali Moslems will show the depth of this resentment. It was even alleged that books authored by Moslems were not selected, as the text-book selection committees were dominated by the Hindus.[16] Abul Monsur Ahmed, a writer and a political leader of repute, alleged that one Hindu publisher refused to print has book as he used the word *pani* instead of *jal*, meaning water. He also alleged that his book *Naya Para* was not approved by the text-book selection committee on the ground of too many Arabic and Persian words. It happened when Fazlul Huq was the education minister.[17]

Azizul Huq, vice-chancellor of Calcutta University and the speaker of Bengal Legislative Assembly in his note to Kamal Yar Jung Education Committee wrote, "with the beginning of the new reaction Bengali of the fifties and sixties of the last century contained such stiff Sanskritised words and phrases that it is doubtful, if any average Bengali, unless he is a good Sanskrit scholar, can even understand them. No doubt the language has thereafter been liquified to some extent in process of time. But it still contains many hard Sanskrit words specially in some of the school and college textbook... It is with this inherent disadvantage that the Musalman student has also to join the present system of education. But he has also to contend against the syllabuses, schemes of study and text-books. He reads literature and he becomes conversant with *Dev, Devi, Avtar, Namaskar, Puja,* the conception of life, birth and rebirth, the pantheon with all the doctrines of *Veda* and *Vedanta, Purans* and *Gita*... He hardly comes across the conception of *Allah, Rasul,* or the meaning and import of *Namaz, Haj, Zakat* or the principles and doctrines of Islam in Quran or Hadis." In regards to history text-books he writes, "He reads ancient India as a study of culture in a picture of its inspiration and ideals... Coming to the medieval period he immediately falls into a narration of wars and conquest, slaughter and carnage, destruction and demolition of India's past, amidst patricidal and fratricidal struggles and disputes..." He concludes, "Let it be remembered that this is what a student in the most formaltive period of his life has to read in a school. It is bound to create communal discord and deep-rooted hatred. No wonder the Muslim culture and social order have disintegrated under this system of education and India has not yet been able to solve the Hindu-Muslim problem." Azizul Haq surmised that, "The consensus of opinion among educationists is that there are two and only two alternatives. Either the present system of schools and university studies must have such syllabuses and themes that the Hindus, the Muslims and all other creeds and communities can meet on an essentially common platform with no influence, tendency or bias in favour of the one or the other or, educational India must be a federation of two or more types of educational organisations, each trying to develop its own culture and heredity, but in a spirit of catholicity and goodwill to others. I hope and pray that wisdom and sense will still prevail and there will be a common and unified plan and programme of education."[18]

We could not help quoting him elaborately as he represented the comparatively liberal section of Bengali Moslem middle class. Opinions of Bengali Moslems, particularly liberal Moslems like Azizul Huq and Fazlul Haq, one time premier of Bengal, in regard to the Wardha scheme or basic education may be revealing. Both of them and Bengali Moslems in general rejected the scheme.[19] They were doubtful, like their Hindu counterparts in Bengal, in regard to certain aspects like self-supporting nature and the role of *Takli* and *Charkha* as was proposed in the scheme. But the main objection of the Bengali Moslems, it appears, was that the schools under the scheme would turn into *Ashram-schools* like *Vidya Mandir* and preach Hinduised Congress cult in the form of *Bharatmata, Bande Mataram,* non-violence and Gandhi cap.[20] It was also feared that a reformed Hindusthani would be forced upon Moslems and thus would drive out Urdu. Azizul Haq wrote, "There was genuine misapprehension that this new teaching would inevitably lead to inculcating the same brand of 'nationalism' with which India has been too familiar today in some of the 'nationalist' newspaper."[21] It may be noted that not only the scheme but bona fide of those who would be entrusted to implement the scheme was also in question.

It is apparent that Moslem leaders of Bengal were apprehensive of the design of the nationalists. This apprehension of the Moslems of Bengal was however, not totally unfounded. A distinct Hindu bias was quite observable in the attitudes and activities of the nationalists in regard to different vital issues during the period of diarchy and provincial autonomy. The Bengal Secondary Education Bill, 1940, was one such issue and

perhaps the most significant one. Before we come to our main topic it may be necessary to say a few words about the Hindu mind of the time particularly, how *Hindutwa* was defined by Hindu nationalists.

III

The first Hindu Sabha which was established in Punjab in the year 1907, stated its object thus: to promote brotherly feelings amongst the various sections of the Hindu community and to improve moral, intellectual and material conditions of the Hindu.[22] When the Hindu Mahasabha was organised on an all-India basis it became necessary to define Hindu and *Hindutwa*. Hindu Mahasabha maintained that "it was not a religious organisation. *Hindutwa* or Hinduness which included Arya, Brahmo, Buddhists and Jain, was not a religion but a nationality. *Hindutwa* did not depend on particular spiritual belief or system of philosophy. Before the advent of the Muslims and Christians all Hindu secular institutions, traditions and customs were Hindu because they were Hindustani or Indian."[23] By implication Moslems and Christians were excluded as they had denationalised themselves by accepting a foreign or non Hindu creed culturally. The All India Hindu Mahasabha in its 21st session in Calcutta defined a Hindu thus: "Every person is a Hindu who regards and owns this ***Bharat Bhumi***, i e, land of the origin of his religion, the cradle of his faith."[24] Earlier in its 20th session Hindu Mahasabha declared that "Hindi that is based on and drawing its nourishment from Sanskrit vocabulary is and rightfully deserves to be the national language and Devnagri as the national script of Hindusthan".[25] In its 21st session the Mahasabha announced that, "it is our bounden duty to oust out as ruthlessly all unnecessary alien words whether Arabian or English from every Hindu tongue—whether provincial or dialectical".[26] As an example they cited the Bengali language and said, "Our Hindu brethren in Bengal are especially to be congratulated upon in this connection because the Bengali literature is admirably free from any such uncleaned admixture of unnecessary alien words which cannot be said regarding our other provincial tongue and literature."[27] Hindu Mahasabha wanted a *'Sanskrit nistha'* Hindi as it is in vogue now. In Bengal this process was almost complete in the 19th century by the grace of caste Hindu stalwarts like Iswar Chandra Vidyasagar, Bhudev Mukhopadhya and Bankim Chandra Chattopadhya. Bhudev Mukhopadhya was, also in a way, responsible for introducing Hindi in the education system of Bihar. Even 'A Plea for The People's Tongue' by no less a person than George A Grierson, the linguist, could not restore Behari dialects as medium of instruction.[28] And thus Bihar was also included in the Hindi belt.

It is also a fact that modern Bengali literature developed in the wake of Hindu religious revivalism in the second half of the last century. The ethos of Hindu revivalism was best expressed in the writing of Bhudev Mukhopadhya, Ramesh Chandra Dutta and above all Bankim Chandra Chattopadhya. All of them wrote novels in historical settings with Moslem characters. Moslem characters generally appeared, with few exceptions like Osman Khan in *Durgesh Nandini*, as degenerate and inferior. Even it was alleged that historical events were wrongly portrayed to glorify Hindus and undermine Moslem characters.[29] There is no doubt that Moslem sentiment was seriously hurt.[30] The authors, however, were inspired by nationalist spirit. This identification of nationalism with Hindu glory made it difficult for Moslems to accept Indian nationalism as a secular ideology.

Absence of the Moslem world in the Bengal literature of the latter period is perhaps more significant. The voice of silence is louder. One may go through the entire literature by Rabindranath Tagore and Sarat Chandra Chattopadhya, the two greatest authors of this period, yet may not get a glimpse of the truthful Moslem world. Here and there may be a few stray characters looked from a distance. The only exception may be a short story *Mahesh* by Sarat Chandra Chattopadhya. It only shows the lack of interest on the part of Hindu intelligentsia to know intimately the world of the majority community.[31] This exclusive character of the Hindu community of Bengal is also clearly reflected in their attitudes towards the issues of education. An examination of the educational ideals developed by educationists and nationalists in Bengal, who were predominantly Hindus, will show the Hindu orientation of their mind. It was no wonder that Tagore's Santiniketan *ashram* was also not free from that bias in spite of his international outlook. Moslem response as a result, could not be very kind. This was how the stage was set on which the drama of the Bengal Secondary Education Bill, 1940, was enacted.

IV

On August 21, 1940, the premier of Bengal A K Fazlul Huq, who also held the education portfolio, introduced The Bengal Secondary Education Bill, 1940 in the Bengal Legislative Assembly to provide for "the regulation and control of secondary education in Bengal" and moved that the bill be referred to a select committee of twelve members which should submit its report by November 30, 1940. He had proposed to include in the select committee leaders of all the different opposition groups like Syamaprasad Mookerjee, Harendra Nath Choudhuri, Pramatha Nath Banerjee, Kiran Sankar Roy and Atul Chandra Sen. But as they refused to serve on the select committee he proposed a committee of 12 members including only representatives of different groups which formed the coalition ministry. In his introductory speech he claimed that the bill was not a hurried piece of leg[islation] undertaken in order to transfer p[ower] from one body to another meaning Calc[utta] University to a Board of Secondary Ed[uca]tion, or designed as a political measure, [but] a measure to ensure educational reforms [which] had long been needed and the urgency [of] which had been stressed by educationists [for] over twenty years.[32] But the bill caused [un]precedented communal tension and [the] legislature was divided in clear Hin[du-] Moslem division. The only other bill [that] was bitterly fought on communal grou[nds] was the 'Calcutta Municipal Amendm[ent] Bill, 1939'.

The idea of a separate Board of Sec[on]dary and Intermediate Education [was] mooted in the Report of Calcutta Univer[sity] Commission 1917-1919.[33] In 1923 gove[rn]ment prepared a bill proposing establi[sh]ment of a Board for Secondary Educati[on] and sent it to the Calcutta University for o[pi]nion. The university rejected the bill on [the] ground that it proposed "absolute cont[rol] of the local government" over the "wh[ole] organisation relating to secondary edu[ca]tion".[34] A tussle ensued and continued [till] 1937, between the government and [the] Calcutta University mainly on the issue [of] control of the proposed board. Both sid[es] made several proposals in successive yea[rs] till 1937. Calcutta University maintain[ed] that the Board of Secondary Education, [if] established, should be under general sup[er]vision of the senate or be a constituent bo[dy] of the university to look after seconda[ry] education.[35] Government, on t[he] otherhand, was agreeable to concede certa[in] consultative power to the university b[ut] would retain ultimate control over the boar[d]. But in 1937 the question of commun[al] representation came to the forefront and th[e] entire issue took a communal turn as th[e] revised bill was sent to the university for i[ts] opinion.

In 1937, N A Jenkin, an officer of th[e] education department drafted a bill for "th[e] establishment of a statutory board for th[e] regulation and control of secondary educa[tion] tion in Bengal". The government of Benga[l] sent the bill to the Calcutta University "fo[r] the views of the university". This bill stirre[d] the Hindu public opinion and made it [a] public issue presumably for the communa[l] safeguards included in it. The Calcutt[a] University syndicate appointed a committe[e] to consider the bill and submit a repor[t]. Meanwhile, the government withdrew the bi[ll] in June and in November sent a revised bil[l] to the university. The committee considere[d] the revised bill and gave its report o[n] December 1937. It opposed "the establish[ment] ment of a board that will be in effect an ele[ment] ment in secretariat administration" and sup[ported] ported the "establishment of a Board o[f] Secondary Education under the general con[trol] trol of the senate". In the opinion of th[e] committee the bill "is not a sound educa[tional] tional measure". It opposed the "communa[l] representation as embodied in the bill" an[d]

maintained, "As a university we are against communal representation as such. We look upon this part of the bill with considerable anxiety and disfavour. We believe that while framing the scheme proper representation of the educational interests of all communities can be secured without making statutory provision for representation on a communal basis."[36] It is interesting that till 1937 Calcutta University did not raise any objection against communal representation though there was provision for it in the previous bills also. It may be noted that in 1926 there was provision for only 14 per cent Moslem representation. In the 1937 draft, it was increased to 17 per cent, while in the revised bill, 41 per cent of the seats were reserved for Moslems. It may also be noted that in Bengal at that time, of the total population, nearly 54 per cent were Moslems and Hindus and others constituted only 46 per cent. In the Bengal Legislative Assembly though no political party had an absolute majority, Moslems constituted the overwhelming majority. As such Moslem domination in the ministry was a settled fact. On the other hand, Calcutta University was overwhelmingly dominated by Hindus. In such a situation control over the board by either party was likely to have a communal overtone. Besides, considering the grievances by Moslem deputationists to the Calcutta University commission and the opinions as reflected in the journals edited by Moslems it can reasonably be concluded that Moslems in general, believed Calcutta University to be biased in favour of Hindus. There is no doubt the issue of secondary board turned into a communal issue even before the introduction of The Bengal Secondary Education Bill, 1940 in the legislature.

In 1938 a conference was called to resolve the differences of opinion but without any result. The Bengal government however, could not move a bill in the Bengal legislature dealing with secondary education without amending Calcutta University Act, 1904, which vested the power of controlling matriculation examination in Bengal, Assam and other areas outside Bengal with the university. Besides, the Bengal legislature had no legislative jurisdiction over Calcutta University. The Government of India Act 1935 was also required to be amended to bring Calcutta University under the legislative control of the Bengal legislature. The Bengal government now moved the central government for necessary amendments. A resolution adopted by the Calcutta University senate on December 12, 1936 made the job easy for the government. The resolution stated, "the senate is of opinion that the Calcutta University should be treated as provincial subject. If however, there are serious difficulties regarding the position of Assam, then only with regard to future legislation affecting the university, the federal legislature may be given the necessary jurisdiction."[37] It took some time to make the necessary amendments and from April 1, 1940 the Bengal legislature was vested with the legislative power over the Calcutta University.

A K Fazlul Huq, while introducing the Bengal Secondary Education Bill, 1940, stated, "the bill proposes to establish a large Board of Secondary Education to regulate and control secondary education. Secondary education embraces all education other than primary or university. Education in *madrassas* and middle schools is thus included as well as education in high school."[38] The bill proposed to constitute a board with 50 members of whom 25 were to be either ex-officio or nominated while the rest were to be elected by different electorates like Calcutta University, Dacca University, Legislative Assembly, Legislative Council, headmasters, headmistresses, head of madrassas and members of the provincial board of Anglo-Indian and European Education. Excluding the president who would be appointed by the government, there were 49 members of whom 22 were to be Hindus, 20 Moslems and 7 Europeans. Of the total 50 members at least 22 would be directly related to education while a number of others were likely to be indirectly related to education.

The executive power of the board was however vested on an executive council of 14 members to be constituted by the board. Of the 14 members, 6 were to be ex-officio members. They were the president of the board, the two vice-chancellors, the director of public instruction, the assistant director of public instruction for Moslem education, the deputy directress of public instruction for female education. The remaining 8 members were to be elected by the members of the board, of whom 2 would be inspectors of schools, 3 Calcutta University members of the board, 2 Dacca University members of the board, 1 scheduled caste member of the board. The president of the board would be the chairman of the council.[39] It may be noted that in the council, excluding the president there would be 6 Hindus, 5 Moslems, 1 European and the other one uncertain but likely to be a Hindu.

It is apparent that Moslems were not to be in the majority either in the board or in the council even if the president be a Moslem. There was however, provision for communal representation. Considering the political situation of the time and the Moslem perception about educational management in general and Calcutta University in particular such a measure perhaps was unavoidable. In fact, W C Wordsworth supported the motion on this ground though he did not like communal representation. He said, "I would seriously, with all the seriousness I can command, ask the House to consider whether the opposition to communalism may not sometimes take a form as dangerous and unpleasant as communalism itself." The opposition, however, was not in a mental state to listen to his advice.[40]

Fazlul Huq maintained, "Is this justice? It may be but it is not to the Hindu community. We might on a population distribution basis have demanded more seats for the Muslims, but we have tried to be fair and have given weightage to the Hindus because of their past achievements in educational spheres. As far as the provisions for Hindu, Muslim and European interests are concerned, therefore, there can, I think, be no justified criticism of our proposals. Criticisms can come only from those who are determined at all costs to retain the controlling influence in the hands of one community only."[41] He announced three fundamental principles as the basis of this bill and on which the government was not prepared to yield. They were: (i) "the presence on the board of adequate representation of the various communities must be guaranteed"; (ii) "the board must be largely autonomous and have complete control of all secondary school activities"; and (iii) "such ultimate control over the board's activities as is necessary must be exercised by government."[42] At the same time he assured, "assuming the acceptance of these principles, we are prepared to listen to criticism of the details and other aspects of the bill and to ensure that before the select committee starts its deliberations, an opportunity will be given to the universities to make such recommendations about the bill as they think fit".[43]

What appears from the debate that ensued is that the government control over the secondary education and the communal representation as was proposed in the bill, were the two main objections which prevented the leaders of different opposition groups to participate in the select committee and prompted them to fight it as bitterly inside as outside the legislature. It is quite apparent that the other points they raised in course of their deliberations could easily be taken care of in the select committee itself. In fact, Fazlul Huq and the other leaders were meeting outside the legislature to come to an agreement. An examination of the debates however will help us to understand better the different viewpoints and perceptions of the problem.

V

On behalf of Congress Party, Harendra Nath Rai Choudhury moved by way of amendment, that the bill be circulated for the purpose of eliciting public opinion. He argued that the secondary education system in Bengal was mainly a creation of private efforts and the bill was designed to establish official control over a non-official system. He stated, as their main grievance, "Our complaint is not so much that on the board or on the executive council they are going to have so many Muslim members or so many Hindu members, as that these are going to be definitely political bodies, and the whole of the non-government part of the secondary education in the province is going to be committed to the charge of a political body and not to the care of the educationists

of the province. That is our main grievance."[44] This was the typical stance taken by most other opposition leaders as if education was never a political issue nor it should be. However may it be denied by the nationalists, Moslems in general, believed Calcutta University to be a political body of the Hindus. And there was some truth in it. Nationalists also had some justification in taking such a stand. Since the time of Curzon, British government became suspicious of the private management of the secondary schools in Bengal. They considered the private schools to be the breeding ground of 'terrorist' politics and tried to control the spread of such schools.[45] Congress in Bengal as they were not in power like in other provinces of Hindu majority, refused to take note of the change that was effected by the installation of a representative government, however limited might be its power. Besides, in the core of their mind, as the nationalists were predominantly Hindus in Bengal, they felt somewhat threatened because of the communal award. But a long tradition of ostrichism did not allow them to see through the reality of the situation. It was no wonder that Choudhury proudly claimed himself a Congressite and as such non-communal yet could not help giving out his Hindu bias to a provocation from the coalition bench. He retorted claiming boastfully, "It is the caste Hindus who have built up by their life blood all these schools and you dare enquire what about the caste Hindus!"[46] At that Fazlur Rahman of Dacca remarked, 'At the cost of poor peasants of Bengal!' Choudhury replied, "Where do the poor peasants of Bengal come in? The schools are being run by the fees of the students and by voluntary contribution from private sources and not from any of the poor peasants of Bengal that do not receive their education in them."[47] Rahman commented, "Your income is derived from poor peasants."[48] It should be noted that poor peasants in Bengal were overwhelmingly Moslems and scheduled castes. And Harendra Nath Choudhury was the famous zamindar of Taki in the district of 24 Parganas.

Harendra Nath Choudhury's views deserve special notice not only because his was probably the soberest speech made on the occasion but he acted as the main spokesman of the Congress Party and became the minister of education after partition of Bengal when Bidhan Chnadra Roy took over as the chief minister. His book *The New Menace to High School Education in Bengal* written in 1935 may be considered to be the nationalist's response to the government's educational policy of the time. In this book he advocated in favour of private management of secondary education and cautioned against government policy of control on the plea of unplanned growth of secondary education in Bengal. His speech in the Assembly reflected the same trend of argument with the addition of an implicit communal undertone. His opposition to government control and his charge against the proposed board of Secondary Education as a political body on grounds of the predominance of official and nominated members becomes suspect when compared with his own performance as the minister of education after partition of Bengal. It was during his tenure as the minister of education the West Bengal Board of Secondary Education was first constituted. And it was constituted with so many officials and nominated members that the students of West Bengal steered a movement against the board demanding a democratically elected body.[49]

If Harendra Nath Choudhury's speech was implicitly communal, speeches by other opposition leaders including Atul Chandra Sen, Pramatha Nath Banerjee, Syamaprasad Mookherjee, Kiran Sankar Roy, Nalini Ranjan Sarkir and even Sarat Chandra Bose, were explicitly communal. The main purport of these speeches was to let it be known to the government that Hindus would resist the bill at any cost. It was clear from the speeches that official control was taken to be Moslem control over a system of education which was a contribution of Hindus. Often they argued against bringing in communalism in the arena of education without even mincing words bearing definite communal import and thus betraying their own communal feelings. They were trapped in their own communal emotion and their speeches only helped rousing the communal tension further.

Atul Chandra Sen's speech is a case in point. Characterising the bill as communal he said, "under the proposed constitution we will have government's own men, Pakistan-minded Muslims on the board". He announced, "if and when this obnoxious bill comes to be made into law, we shall know how to combat it as we did combat an executive fiat 35 years ago coming from a man much bigger than the hon'able education minister. If we could then unsettle 'a settled fact', we know that we can do it even today." H S Suhrawardy retorted, 'Not today'. Sen asserted, 'Yes, even today. Sir, I say that we can unsettle a settled fact even today." Even it was alleged by a member that, "the real object of the bill is to make all the secondary schools the training ground in ideas and theories which the communally minded ministry wants the youth of the country to hold".[50]

Kiran Sankar Roy alleged that the bill would introduce communalism into education, and said, "Out of the 1,400 schools 1,200 were established by Hindus, out of more than 3 lakh students reading in those schools less than 80,000 are Mahammadans". He equivocated that "he did not take pride for that but if pushed, then he should, though as a congressman he is not communal in outlook".[51] One can easily discern the communal overtone of his speech. Nalini Ranjan Sarkir also did not mince his words and called the bill 'communal' and 'not democratic' as it is communal.[52]

Syamaprasad Mookerjee was rather outspoken and showed no inhibition in holdin brief for Calcutta University and the Hind community. He maintained that the preser government, introduced several controversia legislative measures but "there has not bee any measure so vital as this to the largest in terests of the people of this province".[53] H alleged that, "the bill has introduced th communal principle in a most perniciou manner touching elaborately even the con stitution of bodies which will select publica tions and text-books and frame the syllabu and curriculum". He further alleged that "... mutilation of the Bengali language, distor tion of historical facts and flagrant disregard of academic standpoints are the charac teristic features of the work of the (govern ment reconstituted) text-book committee".[54] He reminded the government, "How can I forget that in this province today out of 1,500 high schools, barring a few, all owe their existence to Hindu support and influence...?"[55] He frankly declared that he opposed the bill fundamentally and would not accept even if it was passed by the assembly. As he was opposed to the bill fundamentally he did not join the select committee. He offered three options, namely, (i) to make a bill on purely educational considerations, (ii) to allow Hindus to go their own way with their separate education system or, (iii) to force this bill and face the Hindu opposition.[56] He threatened, "They admit of no compromise and we are ready for fighting this new menace. Its acceptance specially means to us the end of the Hindus and a cry must go forth to every Hindu child that is reading in educational institutions, to every Hindu guardian and to all others interested in the welfare of our people that if any self-respect is left in them, that if they are not to reduce themselves to a state of subservience in the field of culture as they have been reduced in the economic and political spheres, they must be prepared to face this organised campaign of opposition at any cost whatsoever." At this point his speech was loudly cheered from the Congress bench, particularly when he declared, "But let me say this, that minority though we are, it yet retains sufficient patriotism, courage and influence to stand boldly for the vindication of its just rights and it will consider no cause nobler and greater than the preservation of culture and education for which it would be prepared to face the most dire consequences, to sacrifice life and all before accepting as inevitable something that detests as unclean and unworthy..."[57]

In rhetoric and oratory no other political leader of the time except Fazlul Huq, probably could match Syamaprasad. And one can imagine the impact of his speech on the Hindu mind. In fact, he made such speeches, even harsher speeches in so many public meetings organised in different parts of the country. His speech in a meeting of teachers organised by Calcutta district committee of All Bengal Teachers Association was even referred by coalition members as an example of inciting communal temper, during the

assembly debate on the Select Committee Report in 1941. Before, discussing the response of the Hindu public let us also examine some of the speeches made by Moslem members of the legislature.

Abu Hossain Sarkar from Krishak Praja Party, who was known to be a nationalist, gave qualified support to the motion for sending the bill to a select committee. He countered the argument of nationalist Hindus regarding government control saying that the university was not a free institution and government had full control over it. He maintained that out of 110 members of the university excluding the chancellor and vice-chancellor, only 20 were elected while 10 were ex-officio and remaining 80 were appointed by the chancellor. He also alleged that the university compelled students to salute the union flag and sing 'God save the King'. He asked, "Did they teach us anything save and except 'England's Work in India' to insist love for imperialism, false story of Black Hole, Tarasundari and other things, stories of Rajput chivalry concocted by the British writers? Is this nationalism?" He reminded that C R Das rightly called the university *Golamkhana*. He further alleged that the university did not do anything to improve the lot of the school teachers who received Rs 20 to Rs 30 a month.[58] There is some truth in the allegation no doubt. However, it is apparent that the secondary bill became an issue of confrontation between Calcutta University and government of Bengal believed to be representing Hindu and Moslem causes respectively.

Syed Musta Gawsal Haque maintained that communalism had been used as a bogey by the opposition to subvert all the good legislative efforts of the government. He referred to the Bengal Tenancy legislation, Bengal Agricultural Debtor Act, the Money-lenders Bill and Calcutta Municipal Amendment Act and said that all these had been opposed on grounds of communalism but gave radical results. He observed that secondary education had been suffering from 'haphazard' and 'inefficient' management because of dual control of government and the university. He alleged that the university was allowed to make a good business out of the examination fees and sale of the text-books but it did not spend a single pice for the improvement of secondary schools.[59]

Syed Badradduza appealed not to be swayed by emotion. He opined that some government control was necessary and maintained that the constitution of the board as proposed in the bill was not communal but only provided safeguards for educational interests of different communities. This was, of course, unlike in Calcutta University where voice was hushed by brute majority. According to him, "the board is more representative than the syndicate of the University of Calcutta as it does have adequate representation of Muslims, Hindus, Scheduled Castes and Europeans and various other interests". He believed that "The Muslims will only have an effective voice in the control, regulation and administration of secondary education in Bengal" and that the board was called communal "because a government supported by a Muslim majority contemplates its formation".[60]

He declared that he was as proud of the great sons of Bengal like Ashutosh Mukherjee, Keshab Sen and Rammohan Roy "who played a most decisive role in shaping the educational destinies of the province and laying the structure on a solid foundation". He continued, "But...while our Hindu brethren have thrived and prospered...Muslims have languished and pined away in misery. Neither the university nor the government of the day encouraged and fostered the growth and revival of the glorious heritage of Islam that constitutes a distinct landmark in the history of world civilisation and culture..." He alleged that "Muslim boys have been compelled to feed on ideals and ideas hostile to the spirit and genius of Islam and drift into the morass of complexes that never constitute the part and parcel of their cultural existence..." He maintained that control of secondary education therefore, was "absolutely necessary not for or by one community alone, but for all classes and conditions of people that inhabit this land". He concluded his speech refusing to accept the challenge thrown by Syamaprasad Mookerjee in a public meeting, as that would be most unfortunate for Bengal.[61]

However, unlike Badradduza, Abdul Latif Biswas would accept the challenge "for the good of the province".[62] Abdul Wahab Khan posed that they were accused of communalism but it would be evident from the speeches made by the opposition leaders who were really communal. He particularly referred to the speeches by Syamaprasad and Sarat Chandra Bose.[63] Sarat Bose, it is said, threatened to build one national secondary board parallel to government's board. Syamaprasad also threatened to build a separate system for Hindus.

Abdur Raschid Mahmood observed, "It is very interesting to observe that my Hindu brethren, though thinking all the time on communal lines, express in national terms, although they—the Muslims—by their vast majority form the nation of Bengal." He supported the bill and wanted 'more substantial education' to prepare "the masses of Bengal for the national responsibilities—the responsibilities of a free nation".[64] Jalaluddin Ahmed considered "that nationalism is only another kind of communalism in the name of nation..." and "is worse than communalism".[65]

Abul Hasim as an example of Hindu bias and Hindu nationalism quoted from Abanindranath Tagore's *Rajkahani*; an approved text-book taught in Hare School.

Sei abosare Sultaner jato amir omra lungi chere, dari fele bibi ar murgir khacha nye ratarati sahar chere Ajmirer dike champat dilo Sakal bela Prithwiraj Toda dakhal kare nilen[66] [In the nick of time, all the 'amirs' and 'omrahs' shed their 'lungies', shaved their beards, and carrying their 'bibis' and cages of hens turntail during the night and fled the town for Ajmer, the next morning, for Prithviraj, occupation of Toda was just a walk over!]

The passage is written in a very lucid style and it may appear funny to a Hindu child. It may not however appear as funny to a Moslem child. Rather, he may seriously feel hurt as the passage could barely conceal an attitude of contempt for Moslem ethos. (One may note the use of Bengali verbs *champat dilo* used for amirs while *dakhal kare nilen* in case of Prithviraj.) It was no wonder that most of the Moslem speakers expressed their resentment against the approved text-books and Hindu domination over text-book selection committee. This was perhaps the moot cause which led them to demand 'an effective voice' in the educational management of the province.

Fazlur Rahaman, representative of Dacca University, though not equal to Syamaprasad in oratory, was as scathing in his remarks. He would not mince his words in attacking Calcutta University and Hindu domination over the system of education. He argued, "no nation can be great unless it learns to respect its own culture and traditions. The University of Calcutta is responsible for presenting the past history of India to the school boy in a manner that it carries an impression that anything that is Hindu is good and anything that is Muslim is bad. The result is that every Muslim boy who receives the training at an institution under the control of the Calcutta University grows with the idea that he belongs to an inferior stock and thus develops an inferiority complex. He loses self-confidence and becomes timid in his attitudes towards life." As a result "the Hindu boys cannot take kindly to the Muslim boys and begin to develop a feeling of hatred towards them. This explains much of the bitterness between the two great communities of the province."[67] He argued further, "an examination of the educational policy of the university will convince one that in formulating its educational policy, it has proceeded on the basis that the people of Bengal are homogeneous and Hindu in character. It has completely ignored the distinct cultural and educational needs of the Muslims." He even alleged that the policy was so successful that even "distinguished publicmen of the Hindu community cannot appreciate the distinctive character and excellence of Muslim culture and Muslim sentiments" as they were the product of the education provided by the university.[68]

VI

Let us now pause for a while and see where do we stand after tracing the line of debate in the assembly so far. It is clear that the House was vertically split into two contending communal groups cutting across political affiliations of the members on the

issue of the Bengal Secondary Education Bill, 1940.

The Hindu members of the House opposed the bill on two basic grounds. These were (i) government control, and (ii) communal representation. They claimed to have been championing the cause of secular and national education. According to them government control and communal representation were detrimental to the cause of secular and national education and as such no compromise on these two fundamental points was possible.

On the other hand, Moslem members considered both government control and communal representation necessary for safeguarding the educational interests of the Moslem community and refused to yield on these two counts.

It is interesting to note that the Hindu members condemned communalism in education from the postulate that the arena of education was sacrosanct and secular and national education was ideal. But they did not find it inconsistent to boast about the Hindu contribution and even to build a separate system for non-Moslems. Moslem members, on the other hand, defended the communal representation on two basic assumptions that the cultural roots of the two communities were different and the existing system of education was biased in favour of one community. To free the system from the clutch of one community they considered to be the pre-condition for building a general system which would take care of the educational interests of different communities. The general thrust of their arguments was to prove the Hindu bias and dominance over different spheres of education like text-books, curriculum, syllabus and management. Their demand was for a 'fair share' in all these spheres of education. It is apparent that Hindu members attacked communalism to defend Hindu interests which they felt was threatened by the bill while Moslem members attacked Hindu vested interests in the present system of education to safeguard their own educational interests which they thought was neglected so long.

To come back to our story, the motion by Harendra Nath Choudhury for eliciting public opinion was then put to vote and was lost with 71 votes in favour and 131 against. An analysis of the voting on this motion shows that all the Hindu members, excepting the Hindu ministers, voted for it while all the Moslem members excepting the three independent members, voted against it. Fazlul Huq's motion to refer the bill to a select committee thereafter was adopted by the House by 121 votes in favour and 60 against.

VII

On September 2, 1941, the report of the select committee was placed before the House by Fazlul Huq. Harendra Nath Choudhury proposed eight amendments and moved a motion to recommit the bill to the same select committee to make amendments as proposed. In a fervent speech he said that since the bill had summarily been referred to the select committee "Bengal has known no peace. For about a year educated public opinion in Bengal continues to be exercised more by this measure than either by war abroad or even by riots within the province... The communal fascism in the educational sphere that the bill promises to introduce can only find a non-communal parallel in any of the totalitarian countries with which the government of India may either be at war or allied."[69]

In fact, Hindu members including the Congress and Hindu nationalists, found the Select Committee Report more communal and as such more reactionary. The debate on the report was more tense and hence revealing. Syamaprasad Mookerjee, the leader of the Hindu Mahasabha, supported the recommittal motion of the Congress leader Harendra Choudhury and upheld the cause of secular education. He said, "in Bengal political and official domination is closely linked up with communal squabbles which, if unchecked, will sound the death-knell of true education... We want our secondary education to develop purely on secular lines."[70] While Syamaprasad advocated for secular education, Sarat Chandra Bose, the leader of Congress opposition appealed to all to approach the bill from a nationalist standpoint. He said, "This bill mortgages the future. It stretches the grasping hands of reaction and sectionalism towards posterity."[71]

It was Atul Chandra Sen, another congress leader, who defined the secular and national education as perceived by the Hindus of Bengal. He said, "It is openly hinted that the Hindu mind is at present dominating education and educational ideas in the land. Yes, this is true and for historical reasons. When the English culture invaded this land the Hindu mind with its innate catholicity and receptiveness drank deep of this culture while our Muslim brethren stood sullenly away...being enriched by the new ideas the Hindu mind began to build up a new culture—not a Hindu culture in the narrow sense, but an Indian culture, in which all communities and individuals, Hindus and Musalmans, Rabindranath and Iqbal alike must contribute if they love themselves, their community and the land they inhabit and want to earn for it an honoured place in the community of nations..." He further said, "we regard cultural differences as mere mental angularities which without losing the mental substance may be rounded off by closer and closer political and cultural contact—by creating a composite culture of all communities inhabiting the land...".[72]

This discourse may remind one of the Hindu Mahasabha thesis of *Hindutwa* as a non-religious cultural concept of Indian origin. Hindu Mahasabha thesis by implication excluded Moslems as non-Indian while this nationalist theory of composite cultu or cultural synthesis admit of even t Moslems into an Hinduised Indian cultu In fact, Moslems in general, never did li this theory of cultural synthesis as they co sidered this to be a process of Hinduisati of Moslems in India. Abul Monsur Ahme a prominent political person of the tim observed in this regard thus: "the reason wl there was no Hindu-Musalman unity w Hindus wanted Musalmans to merge in Hindu society as Aryans, non-Aryans, Sal and Huns did. Musalmans ought to becon Hinduised Musalman. To be India Musalman would not do. Not only Congre and Hindu Sabha but even Rabindranat Tagore opined thus."[73] Deliberations o Moslem members in the assembly indica that this was the general impression o Moslems about the theory of cultural syn thesis. The responses of Rabindranat Tagore, Profulla Chandra Roy and othe Hindu public men to the proposed bill onl strengthened their impression further.

We would better complete our story in th assembly before going out to survey th public responses outside. On September 4 1941 the opposition amendment for th recommittal of the bill to the same selec committee was rejected by the House by 12 to 56 votes. Opposition thereafter took a dilatory tactics and moved a number o amendments on different clauses of the bill Division was sought on every motion o amendments. Some of the clauses were passed during the month of September. Meanwhile a ministerial crisis cropped up and on December 16, a new ministry headed by A K Fazlul Huq including Syamaprasad Mookerjee as finance minister took over the charge. As a result the bill along the clauses already passed was allowed to lapse.

In the 13th session of the assembly in April 1942, a new secondary education bill was introduced by the new progressive coalition ministry as it was called. Abul Kasim, the education minister, proposed to refer the bill to a select committee with instruction to submit its report by July 31, 1942. The bill had the same fate. The select committee virtually could not function as various technical objections were raised by some members. Time for submitting the report had to be extended for as many as five times and on the last occasion till March 31, 1943. But in that very month Fazlul Huq was forced to resign by the governor. Syamaprasad however had resigned from the ministry in November 1942. The bill was thus dropped automatically. On May 10, 1944, Temizuddin Khan, education minister of the Moslem League ministry moved the Bengal Secondary Education Bill, 1944. But before the bill could get through the assembly, Bengal was partitioned into two countries. Hindu members kept their word and unsettled the settled fact of communal representation in educational management but at the cost of partition of Bengal.

Syamaprasad Mookerjee, the most vocal

nd forceful opponent of communal representation in the field of education, supported the partition of Bengal while Fazlul Huq who advocated for communal representation and introduced the bill in the assembly, made an all-out effort in favour of an united Bengal. But that is another story.

VIII

Let us now turn towards the picture outside the assembly. There is no doubt that the Secondary Education Bill stirred the Hindu public opinion in an unprecedented manner. This stiffened the Moslem attitude further. The bill was gazetted on August 1, 1940. On the very next day Syamaprasad Mookerjee on behalf of the Bengal Hindu Mahasabha issued a statement saying, "Hindus of Bengal must observe in a befitting manner Sunday August 4, which has been declared as 'An All Bengal Protest Day'."[74] In a letter to the branch secretaries of the Sabha he wrote, "The Hindu Mahasabha has no right to exist if it cannot boldly fight against the deliberate acts of injustice which have been committed or about to be committed by the ministry."[75] On August 3, 1940, *Amrita Bazar Patrika* called the bill 'A Ruinous Education Policy', and wrote, "Thus, the Hindus on whose sacrifice the university has been built are given sack. The board is to be officialised largely, Moslemised partly, with the Hindus as of no consequence whatever."[76] On August 4, a protest meeting was organised at Sraddhananda Park, Calcutta. According to *Amrita Bazar Patrika,* a crowd of thirty thousand at the modest computation gathered. Saffron robed sanyasins with red tridents lent an unusual feature. Syamaprasad hinted at launching mass civil resistance if their demands were not fulfilled.[77]

As days passed the protest movement by Hindus got momentum and grew more and more powerful and voluminous. There surfaced an instinctive Hindu solidarity; old rivalries were forgotten; party polemics were dropped; Bose-League pact was condemned. Hindu Mahasabha grew as a very powerful organisation and its popularity almost touched the sky. Syamaprasad became the hero. Hindu Mahasabha, Congress and most other organisations dominated by Hindus got united on one platform over this issue.

On August 6, a public meeting of the representatives of the members of the managing committees and teachers of schools in Calcutta and suburbs was held in the Albert Hall under the presidentship of Harendra Coomer Mookerjee. The meeting considered the bill 'anti-national' and 'reactionary' as it would make education subservient to political and communal considerations. The meeting protested against government control and communal representation. It further pointed out that the bill ignored "the legitimate claims of the teachers of secondary schools in respect of their representation on the board and the executive council."[78] It is surprising that in the assembly debate hardly any member raised this very important point. It may also be noted that members of managing committees and teachers unitedly joined the protest movement although the main objective of the teachers' movements till then was to fight the tyranny of the managing committees of the educational institutions. In fact, this bill threatened the interest of managing committees of aided and unaided recognised schools. There was hardly anything in the bill for the teachers as a community, to fear or to lose.

On August 18, the annual conference of the Calcutta Teachers' Association adopted a resolution condemning the bill. Syamaprasad Mookerjee opening the conference threatened that if the bill was passed he would advise the Hindus to constitute a separate secondary education board for them.[79]

All Bengal Teachers' Association organised a special session on December 28 at the University Institute Hall. It resolved, "The Bengal Secondary Education Bill is a dangerously disruptive measure and will retard the progress of education in Bengal, and that as it is academically and nationally an unsound policy to introduce communalism in the sphere of education, the bill should be immediately withdrawn."[80] By now different district associations and more than 400 schools adopted such resolutions. ABTA, however, recognised the fact that the 'violent storm of protest' against the bill was raised by the 'educated non-Muslim communities' and appealed to the Moslem community in Bengal "to rise to the height of the occasion by proclaiming that they shall be no party in consenting to the introduction of communalism in education."[81] The Moslem response was that, not the bill, but the protest movement was communal.[82] ABTA like all other Hindus, failed to take cognisance of the fact that the prevailing education system was considered by the Moslems as communal in substance and structure.

On August 25, another meeting was held at Sradhananda Park convened jointly by Syamaprasad Mookerjee, Sarat Chandra Bose and Hem Chandra Naskar to protest against the bill. Both Mookerjee and Bose reiterated that if the bill was passed in spite of their protest they would build their own council to organise and control their own system of education.[83]

Syamaprasad Mookerjee toured through different districts of Bengal and addressed public meetings organised by local Hindus. They gave him rousing receptions everywhere. By December 1940 the movement reached its peak when a massive protest conference was organised by the Hindu leaders of Bengal. A reception committee of 1,200 persons was formed including Syamaprasad Mookerjee, Sarat Chandra Bose, Nirmal Chandra, Naliniranjan Sarkir, Bidhan Chandra Roy, Nilratan Sarkir, Kiran Sankar Roy, Tulsi Goswami, H C Mookerjee, and others. The reception committee in an appeal said, "if government persists in carrying this bill through the legislature in its present form the Hindus and the communities other than Moslem in this province may feel compelled to demand that there should be a separate authority established for their education... We should be prepared to take steps for constituting our own Board of Education...".[84]

The conference continued for three days from December 21 to December 23 at Hazra Park and was presided over by Acharya Prafulla Chandra Roy, the most respected publicman of the time next only to Rabindranath Tagore. Rabindranath Tagore sent a message to the conference. According to *Amrita Bazar Patrika*, 3,200 delegates representing the "educational institutions and interests in all parts of the province" participated in the conference. Jadunath Sarkir, S Radhakrishnan, Meghnad Saha, Hirendranath Dutta and almost all other leading educationists, politicians and intellectuals who were Hindus were present at the conference. On the opening day 10,000 people attended it.[85] Nationalist press gave it unusual publicity.

Rabindranath Tagore in his message and Prafulla Chandra Roy in his presidential speech sounded a warning against the intrusion of communalism in the 'sacred shrine of learning'. They, however, equally failed to appreciate the Moslem point of view and their sentiments. Tagore in his message wrote, "we are proud of our Bengali language which must be preserved from harm and nourished by the devotion of our people; no sacrifice would be too great in the task of strengthening its foundations in the minds of our new generation at the educational institutions and outside...the danger which menaces the cultural existence of my province has touched me profoundly and I cannot help sending these few words even from my sick-bed."[86]

In fact, a bogey was raised by the nationalist press and Hindu intelligentsia that the present government was encouraging Moslemisation of Bengali language and culture. *Amrita Bazar Patrika* on October 18, wrote an editorial with the title 'Moslemisation of Bengali language'. It said, "we have on several occasions had to discharge the painful duty of exposing the vagaries of the Bengal Text-Book Committee...of late, there has been unfortunately displayed an increasing tendency on the part of certain Moslem writers to introduce in Bengali literature outlandish Arabic and persian words... The Bengali language, it should be remembered, has been like so many other languages derived from Sanskrit. Necessarily, therefore, it is profoundly influenced by that mother of all languages not only as regard its vocabulary but its general character and style as well. Our Mahomedan friends, who are for the most part Hindu converts to Islam, has no reason to take umbrage at this or to consider it as a slight to their religion and culture."[87] It was for this attitude of Hindus that Abul Monsur Ahm-

ed alleged that Hindus wanted us to be Hinduised Moslems.[88]

Prafulla Chandra Roy in his written speech said, "... Indeed, I am fully convinced that, of all the misdeeds and misadventures of the present ministry, the Secondary Education Bill is the most mischievous from the nationalist stand point."[89] He further said, "with exception of about 50 government schools and less than 150 schools maintained by the Christian missions, secondary education in the province is provided in the institutions built up and maintained by the Hindus...is it any wonder that the Hindus refuse to accept a measure which seeks not only to restrict the scope for their intellectual progress but to strike at the very root of their own culture"[90] by official control on communal basis. He even expressed resent against such provisions of the bill as would deprive Calcutta University of its rights to recognise schools, to admit candidates to the matriculation examinations and framing the syllabuses and prescribing the text-books.[91] It is evident that Roy would not take note of the Moslem resentment against Calcutta University as an institution with Hindu bias.

The conference condemned the bill on many grounds and demanded its immediate withdrawal. It condemned the bill as it "makes the interest of education subservient to political and communal considerations, and completely ignored the academic and cultural point of view which is absolutely essential to the building up of a sound system of national education."[92] It is evident that the conference ignored the Moslem point of view. Moslems in fact, contested the claim that the present system of education was apolitical, non-communal and secular. According to them it had definite Hindu cultural bias and as such communal. Besides, they refused to accept nationalism as developed in India, as a secular ideology. To their mind it was Hindu nationalism and as such not acceptable. In fact, here lies the crux of the problem.

It is also evident that not all the resolutions adopted in the conference were entirely free from communal bias. It was stated in one resolution that, "the bill is specially designed to cripple the educational interests of Hindus of Bengal, who supply about 75 per cent of the pupils and even a larger percentage of the funds of the secondary schools in the province."[93] Another resolution reads, "The bill places the preparation and publication of text-books in the hands of special committees which are of predominantly communal character... The bill will seriously affect the integrity of the Bengali language and literature and will destroy the culture of the province, the manifestations of which are already clearly visible in the existing text-books approved by the education department now under communal influence."[94] Now Moslems for long, have been alleging the same against Hindus who were dominating the system of education in all is spheres.

The conference even gave a call for raising funds and to take measures towards constituting a separate authority for the secondary education of Hindus and other non-Moslem communities.[95] This was no doubt a separatist slogan and no less communal than communal representation. After the conference Fazlul Huq in a statement alleged that, "I have not the slightest doubt that the agitation is based on intensely communal grounds, and in a narrow spirit on non-appreciation of the claims of all communities except a section of the caste Hindus."[96] He even said that he was prepared to amend or even withdraw the bill if it was opposed on purely educational grounds. Prafulla Chandra Roy in a rejoinder denied the allegation that the bill was opposed on communal grounds and maintained that a look through the resolutions of the conference would show that the opposition was mainly on educational grounds.[97] This was a peculiar situation.

Moslems defended communal representation to restore a balance in the educational system which in its composition and content was heavily tilted towards the Hindu community. In this, however, the Hindu leaders saw the opening of the floodgate of communalism in the educational system, the only remedy for which, according to them, lay in the constitution of a separate board.

A resolution of these diametrically opposite stands was not easy to come by. Bengali Moslems in their new quest for an identity found in the issue a rallying point just as the Hindu sentiment that was whipped up during the controversy cut across political parties and even secular associations like All Bengal Teachers' Association. As the battle lines began to be drawn more rigidly the weakness of the ideology of Indian nationality came out more sharply with words like the 'Indian' and 'Bengali' becoming more suspect and a major bone of contention between the communities.

Notes

[This paper was presented at a seminar 'Education and Democracy' organised by the Nehru Memorial Museum and Library, Delhi in October 1988.]

1 Anisuzzaman, *Muslim Manas O Bangla Sahitya* Muktodhara, Calcutta, 1971, pp 81, 96-97. Anisuzzaman observed, "It was most unfortunate that nationalism and Hindu revivalism became synonymous." He further observed, "the theory of separate Hindu Moslem nation took root as Hinduism and nationalism became synonymous."
Sarkar Sumit, *The Swadeshi Movement in Bengal*, Peoples Publishing House, Delhi, 1973, p 411. Sarkar also writes, "Patriotism tended to be identified with Hindu revivalism, 'Hindu' and 'nationalism' came to be used as almost synonymous terms—a good example would be 'National Nabagopal Mitra with his Hindu mela."
Chatterjee Partha, *Nationalist Thought And The Colonial World: A Derivative Discourse*, Oxford University Press, Delhi, 1986, p 72, 77. He observe, "Bankim's nationalism leads hi the claim that purified and regenerated du ideal is far superior as a ra philosophy of life than anything western religion or philosophy has to c He further observed, "It was this which produced in Bankim a barely cealed hostility towards Islam".
See also, De Amalendu, *Bengali Bud O Bichchinnatabad*, Ratna Prak Calcutta 1974.

2 Mannan Abdul Qazi, *The Emergence Development of Dobhasi Literatur Bengal*, Bengal Academi, Dacca, 1974 quoted in page 187.

3 Ahmed Wakil, *Unish Shatakey Ba Musalmaner Chinta Chetanar Dh* Part II Bangla Academi, Dhaka, 1 pp, 133-152. Mannan Abdul Qazi, op see Chapter XI, 'Muslim Society and Language Problems.'

4 This may appear to be a simplistic form tion of a very complex process. I am av that Islamisation of Bengali Moslems, am allowed to use the term, can be tra in the Farazi and Wahabi movements; economic roots of these movements their anti-British character. There is doubt also that a separatist tendency is herent in any revivalist or fundamenta movement. Yet it may be said that revivalist movements of Moslems in Ben during late 19th century and early 20th c tury took a distinct separatist chara mainly as a reaction to Hindu nationali Shila Sen saw it as "self assertion of a c scious community in an attempt to de its social, political and economic mor Sen Shila *Muslim Politics in Bengal*, Cal ta, 1976, p 22.

5 *Report of the Committee Appointed By Bengal Government to Consider Questi Connected with Muhammadan Educat* Calcutta, 1915, p iii.

6 Ibid p 16.

7 Ibid Recommendations No 53, 55.

8 Ibid Recommendations No 83, 58, 60.

9 Ibid p 19.

10 Ibid p 19.

11 Ibid p 25.

12 Ibid p 25.

13 *Report of Calcutta University Commiss 1917- 1919* Vol I, Part I, Calcutta, 19 p 175.

14 Naik J P and Nurullah Syed, A *Stude History of Education in India*, Delhi, 19 As quoted in pages 324- 325

15 *Report of the Dacca University Commit* p 31

16 Islam Nurul, *Samayikpatre Jiban Janamat*, Bangla Academy, Dacca, 19 pp 24-25. *Report of the Kamal Yar Ju Education Committee*, Calcut pp 204-205.

17 Ahmed Abul Mansur, *Fifty Years of Poli As I Saw it*. Nowroz Kitabistan, Dac 1975, p 155.

18 Report of the Kamal Yar Jung Committ *op cit*, note by Azizul Huq, pp 275-29

19 Ibid, Chapter XI and pp 287-294 Mitra N (ed), *The Indian Annual Register*. Calc ta 1938, Vol II, p 438 and 1939, Vol p 425. In successive sessions of All Ind Muslim Educational Conferences in 19 and 1939 Wardha scheme was sever

criticised by different speakers including A K Fazlul Huq. Resolutions were adopted rejecting the scheme.

0 Report of the Kamal Yar Jung Committee, op cit, pp 290-291.
1 Ibid p 291.
2 Mitra N N (ed), *op cit* 1941, Vol I, p 276.
3 Ibid p 280.
4 Ibid 1939, Vol II p 316.
5 Ibid 1938, Vol II p 339.
6 Ibid 1939, Vol II, p 320.
7 Ibid 1939, Vol II, p 320.
8 Bandopadhya Brajendranath, *Bhudev Mukhopadhya* Sahitya-Sadhak-Charitmala Bangya Sahitya Parisat, Calcutta, B S 1381, p 35-40. Bhudev was appointed inspector of schools, Behar circle on Nov 15, 1876. He wanted Hindi as the national language for India. It was during his time that Nagri script was introduced in the Government offices replacing 'Persian script'(?) Bhudev, it is stated, took initiative to introduce Hindi as the medium of instructions in the primary schools in Behar. *Calcutta Review,* 1880, Vol 71, pp 151-168 and 1881, Vol 72-73, pp 363-377. In volume 71 of *Calcutta Review* Grierson wrote the article mentioned, in defence of Behari dialect as the medium of instruction and official language. He considered Behari a language different from Hindi. In Vol 72-73 of *Calcutta Review,* he again wrote an article 'Hindi and the Behari Dialects' to show the difference between the two languages in support of his plea for the peoples tongue. Obviously, he was also like Bhudev, not in favour of retaining *farsi* as the official language but unlike Bhudev he wanted to introduce one Behari dialect in its place.
29 Jahen Sarwar, *Bankim Upannase Muslim Prasanga O Charitra* (A study of the Muslim topics and character in the Novels of Bankim Chandra) Bangla Academi, Dacca, 1984, It is a good objective study of the subject.
30 Islam Nurul, op cit, pp 352-357
31 Khan Layek Ali, Bangla Sahitya Musalman Anusanga, *Bartika,* January-March, 1988, Calcutta. In this article the author has highlighted this point. He writes that Moslem world is surprisingly absent in the modern Bengali literature.
32 *Bengal Legislative Assembly Proceedings,* 1940, Vol 57, No 4-7 August 21, 1940, p 37-38.
33 Calcutta University Commission, op cit, Vol IV Part II, Recommendations of the Commission Chapter XXXI.
34 *Report of the Committee on the Draft Secondary Education Bill Appointed by the Syndicate,* December, 1937 see Appendix Ap 1. A short account showing the different stages of the question of establishment of a Board for secondary education.
35 Ibid, pp 4-7.
36 Ibid, p 10.
37 Ibid Appendix B, letter No Misc 5162, dated January 4, 1937, from the registrar to the secretary of the government of Bengal.
38 Proceedings, op cit, p 42.
39 The Bengal Secondary Education Bill, 1940 as published in *Calcutta Gazette* dated August 1, 1940. This is what I find to be the composition of the Board from the Gazetted Bill. But Pramatha Banerjee interpreted the composition differently in his speech in the Assembly.
40 Proceedings, op cit, August 27 1940, pp 217-223.
41 Ibid, August 21, 1940, p 46.
42 Ibid, p 56.
43 Ibid, p 56.
44 Ibid, p 69.
45 Chaudhuri Harendra Nath, *The New Menace to High School Education in Bengal,* Calcutta, 1935, p 126-127. Harendra Nath Chaudhuri wrote this book as a criticism of the government policy in regard to high school education, a rejoinder and a study. In this book he wrote, "The terrorist movement has been responsible for many a misfortune of this province, but the injury that it has done to the reputation of her high schools is not the least of the disservice it has done to her. Its reprehensible attempt to extend the recruiting field into the sacred precincts of educational institutions meant for immature young people and boys of tender years is worthy of the severest condemnation indeed."
46 Proceedings, op cit, p 67.
47 Ibid.
48 Ibid.
49 West Bengal Secondary Education Act providing for the creation of a secondary board was passed in 1950 and the West Bengal Secondary Education Board actually came into existence in 1951. In 1963 this Act was replaced by the West Bengal Board of Secondary Education Act, 1963, which became effective from January 1964. This Act provided for a Board which would be constituted mainly with ex-officio or nominated members. There was hardly any provision for elected member. Government control over the present West Bengal Secondary Education Board is also absolute.
50 Proceedings, op cit August 22, p 83.
51 Ibid, August 27, p 195.
52 Ibid, p 214.
53 Ibid, August 28, p 251.
54 Ibid, p 266.
55 Ibid, p 268.
56 Ibid, p 276.
57 Ibid, pp 278-279.
58 Ibid, August 22, pp 84-85.
59 Ibid, p 92.
60 Ibid, pp 107-108.
61 Ibid, p 109.
62 Ibid, p 119.
63 Ibid, August 27, p 187.
64 Ibid, p 204.
65 Ibid, p 233.
66 Ibid, p 208.
67 Ibid, August 28, p 243.
68 Ibid, pp 243-244.
69 Ibid, Sept 2, 1941 p 55.
70 Ibid, Sept 4, 1941 p 145.
71 Ibid, p 151.
72 Ibid, Sept 3, 1941, pp 88-89.
73 Ahmed Abdul Monsur, op cit, pp 160-161.
74 *Amrita Bazar Patrika,* August 2, 1940.
75 Ibid, August 4, 1940.
76 Ibid, August 3, 1940.
77 Ibid, August 5, 1940.
78 *Teachers Journal,* Vol XIX, 1940, pp 517-518.
79 Ibid, p 582.
80 Ibid, Vol XX, January 1941 p 65.
81 Ibid.
82 Ahmed Abul Monsur, op cit, p 214. Ahmed as the editor of the Bengali daily paper *Krishak* supported the Secondary Eduction Bill in the editorial column. The managing director objected and asked how could he support a communal Bill. Ahmed answered, "Not the Bill but the protest was communal." He however, resigned the post.
83 *Amrita Bazar Patrika,* August 26, 1940.
84 Ibid, September 27, 1940.
85 Ibid, December 22, 1940.
86 Ibid, December 22, 1940.
87 Ibid, October 18, 1940.
88 Ahmed op cit, pp 160-161.
89 *Teachers' Journal,* Vol XX, 1941, p 20.
90 Ibid, Vol XX, 1941, p 20.
91 Ibid, p 24.
92 Sinha Prabodh, *Problems of Education in Bengal* Calcutta, 1941, Appendix A.
93 Ibid.
94 Ibid.
95 *Teachers' Journal.* January 1941, p 68. *Amrita Bazar Patrika,* December 24, 1940.
96 *Statesman,* December 25, 1940.
97 Ibid.

BOP Problems of Developing Countries and International Division of Labour

Some Theoretical Comments

Prabhat Patnaik

This paper examines the proposition that, apart from minor modifications such as those arising from the infant industry argument, a regime of universal free trade represents the optimal trade arrangement for each of the participants in international trade. Those who advocate trade liberalisation for underdeveloped countries necessarily subscribe to this proposition implicitly, though it is rarely, if ever, spelt out in theoretical terms.

THE argument advocating a 'liberal' trade regime for the underdeveloped countries has made a strong reappearance in recent years. The reasons for this reappearance will not concern me here. The following comments are devoted entirely to an examination of the theoretical rationale underlying this argument and its validity.

There are at least three distinct levels at which the argument for trade liberalisation in the underdeveloped countries is presented. At one level it merely states that transformation through trade is a possibility which must be incorporated into any planning exercise in an underdeveloped country, and that in restrictive trade regimes the potential benefits arising from the utilisation of this possibility are often ignored. In short, a restrictive trade regime predisposes the economy towards an arbitrary truncation of the set of activities over which the optimisation exercise should be carried out.

At another level, the argument proceeds by invoking an altogether different notion of 'inefficiency' which I would call the 'inefficiency of indiscipline' as opposed to 'allocational inefficiency' or the 'inefficiency of production structure'. Here the argument states that a restrictive trade regime, by cordoning off the domestic producers against competition from abroad, removes the shackles of discipline to which they should be subjected in order to achieve efficiency of resource use, in the sense of avoidance of waste, and economy in input application.

The argument at neither of these levels, however, taken on its own, is particularly convincing. To say that underdeveloped countries should utilise trade possibilities is as bland and unexceptionable a statement as saying that they should 'act wisely'. In any case it does not in itself amount to a case for a change in the trade regime. The further link sought to be established between the nature of the trade regime and inoptimal choices is tenuous and cuts both ways: if a restrictive trade regime predisposes the economy towards certain kinds of inoptimal choices, a liberal trade regime could very well predispose it towards other kinds of inoptimal choices. Likewise unless it can be demonstrated that a liberal trade regime would not push the economy into other serious problems, such as recurring balance of payments deficits, to advocate such a regime as a 'disciplining device' for the domestic producers is clearly *non sequitur.*

Central Proposition

Thus, both these arguments, if they are to have any substance, must be supported by an argument at a third level, namely, that under liberal trade regimes developing countries can achieve higher rates of growth than under restrictive trade regimes, together with balance of payment equilibrium. Such an argument can be made in its generality only if the following proposition is subscribed to: that apart from minor modifications, e g, those arising from the infant industries argument, a regime of universal free trade represents the optimal trade arrangement for each of the participants. In my view, those who advocate trade liberalisation for underdeveloped countries necessarily subscribe to this proposition implicitly, though it is rarely, if ever, spelt out in theoretical terms. I shall be concerned with examining this proposition in the rest of this paper.

The demonstration of the superiority of free trade over restrictive trade arrangements for each participating nation in international trade, by a galaxy of economists from Ricardo onwards, has been carried out, as is well known, in a static context. A large body of literature has developed which draws attention to its inadequacy in a dynamic context. Instead of reviewing this literature, I shall confine myself here to developing a simple argument which captures some of the points made in it, and also drawing attention to certain elementary problems which developing countries have to face in the context of an international division of labour.

Consider a world economy which is divided into two segments A and B engaging in trade with one another. If the relative prices at which commodities, all of which are assumed to be tradables, trade against one another, are fixed, if A and B are specialising in the production of different sets of commodities, and if trade between them is to be balanced, then the total outputs in the two segments must be in the ratio $\frac{OA}{OB} = \frac{m_b}{m_a}$

where m_a represents the average import propensity of B for A's products and m_b represents the average import propensity of A for B's products. If these propensities which represent both input as well as final consumption requirements from 'abroad' remain unchanged over time, both segments can grow at an identical rate over time.

Suppose, however, A is a net exporter of primary commodities to B and technical progress in B takes the form of lowering over time the primary product requirement per unit of B's output, then, other things remaining the same, the growth rate of A will be systematically less than the growth rate of B, since m_b would be progressively shrinking in value over time. This point is well known, but it is only a particular example of a more general point: if in trade between two segments, the import propensity of one declines over time while that of the other does not, then the one with declining demand for its products would have to grow slower than the other if trade has to be balanced. To avoid such a fate, A would either have to start economising on imports from B to an equivalent extent, so that m_a falls in tandem with m_b, or push out other exports to B to make up for the slower growth of primary product exports, so that overall there is no decline in m_b, or adopt a combination of both sets of measures so that $\frac{m_b}{m_a}$ remains unchanged over time.

Relative Prices

It can of course be argued that relative prices are not fixed; and that with technical progress occurring, relative prices are bound to change over time. To meet this argument, let us assusme a simple pricing rule. Taking A's product as the numeraire, suppose the wage-rate in B in any particular period is given as $\bar{W}$, and that the price of B's product, i e, the terms of trade, is determined by a mark-up pricing rule

$$p_b = (m_b^l + \bar{W}l)(1+\pi) \qquad \ldots (1)$$

where m_b^l is the *physical* amount of A's product required per unit of B's product, l is the labour requirement per unit of B's product and π is the profit-margin, then again it can be shown that a decline in B's propensity to import A's product, whether as current input for production or for final consumption, will cause a slower growth of output in A than in B. This divergence in

the rates of growth will also extend to the net output of the two sectors, each evaluated in terms of its own product.

Thus, doing away with the assumption of fixed prices, and introducing a pricing rule whereby one segment acts as a price-maker, with mark-up pricing, and the other as a price-taker, makes no difference to the argument. But it does bring out an additional point of importance: if A, finding itself in a position where maintaining a growth rate equal to B's involves it in a balance of payments deficit, decides to devalue its currency, that would not have the slightest impact upon the situation. A devaluation by A would, on the assumption of mark-up pricing and fixed wage (recorded in A's product), not even change the relative prices of the two countries' products, in which case the devaluation would have had no impact whatsoever. If, on the other hand, owing to devaluation $\bar{W}$ reckoned in A's product rises, devaluation would succeed in improving the balance of payments while maintaining a growth rate comparable to B's, but the adverse terms of trade movement owing to devaluation would mean that the standard of living in A would grow slower than its output. If owing to continuous technical progress B's import propensity from A steadily diminishes, then devaluation will have to be a continuous one, and in such a case even if A and B maintained the same growth rates of output, with a balance in their trade, the growt rate of the standard of living in A would be smaller than this growth rate of its output. In other words, the conclusion about the divergence of output growth rates will no longer hold, but will be replaced by a conclusion about the divergent growth rates of living standards.

The divergence in the growth rates of living standards of the employed population between A and B which arises because of B's saving on the use of primary products exported by A is in addition to the divergence which arises because of the faster rate of growth of labour productivity in B than in A. It has been argued by many, notably Kaldor, that the manufacturing sector is intrinsically amenable to a faster rate of growth of labour productivity than the primary producing sector. If real wages in B, the segment where the manufacturing sector predominates, move up with productivity, so that $\bar{W}l$ in equation (1) remains unchanged, then, with given m_b^l, the terms of trade between A and B would have remained unchanged as well. And this would already have ensured, even with identical growth rates of output in A and B, a faster growth of living standards of the employed population in B in comparison with A. But if additionally the growth rates have a tendency to diverge but are kept equal only by A continuously depreciating its currency and moving the terms of trade against itself, then this is a further reason for the growing divergence of living standards.

Import Propensities

Let us however leave aside the question of labour productivity growth, and concentrate exclusively upon the divergence arising from a divergent movement of import propensities. Price adjustments, such as a devaluation, in such a situation are obviously not of much help in overcoming the basic cause of divergence which has to do with changes in technology and tastes. (In the case of divergent movements of labour productivity, the change in import propensities would be caused by the changing demand pattern even with given tastes.) The appropriate strategy for A in this situation would be to adjust its production structure in such a way that it either lowers its own import propensity or pushes out newer goods to B to take the place of those goods from which B's demand is shifting away. The former, which is the import substitution strategy, is the one which of late has come under attack. Those who criticise it would presumably argue that A should continue to link its economy to B's, but adjust the production structure in such a manner that newer avenues of exports keep getting opened up. For opening new export avenues, which necessarily means a familiarity with changing tastes in B as well as access to new technologies, A would have to induct B's firms, the MNCs, into its own production structure.

The argument for a liberal trade regime here becomes a very different one, namely, not that a liberal trade regime gives rise to an international division of labour which in itself is beneficial to all participants, but that a liberal trade regime creates the appropriate environment in which capital and technology flows can take place under the aegis of multinational corporations so that any frozen pattern of international division of labour keeps getting broken up and adjusts to new circumstances. Since it is this argument, rather than the usual one pointing to the benefits of an international division of labour, which in some ways is its diametrical opposite, that is more prevalent nowadays, let us turn to it.

I shall not go into the plethora of arguments, about the type of political regime in developing countries that succeeds in attracting export-oriented MNCs, about the uncertainties which the domestic economy is subjected to by a strategy of this kind, about the extent to which such a strategy can succeed for developing countries *as a whole* and about the impact of technological changes currently underway in the world economy on the future willingness of MNCs to locate production away from markets, all of which are well known and which underline the limitations of such a strategy. I shall confine myself to merely one point, which, in addition to the above-mentioned points, seems to me to be of great practical importance for large economies like India, and perhaps China.

Demand Patterns

Consumer tastes in underdeveloped countries are strongly influenced by those in the developed capitalist economies of the west. In countries like India, of course, this is a result of the colonial past which leaves an indelible imprint on the psyche of the bourgeoisie. Even in countries charting a different course of social development like China, this factor is not altogether absent. As a result, demand patterns tend to get handed down, with a lag of course, from the west, and within the underdeveloped economy itself, they have a tendency to filter down, at least up to a certain layer in society. The ease with which such demand patterns are satisfied depends upon the availability of the particular goods. Thus, the production of new goods to suit western tastes under the aegis of MNCs in developing countries has the paradoxical effect, first of creating, even more rapidly than would have been the case otherwise, a taste for such goods within certain social groups in the developing country itself, and secondly, of actually meeting the requirements of such created tastes through the greater availability of the goods in question within the host country. In short, inviting foreign capital to produce for exports with the objective of raising m_b in the above model has the paradoxical effect of raising m_a as well, since a whole lot of components, inputs and equipment have to be imported for the production of the goods, which goes at least partly into the home market of the host country.

Now, for a small country, the relevant segment of the home market is easily satisfied in any particular product-line, so that within a short time the export-augmenting effect of the new production begins to triumph over its import augmenting effect. For a large country, however, this is far from being the case. The sheer absolute size of the market provided for such a new commodity within the host country, even when this market is confined to a small stratum of the population, is so large that by the time the export-augmenting effect can be expected to out-weigh the import-augmenting effect, the country would have built up a sizeable debt in the process of financing recurring trade deficits, and the commodity itself would have become obsolete as far as western tastes are concerned. For a large country, therefore, the attempt to promote export-led growth by introducing liberal trade regimes and new products with the help of MNCs, results only in aggravating the trade deficit, and the promised turnaround in the trade balance never actually materialises. Thus, liberal trade regimes have an effect contrary to what the proponents of such regimes visualise.

Cases of India and China

All this is no mere speculation. In India, export-processing zones, set up with the explicit objective of boosting foreign exchange earnings, have hardly succeeded in earning much hard currency foreign exchange (a good deal of their exports go to the eastern bloc countries) but have ended up clamouring for permission to sell a part of their output within the domestic economy, a request that has been granted up to certain limit. They have become perhaps net losers of hard currency foreign exchange as a consequence. Even in China, the free-trade zones have succeeded in pressurising the government to allow them access to the domestic market. China's burgeoning trade deficit since the days of 'liberalisation' is partly a reflection of this phenomenon. It is not surprising that large countries, with the strong pull of the domestic markets, have not been particularly successful in establishing export-oriented MNC units on their soils, while small countries have fared much better in this respect. A liberal trade regime in the former acts much more in the direction of raising their import propensities for foreign goods, than of raising foreigners' import propensities for their goods.

This phenomenon becomes particularly worthy of attention today when both China and India are reportedly on the verge of approaching the IMF for large loans, and inviting its conditionalities, as a means of financing their recurring trade deficits. India by now has perhaps already emerged as the third largest debtor among the developing countries, and is borrowing about $ 8 billion every year. To be sure, not all of it can be directly attributed to the reason mentioned above, but a good part of it can. And a big chunk of even the remainder perhaps arises because of the general atmosphere of import permissiveness which a liberal trade regime introduces. At any rate, it is time that we thought hard and carefully about the concrete consequences for particular economies of some of the panaceas which are being blandly suggested these days for the ills of the developing countries.

THE ASSOCIATED CEMENT COMPANIES LTD.

(Registered Office: 'Cement House', 121 Maharshi Karve Road, Bombay 400 020)

NOTICE

Form IIA (See Rule 4A(I))

It is hereby notified for the information of the public that The Associated Cement Companies, Limited (ACC) proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969. for approval to the production of the new articles in the existing undertaking.

Brief particulars of the proposal are as under:

1. Name and address of the applicant : The Associated Cement Cos. Ltd., Cement House, 121, Maharshi Karve Road, Bombay 400 020.

2. Capital structure of the applicant organization : ACC's capital structure is as indicated hereunder:

	Rupees Lakhs
a) Authorised Share Capital 75,00,000 equity shares of Rs.100 each	7,500.00
b) Subscribed Share Capital 55,95,504 equity shares of Rs.100 each	5,595.50
c) Paid up Share Capital 55,95,504 equity shares of Rs.100 each	5,595.50

3. Management structure of the applicant organization indicating the names of the Directors, including the Managing/Whole-time Directors and Manager if any. : The ACC is managed by a Executive Vice–Chairman & Managing Director under the supervision, direction and control of its Board of Directors. The following are the Directors of ACC Ltd.:—

1. Mr. N.A. Palkhivala (Chairman)
2. Mr. Pallonji S. Mistry (Deputy Chairman)
3. Dr. S. Ganguly (Executive Vice-Chairman & Managing Director)
4. Mr. S.R. Vakil
5. Mr. P.K. Mistry
6. Mr. H.T. Parekh
7. Mr. Harish Mahindra
8. Mr. S.G. Subrahmanyan
9. Mr. P.J. Jagus
10. Mr. H.C. Sarin
11. Mr. D.S. Seth
12. Mr. N.A. Soonawala
13. Mr. T.M.M. Nambiar (Wholetime Director)
14. Mr. R. Bhattacharya (Wholetime Director)
15. Mr. M.M. Rajoria (Wholetime Director)
16. Mr. J.K. Sarkar
17. Mr. V.J.B. Andrews
18. Mr. Vishwanath Patil Hebbai, MLA
19. Mr. Devendra Raj Mehta
20. Mr. Sushil Kumar, IAS
21. Mr. Anil De, IAS (Retd.)

4. Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division : The proposal relates to the manufacture of four new articles in the existing undertaking at Katni in Madhya Pradesh State.

5. Location of the new undertaking/unit/division :

Place	Katni
Tehsil	Murwara
Dist.	Jabalpur
State	Madhya Pradesh

6. Capital structure of the proposed undertaking : The proposed undertaking is part of the applicant Company whose capital structure is given at (2) above.

7. In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate

(i) Name of the goods/articles	(ii) Proposed licenced capacity	(iii) Estimated annual turnover Rs. Lakhs
Catalyst bed supports	1000 TPA	120
Alumina Binder	20000 TPA	1000
Demolishing chemicals	1000 TPA	100
Refractory Special Intermediates	6000 TPA	480

8. In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover, etc. : Not applicable

9. Cost of the project : Rs.480 lakhs

10. Scheme of finance indicating the amount to be raised from each source : Amount will be raised partly from internal resources and partly from financial institutions.

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

For THE ASSOCIATED CEMENT COMPANIES LTD.

(Dr. S. Ganguly)
EXECUTIVE VICE CHAIRMAN AND
MANAGING DIRECTOR

Dated
25th July, 1989

ROGER ACC-1351/89 A

Falling Rate of Profit in India's Industry?

Ranjit Sau

The Marxian law of falling tendency of the rate of profit has taken hold of several developed capitalist economies of the world, with the rising strength of labour that squeezes profitability. To test the law empirically, not only the value categories are to be translated in terms of prices, but one has also to extend the investigation from the level of national accounts to that of company accounts which this paper does. The large companies of India have not experienced any secular decline in the rate of profit, although they might have seen cyclical variations. The explanation for the steady trend lies in the falling share of wages and salary in value added, which also indicates the existence of objective ground for class conflict. The government takes away about one-half of the industrial output in the shape of interest, and direct and indirect taxes.

BY all accounts the rate of profit in major capitalist countries of the world is falling in recent years. Marx enunciated the famous law of the falling tendency of the rate of profit.[1] Competition among capitalists, so goes the argument, spurs technological change that raises the capital intensity of production and thus lowers the return on capital. This outcome is only a tendency; it may get neutralised by countervailing forces. For instance, technological change may also cheapen the basket of wage goods and thereby help keep up the profit rate on balance.

A theoretical challenge to this Marxian law came in the shape of the Okishio (1961) proposition: technical change which competitive capitalists would introduce always raises the rate of profit, should the real wage rate be constant. In due course this theorem has been further refined and extended (Bowles 1981; Roemer 1977, 1978, 1979). The crux of the matter lies in the provision that the real wage rate remains constant. It can be shown that relaxing this postulate, and instead assuming a constant share of wages in value added, the Okishio theorem can be refuted (Laibman 1980).

Meanwhile, another front was opened. Baran and Sweezy (1966:80) came to the conclusion that the Marxian law of falling tendency of the profit rate relates to the age of competitive capitalism. In the current era of monopoly capitalism it is superseded by the law of rising surplus. They had, it seems, in front of them the rising curves of profitability of the post-war boom. Soon after their writing a new chapter began in the major capitalist countries around the world. Almost everywhere, in Britain, Canada, France, Germany, Japan , the United States, the rate of profit showed a declining trend.

Some economists first dismissed it as a rather cheerful sign of abundance of capital accumulation—the marginal productivity of capital has gone down with the rise in capital stock, so they thought.[2] But the rate of profit is a serious variable. It is a crucial determinant of capitalists' profit expectations. Production is organised and investment is undertaken by capitalists in order to make profits; a fall in the average rate of profit—and consequently in the expected profitability of new investment—is bound sooner or later to discourage such investment, and lead to a crisis. Unfortunately, much of economic theory, almost the entire volume of non-Marxian theory, is unaware of this simple truth of a capitalist economy. For example, in Keynes the rate of profit is conspicuous by absence.[3] In Walrasian general equilibrium it appears nowhere. In Solow-type neo-classical growth models it is at best a passive entity. Only in classical economics is the vital role of the profit rate duly recognised. Smith and Ricardo emphasise it as the prime determinant of investment, and so does Marx.

In the Marxian theory as it stands today there could be three sources for a fall in profit rate. We know, the rate of profit $r = e/(k + 1)$, where e is the rate of surplus value and k is the organic composition of capital. If c denotes constant capital, v variable capital, and s surplus value, then $e=s/v$, and $k=c/v$.

Now, r falls if:

(i) k rises, due to competition among capitalists. This is the argument originally given by Marx.[4]

(ii) e falls, because the workers extract higher wages raising v.

(iii) e falls, because the full surplus value s is not realised in the market due to deficiency of demand.

These variables are all measured in terms of Marxian value. One can also express them in terms of prices, and establish an approximate correspondence with the data given in a country's national accounts. This has been attempted by serveral authors in order to explain the observed fall in profit rate.

Of the three cases listed above, the first one is known as the hypothesis of rising composition of capital. In the major capitalist countries the capital-output ratio is fairly constant over time. This hypothesis has not received much blame for the declining profit rate.

The second hypothesis is quite popular (Weeks 1979). It goes by the name of rising strength of labour, or profit squeeze. It has been used to explain cyclical movement of profit rate in the United States (Boddy and Crotty 1975), and also the longer term trend in Britain (Glyn and Sutcliffe 1972) as well as in the United States (Crotty and Rapping 1976; Weisskopf 1979; Weisskopf, Bowles and Gordon 1985; Wolff 1986).

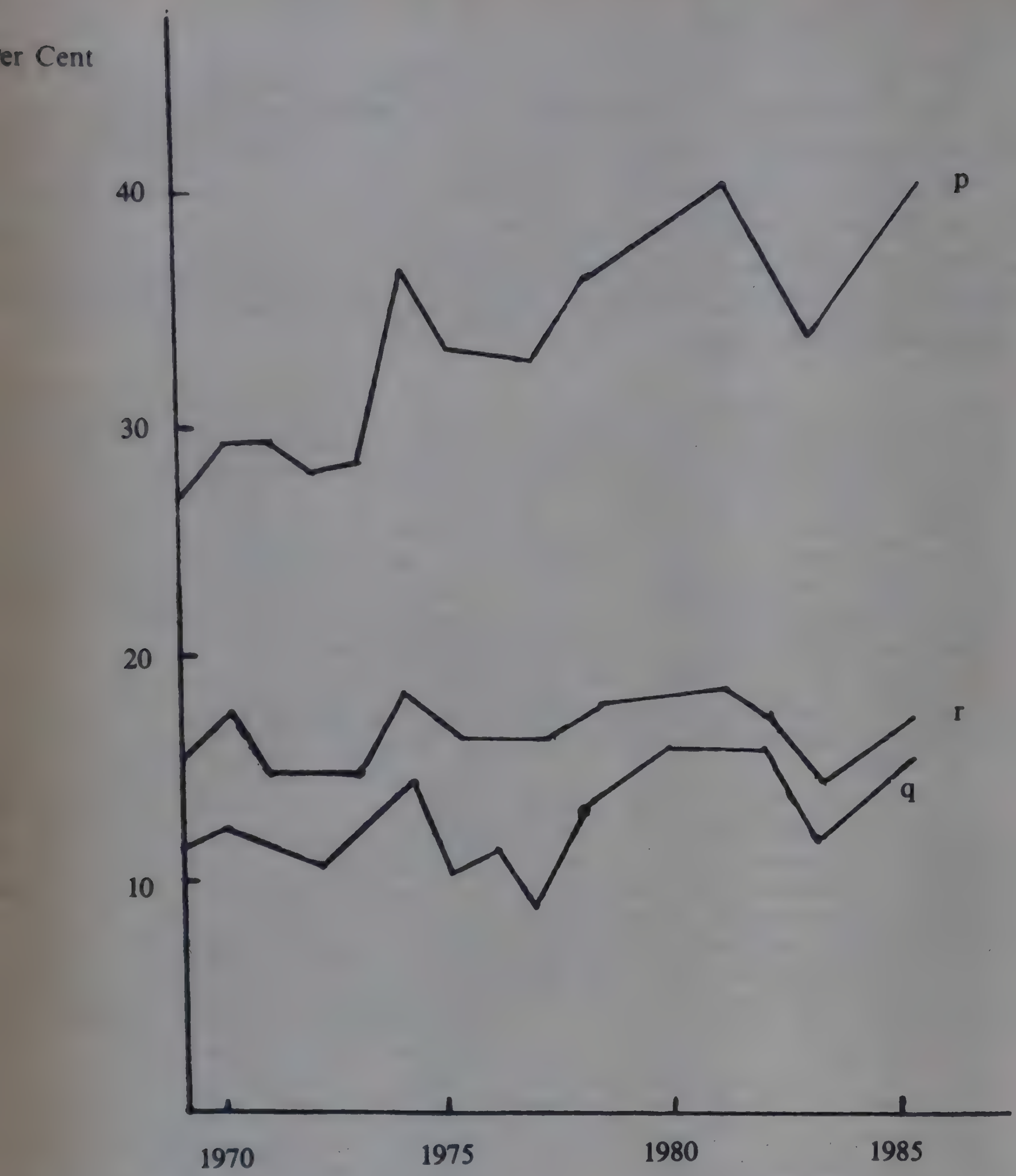
The third one is called realisation failur[e]. In this event, the law of value itself has faile[d] to hold due to either underconsumption [or] underinvestment, or sectoral dispropo[r]tionality (Sweezy 1942, ch 10). It can pr[o]vide the basis for theories of business cyc[les] (Kalecki 1971; Sherman 1976), as well as f[or] theories of long-term stagnation (Baran an[d] Sweezy 1966; Steindl 1952).

India is essentially a capitalist econom[y], albeit underdeveloped. And it is not a mino[r] one at that. It has a relatively, stron[g] industrial bourgeoisie. Its labour force (som[e] 23 million) in the organised sector is fairl[y] comparable with that in Britain, France, Germany or Japan. The top decile of it[s] population constitutes a powerful 'consum[]ing classe', almost equivalent to that i[n] western Europe. It is, therefore, not an idl[e] question to ask: Is the profit rate falling i[n] India's industry? This paper is intended t[o] raise and answer this question.

There is one more point. The Marxian theory of profit is originally cast in value terms. For empirical testing it is translated into prices, and the variables are identified with the data as of national accounts. Some distortion occurs in the process; but the practice is defended on the ground that "a relevant Marxian crisis theory must ultimately explain the behaviour of that profit rate... which is actually perceived by (and thus affects the behaviour of) capitalists themselves" (Weisskopf 1979: 343n). But there is a problem here. The task is correctly perceived, but incompletely accomplished. The profit rate, as actually computed by researchers, is a rate of return on capital which is essentially a macroeconomic concept. But a capitalist is more familiar with the language of the balance sheet, and the profit and loss statement, rather than that of macroeconomics. Hence the investigation must be carried further, from national accounts to another level, namely, the level of company accounts. This paper does it, but at some unavoidable cost due to the lack of relevant data.[5]

The Industrial Credit and Investment Corporation of India (ICICI) publishes annual financial statistics of a sample of 417 public limited companies in its portfolio.[6] These are some of the largest companies in the country, most of them belonging to the

FIGURE 1: RATES OF PROFIT



private corporate sector. The following analysis is based on the ICICI sample data.

I

The rate of profit can be defined in so many ways, depending upon the purpose at hand. From a capitalist's point of view the rate of profit (after tax) on net worth is an important index. The data in col 2 of the accompanying table do not show any strong trend either way; if anything, there is a mild upward tendency.

The seventeen-year period beginning 1969 witnessed the sprouting of the green revolution on the one hand and the onset of industrial deceleration on the other. Halfway, the initial impetus of the green revolution was exhausted. Subsequently, foodgrains output picked up, and the industrial growth rate improved. Over this entire period the rate of after-tax profit on networth fluctuated around a mildly upward trend (Figure 1).[7]

Does this mean that the law of falling tendency of the rate of profit has not yet come into force in India? Of course, the Marxian law is not directly concerned with the particular rate of profitability that we are considering at the moment. In any case it would be interesting to decompose this measure of profitability.

If q denotes the rate of after-tax profit on net worth, t the corporate tax rate, p gross profits (before interest and tax, but after depreciation) per unit of net worth, i the rate of interest, and d the debt-equity ratio, it can be shown that:[8]

$$q = (1 - t)(p - i\,d) \qquad \text{....(1)}$$

The relevant data for (1) are given in cols 3-6. We find that p, i and d have perceptible upward trends, while t first increased and then fell.

We now move to a level that has greater macroeconomic implication. Define capital as net fixed assets and inventory that appear in the balance sheet of a company. This is also the definition of capital in national accounts. The rate of gross profit on capital, denoted by r, is given in col 7.

There is a problem with the data here. Although the size of the sample is fairly constant (543 companies in 1969 and 1970, 421 in 1971, and 417 thereafter) the company-wise composition is not invariant over time. Hence a time series of real capital stock cannot be readily computed. The r that appears in col 7 is, therefore, not the real rate of return on capital; the effect of inflation is unavoidably mixed with it. The last column gives the figures of the rate of inflation. The problem is further compounded by the fact that in India the price of capital goods is known to have increased faster than the general price index.

In Figure 1 the three variables, p, q, and r, are plotted. Evidently, p has a discernible upward trend, r is rather steady, and q is fluctuating. The difference between r and q is largely accounted for by corporate tax.

Now, r can be decomposed as follows:

$$r = f\,y \qquad \text{....(2)}$$

where f is the share of gross profits in value added, and y is the ratio between value added and capital.[9] Therefore, col 8 multiplied with col 11 gives col 7. It is interesting to note that the share of gross profits in value added has a downward tendency (col 8). Gross profits, let us recall, include interest and tax also.

Does India's industry suffer from the problem of deficiency of demand, or the so-called realisation crisis? Since the rate of profit, however measured, has not shown any marked downward trend, one might say that for the large companies in the ICICI sample market has been no problem at all in the long run, although cyclical variations are not altogether ruled out. One way of formally incorporating the role of demand is to note that:

$$r = P/K = (P/Y)\,(Y/Y^*)\,(Y^*/K) \qquad \text{....(3)}$$

where p is gross profit, K capital, Y actual output or value added, and Y* is the capacity output. The ratio Y/Y* is an index of the rate of capacity utilisation. We have data of capacity utilisation for only a brief period, 1979-1985, which do not indicate any rise in the rate of excess capacity (col 12). Whether the current rate of capacity utilisation is satisfactory or not is, of course, a different matter.[10]

II

Value added is defined here to consist of three parts, namely, gross profits, wages and salary, and indirect business tax (excise).[11] Note that in national accounts indirect business taxes are included in NNP, though not in what is called national income, or NNP at factor cost. According to cols 8-10, the shares of the first two parts, that is, gross profits and wages and salary, in value added have gone down, while that of excise has risen.

Now, gross profits include direct tax also, in addition to interest and net profit. So the government acquires part of the value added in two ways: direct tax and indirect tax. The total share of the government thus went up from 0.42 to almost 0.48, and then declined slightly (col 13). The overall average pattern

of the distribution of income (value added) during 1969-1985 was as follows:

Tax (direct and indirect)	0.44
Wages and salary	0.35
Net profit and interest	0.21
	1.00

Thus, by far the largest of the three shares goes to the government. Since banks are nationalised, a portion of interests also may be said to find its way to the government. One might, therefore, conclude that about one half of the industrial income is extracted by the government one way or the other. If appropriation of surplus value is the definition of exploitation, then the government is apparently not a small exploiter. A theory of income distribution, under such circumstances, cannot ignore the role of the government. In this context see also Bardhan (1984), where the government bureaucracy is identified as a member of the dominant coalition of propertied classes that rules over the political economy of India.

In Figure 2 we have plotted the shares of the three components of value added, namely, (i) direct and indirect tax (ii) wages and salary, and (iii) net profit and interest. The curve of direct and indirect tax, after an initial dip, has remained rather horizontal. The other two curves point to a potentially deep-rooted conflict in the economy. the curve of wages and salary is going down, while that of net profit and interest is rising, as if to throw up a challenge. There is a widespread view that the overwhelming presence of the state as a 'third actor' on the scene of India's political economy has blunted the edges of classical class struggle between labour and capital (Rudolph and Rudolph 1987:20-25). The graphs of Figure 2 presumably have a different story. The rise of the share of net profit and interest at the cost of wages and salary indicates the existence of ground for a typical capitalist confrontation of classes.

As mentioned above, major capitalist economies around the world are in the midst of a deep crisis, the profit rate having fallen since the mid-sixties. Part of the explanation lies in the fact that the pressure of wages in those countries has mounted. Another factor has been at work, on the demand side. After the Korean war boom tapered off in the early fifties there was apprehension that stagnation would set in. The situation was saved largely by an unprecedented rise in the demand for consumer durables. Eventually it led to mounting household debt that in due course choked off consumer expenditure. Forces thus acting on both demand and cost sides resulted in the crisis of capitalism in those countries.

How is it that India could escape such denouement? The explanation seems to b rather obvious. In India's private industr the share of wages has gone down, allow ing the profit rate to climb. On the deman side, particularly for the products of th companies of our sample, there was no much of problem. The market for durabl consumer goods took shape, and continue to grow, largely supported by the ever expan ding wage and salary bill of governmen administration in particular.[12] The overal index of industrial production in the coun try decelerated during the seventies, n doubt; but that was due mainly to th maladies of capital goods industries whic belong, in the main, to the public sector Industries of durable consumer goods di not face any such trouble.

From this what can we say about the cur rent policy of so-called liberalisation? First the industrial bourgeoisie of India would welcome the government's evident shift toward consumerism, that is, promotion of industries that produce for the affluent 'middle class' consisting of the top decile of population. The household debt-trap, that has caught the consumers in the west, has not been in sight in India as yet. Second, while the bourgeoisie would prefer certain relaxation of controls of export, import and foreign technology and capital inflows, it is

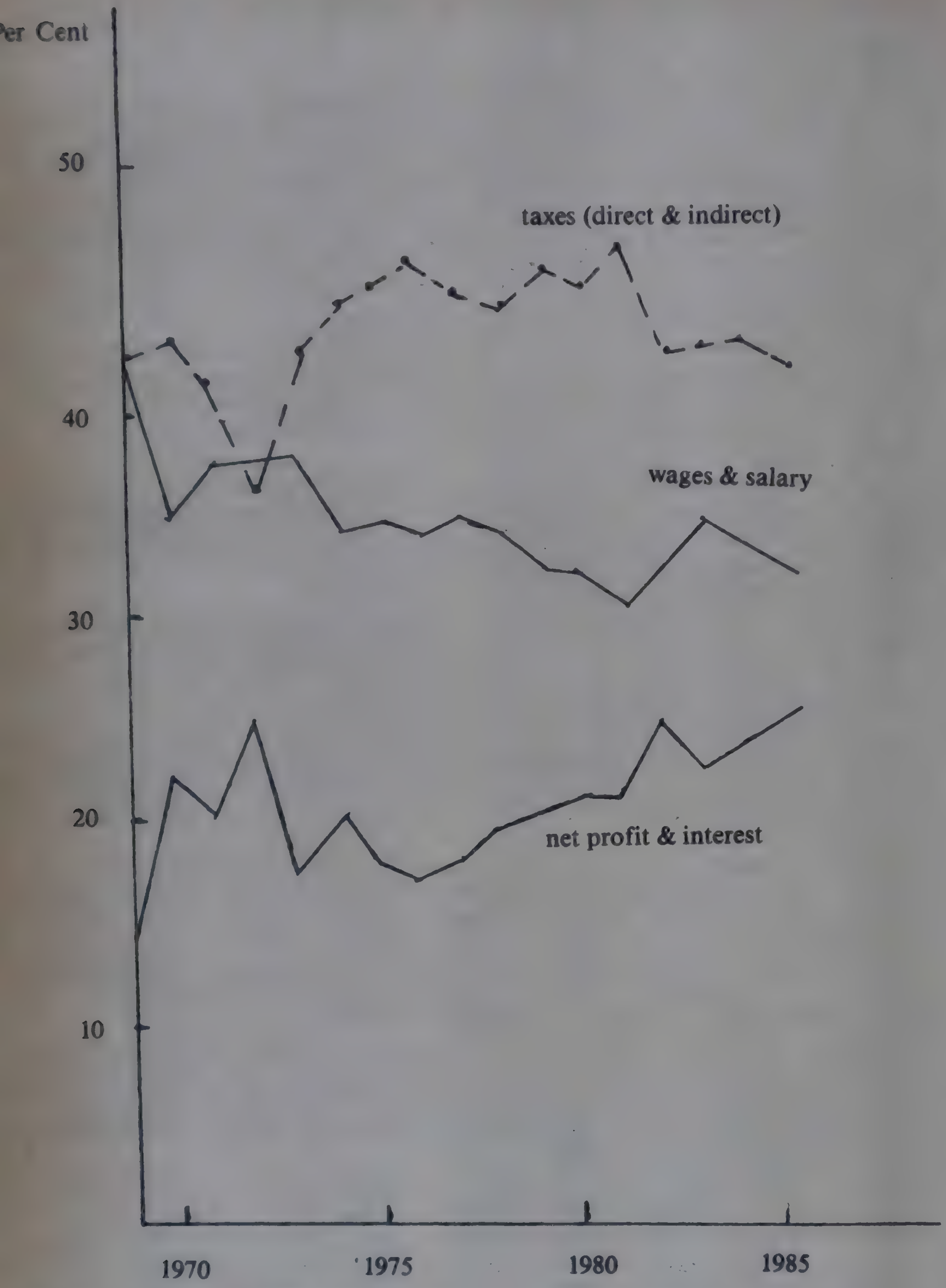
TABLE

Year	Rate of Profit after Tax, on Net Worth, q (Per Cent)	Rate of Gross Profit, on Net Worth, p (Per Cent)	Rate of Interest on Debt, i (Per Cent)	Debt-Equity Ratio, d	Rate of Corporate Income Tax on Operating Profits, t (Per Cent)	Rate of Gross Profit on Capital, r (Per Cent)	Share of Gross Profit in Value Added, f	Share of Excise in Value Added, j	Share of Wages and Salary in Value Added, h	Value Added Per Unit of Capital, y	Rate of Capacity Utilisation, u	Share of Excise and Corporate Income Tax in Value Added	Rate of Inflation Per Year (Per Cent)
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1969	11.45	27.3	—	—	37.68	15.22	0.299	0.345	0.425	0.509	—	0.421	3.75
1970	12.57	29.6	—	—	39.63	17.01	0.304	0.344	0.352	0.560	—	0.429	5.54
1971	11.37	29.5	8.78	1.04	44.19	14.75	0.295	0.327	0.378	0.500	—	0.417	5.60
1972	10.82	28.0	9.12	0.96	44.74	14.47	0.274	0.336	0.390	0.529	—	0.361	10.04
1973	11.99	28.6	8.97	0.92	45.48	14.79	0.273	0.334	0.393	0.535	—	0.430	20.22
1974	14.25	36.8	10.16	0.93	47.97	18.48	0.313	0.339	0.348	0.591	—	0.450	25.20
1975	10.23	33.3	11.39	0.98	52.40	16.89	0.276	0.367	0.357	0.611	—	0.463	−1.10
1976	11.23	32.8	11.44	1.04	53.82	16.79	0.271	0.381	0.348	0.619	—	0.474	2.08
1977	8.90	33.1	12.01	1.13	54.50	16.12	0.268	0.377	0.355	0.601	—	0.463	5.21
1978	13.20	36.6	10.94	1.16	44.94	17.35	0.280	0.375	0.345	0.619	0.79	0.458	0.00
1979	14.70	37.5	10.75	1.10	42.63	17.79	0.287	0.386	0.327	0.620	0.82	0.470	17.12
1980	15.37	38.5	11.98	1.10	39.31	17.90	0.297	0.381	0.329	0.616	0.74	0.456	18.24
1981	15.51	40.3	12.25	1.24	38.20	17.66	0.280	0.409	0.311	0.630	0.82	0.476	8.28
1982	15.69	38.0	12.61	1.32	26.51	16.27	0.288	0.385	0.327	0.566	0.79	0.427	2.63
1983	11.85	34.3	12.24	1.42	30.12	14.59	0.265	0.390	0.345	0.511	0.82	0.429	9.46
1984	12.82	36.9	14.44	1.39	30.55	15.60	0.274	0.390	0.336	0.570	0.86	0.432	7.09
1985	15.34	40.0	12.27	1.54	27.23	16.63	0.292	0.383	0.325	0.570	0.85	0.425	5.73
Mean	12.78	34.2	11.16	1.16	41.17	16.37	0.280	0.368	0.352	0.576	0.81	0.440	8.52

Notes: Col 1: Fiscal year; 1969, for instance, means 1969-70. Col 2: Net worth includes paid-up capital, and reserves and surplus. Profit after tax is net of interest. Col 3: Gross profit is before interest and corporate tax but after depreciation. Col 4: Debt include debentures, long-term borrowings, bank borrowings for working capital, and unsecured loans and deposits. Col 5: Equity is the same as net worth. Col 6: Operating profit is gross profit after interest. Col 7: Capital includes net fixed assets and inventory. Col 8: Value added consists of wages and salary, gross profit, and excise. Col 9: During 1971-85, excise is found to be 12 per cent of gross sales. Figures for 1969 and 1970 have been estimated pro rata. Col 12: Weighted average of industry-group-wise data, weights relative to the value added as defined by ICICI which keeps excise out of it. Col 14: Yearly change in the index number of wholesale prices (average of weeks), as given in the government of India, *Economic Survey*, annual issues. The mean has been estimated with an exponential regression equation.

Source: Basic data from ICICI, *Financial Performance of Companies*, annual issue.

FIGURE 2: SHARES OF TAXES (DIRECT AND INDIRECT), WAGES AND SALARY, AND NET PROFIT AND INTEREST IN VALUE ADDED



unlikely that they would enjoy much greater linking of the Indian economy with the ailing capitalism outside, lest their domestic market be eroded.

In view of the lately unfolding theory of chaos the possibility of persistently erratic movements of the economy, rather than smooth convergence to a classical stationary state, can no longer be ruled out a priori (Bhaduri and Harris 1987; Day 1982, 1983; Hicks and Hollander 1977).

Notes

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1 The falling rate of profit is a distinct feature of classical economics. To Adam Smith, accumulation of capital by itself lowers the rate of profit as it raises the wage. Ricardo considers the fall in profit to be a consequence of the law of diminishing returns in agriculture. However, it is Marx who deals with this issue at greater length; hence the law is associated with his name.

2 Okun and Perry (1970) discussed the fall in profit share in GNP after 1966 in the US. It gave rise to a debate at the Brookings Institution. Nordhaus (1974) argued that the cost of obtaining new capital since the war had notably decreased; by the late 1960s capital was in abundance. Thus the weakness in the profit rate, in his opinion, need not be seen as a problem. For subsequent contributions see Dumenil, Glick and Rangel 1987; Feldstein and Summers 1977; Lovell 1978.

3 Keynes is concerned, in the main, with the short run where the stock of capital is given. He does consider the volume of profit in the *Treatise* and the *General Theory*; hence the rate of profit may be said to have been implicitly taken into account. But the point is that the rate of profit does not play any role in his theory.

4 It can also be argued that k rises secularly as the capitalists resort to mechanisation for gaining greater control over the labour process (Braverman 1974; Gordon 1976; Shaikh 1978).

5 There are certain theoretical problems also; see Fisher 1984; Fisher and McGowan 1983; Harcourt 1965; Kay 1976.

6 For 1969-70 and 1970-71 the size of the sample is 543, and for 1971-72 it is 421. Although in the following years it remains constant at 417 the individual composition presumably changes. Data for a given year is often available from several annual publications; always we have taken the latest available figure.

As for the scope of the sample it is noted that these 417 companies accounted for nearly one half of the paid-up capital of non-government public limited companies at work in March 1986. When compared with the data published by the Annual Survey of Industries (ASI) on public limited companies in the private sector for the year 1981-82, these sample companies in that year accounted for 54 per cent of the productive capital, 54 per cent of the value added, and 49 per cent of the gross output.

7 Similar data published by the Reserve Bank of India for a larger sample of public limited companies and for a longer period indicate cycle rather than any clear trend (Sau 1988:790).

The RBI classifies the companies in terms of paid-up capital into three groups: small, medium, and large. The companies in the ICICI sample would presumably fall in the 'large' category in RBI's definition. These companies, in fact, may be the largest among the large ones. If so, it could be further confirmed from the RBI and ICICI data that the rate of profit varies directly with the size of the company.

8 Let E denote equity or net worth, P gross profits, and I interest. Then $q = (1-t)(P-I)/E$. But $I = i D$, $p = P/E$, and $d = D/e$. Hence (1).

9 Let K be capital, and Y value added. Then, $r = P/K = (P/Y)(Y/K)$. We have $f = P/Y$ and $y = Y/K$. Hence (2).

10 Reliable data for capacity utilisation for a longer period are simply not available. During 1961-64 the average rate of underutilisation of capacity was much higher than what we find in col 12 here for 1978-85 (Bhagwati and Srinivasan 1975: 183-91).

11 In some studies, for example, Weisskopf (1979:342n), indirect business tax is not included in value added.

12 According to national accounts, compensation of employees in public administration, defence, and other administrative departments of the government was Rs 2,301 crore in 1970-71 and Rs 15,686 crore in 1984-85. The corresponding figures for the entire organised private sector were respectively Rs 2,793 crore and Rs 14,031 crore.

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A Compassionate Portrayal

S Akbar Zaidi

The Sole Spokesman: Jinnah, the Muslim League and the Demand for Pakistan, by Ayesha Jalal; Cambridge University Press, 1985; pp xvii + 310, £ 27.50.

THIS book by Ayesha Jalal is a truly brilliant achievement. It is an excellent example of the Cambridge University (where Jalal received her doctorate) school of thought in history, where, in the bourgeois tradition, individuals—'great' men, and less frequently, women—make history, determine the future of hundreds of millions and carve out new countries and nations from subcontinents. Mohammed Ali Jinnah is, for Jalal, that great man, who is crafty, careful, meticulous and most of all patient, who after a struggle for Muslim rights lasting more than four decades, ends up with a new country Pakistan, carved out of British India.

The Sole Spokesman is like a mystery novel, gripping and absorbing, with numerous twists and turns. The reader is introduced to Jinnah and gets involved in his political life from the mid-1930s to eventual partition in 1947. After a brief introduction about Jinnah and his political work in his earlier years, within a few pages of the book, we are in the thick of the nationalist movement following the Government of India Act of 1935. Jalal has discussed at great length the meaning and importance of the act to the provinces of British India and shows how the British very intelligently, under the guise of permitting provincial autonomy, further fortified their own rule: "encouraging provincial ambitions and keeping the centre firmly in British hands was not a strategy for getting out of India, but a way of staying on" and again: "The 1935 Act had provided the 'steel frame' which could preserve British rule in India".

The results of the 1937 elections following the 1935 Act give Jalal a first opportunity to discuss the political capabilities of Jinnah and we are privy to her view about the man who created Pakistan. In the elections, the Muslim League was severely thrashed and completely rejected by the electorate in Muslim majority areas: in the Punjab, the League won 1 out of 87 reserved Muslim seats, in Sind none of the 36, in NWFP none of 36 and in Bengal, only 37 of 119. This humiliation prompts Ayesha Jalal to say: "anyone except Jinnah would have been tempted to throw in the towel... But Jinnah was a fighter and he was the master of a long slow game, an expert at seeing chances in the worst reserves" (p 33). This view of Jalal that Jinnah was a brilliant tactician is one of the two primary theses and revelations in her book.

To Salman Rushdie, the Jinnah caricatured by Attenborough in his film *Gandhi* came across as a Draculaesque figure in more than just the physical sense. Unlike that blood-sucking vampire, Jalal paints a compassionate picture of a clear and skilful tactician who waits for the right moment and then makes his careful moves. She agrees with other "contemporaries and historians [who] have often described Jinnah as a player who kept his cards to his chest" and adds, "and a good player with a poor hand has to pretend to have different cards than those he is actually holding. So there is nothing surprising about Jinnah's inscrutability, or that the final result was so different from the one which he had so skilfully planned and fought so hard to achieve". And again, following critical negotiations with Wavell in September 1946, Jalal is led to say: "one clue to Jinnah's remarkable resilience in the face of grave political setbacks, overwhelming odds, and unremitting squeeze play, was his extraordinary capacity to fight when all would have appeared lost to lesser men". For Jalal this quality of perseverance and patience in Jinnah was a major factor in the creation of Pakistan.

The other major thesis in her book, one which is indeed a major revelation to most readers in Pakistan who have been fed lies by official spokesmen over the last decades, is that, Pakistan for Jinnah, did not mean the partition of India. In fact, what is most revealing is that the term and concept 'Pakistan' was never defined by any of the Muslim League leaders, least of all Jinnah. 'Pakistan' throughout the 1930s and 1940s (even up to 1947 itself) remains an abstract 'homeland for Muslims' with often vague and conflicting boundaries and with a clearly undefined constitutional status.

In April 1940, following the Lahore Resolution, I I Chundrigar, a very senior Muslim Leaguer, asserted that: "The object of the Lahore resolution was not to create 'Ulsters', but to achieve 'two nations welded into United India on the basis of equality'. Bold departure though it seemed to be, the resolution was hunting for an alternative to majority rule, not seeking to destroy the unity of India" (pp 70-71). H V Hodson, the reforms commissioner of the British government who visited India in late 1941 concluded in his report that "most Muslims with whom he had spoken, including orthodox supporters of Pakistan from Jinnah downwards, were thinking in terms of the British staying on ... Every Muslim Leaguer interpreted Pakistan as consistent with a confederation of India for common purposes like defence, provided the Hindu and Muslim element therein stood on equal terms" (p 70).

In August 1944 Jinnah gave a press statement to the newspaper *Nawai Waqt* in Lahore and the gist of the statement is quoted by Jalal as follows: "Jinnah's 'Pakistan' did not entail the partition of India; rather it meant its regeneration into an union where Pakistan and Hindustan would join to stand together proudly against the hostile world without. This was no clarion call of pan-Islam; this was no pitting Muslim India against Hindustan; rather it was a secular vision of a polity where there was a real political choice and safeguards, the India of Jinnah's dreams" (p 122). Mian Mumtaz Daultana, a senior politician from the Punjab, reminiscing about events in June 1946, also reaffirmed Jinnah's statement and said that "Jinnah never wanted a Pakistan which involved the partition of India and was all in favour of accepting the Cabinet Mission proposal" (p 202). Although the demand for 'Pakistan' had been made in the 1930s at the All India Muslim League Council Session held in Bombay in June 1946, Jalal writes that Jinnah was "unable still to define the demand for Pakistan precisely" (p 211). That is not all. Nazimuddin, a senior Bengali Muslim Leaguer even in February 1947, a few months before Pakistan was created, and when evidence of some sort of agreement about a Muslim homeland seemed almost obvious, "did not know what Pakistan meant, in fact nobody in the Muslim League knows"! (p 238). Three months before August 1947, in May, following negotiations with Mountbatten, Congress and Jinnah, Jalal concludes: "It was Congress that insisted on partition. It was Jinnah who was against partition".

This central thread in Jalal's thesis is indeed revealing and an eye-opener to most who have been brainwashed by official 'historians' in Pakistan, who have distorted facts to suit their own nefarious designs. The lack of clarity of the great Quaid-e-Azam and his coterie so convincingly illuminated by Jalal contradicts the official spokesmen in this country who have gone out of their way to show that a plan for an independent homeland for Muslims in India was designed as far back as the 19th century by Saiyyed Ahmed Khan and later echoed by Mohammed Iqbal in the early 1930s. True, there may have been some discontent and resentment against Hindu

domination amongst the nobility of some provinces of India. Jalal has shattered yet another myth when she meticulously demonstrates how it was the Muslim majority provinces which were, in fact, most allergic to 'Pakistán'.

It was mainly the four Muslim majority provinces, Punjab, Bengal, Sind and the NWFP which were most distant to the idea of a 'Pakistan'. 'Pakistan' seemed to be only the need and demand of a handful of the elite from the Muslim minority provinces with little support elsewhere. The League was humiliated in the 1937 elections and although it gained respectability in the 1945 elections, Jalal writes that as late as April 1946, there was no support for 'Pakistan' in the majority provinces. Sind and the NWFP wanted independence and not Pakistan. "In the NWFP, the Mission was bluntly told by the Congress chief minister, Dr. Khan Sahib, that the League did not represent Muslims. The Pathans had no love for their Punjabi neighbours. *They would never willingly join Pakistan*. They wanted no centre at all but they did not fear domination by a Hindu centre. *What they wanted most of all was to be entirely independent*" (p 181, my italics). The Punjabis wanted provincial autonomy, states' rights and a weak federal centre. "The chief minister of Sind, Ghulam Hussain, thought all would be well if only all-India politics could be kept out of the provinces, and in particular out of Sind" (p 180). He believed that "Sind must be left alone by all outsiders, whatever their faith" (p 180). The Bengali leadership fearing the partition of Bengal quite categorically said that "Bengal was Bengali, not Muslim" (p 180). This puts to rest a great deal of the nonsense and fiction espoused by appologists of the two nation theory. This is a major contribution to which we are thankful to Ayesha Jalal.

Since the League represented the aspirations and interests of the nobility of the Muslim minority provinces, its social programme and philosophy also reveal its true colours. In October 1937 Mohammed Iqbal

> was convinced that the League would now have to decide whether it will remain a body representing the upper classes of Indian Muslims or the Muslim masses who have so far, with good reason, taken no interest in it. The real issue as Iqbal saw it, was: 'how to solve the problem of Muslim poverty?' ...The only way to solve the problem of bread for Muslims was to enforce the 'Law of Islam'. A bold social and economic programme based on the 'Law of Islam' for the Muslim masses would, according to Iqbal, do the trick; but what such a 'Law' involved or how it could be implemented was not very clear, and in any case Jinnah was too shrewd and too secular to chase this particular hare. If the 'Law of Islam' was to be interpreted by the ulema, the traditional guardians of the law, Jinnah would certainly have nothing to do with it... Moreover, Jinnah could see that any appeal to religion, or to a radical economic programme, might only too easily boomerang on its proponents. *The League could not even begin to set out a plausible facsimile of a programme to eradicate Muslim poverty since such support as it possessed came from vested landed and business interests at the apex of society*. In any event, such appeals were irrelevant to Jinnah's predicament (p 42-43, my italics).

In October 1944, Abdus Sattar Niazi (a senior Leaguer from Punjab) called a meeting in Lahore to discuss making Pakistan an Islamic state. The *Civil and Military Gazette* saw this as "an open rebellion against Jinnah and the League" Earlier in April 1943 at the League's Delhi session, "a resolution which would have committed the League to basing the future constitution of Pakistan on Islamic principles was quietly withdrawn at Jinnah's insistence" (p 96). Yet another myth propagated by the official media in Pakistan is buried by Jalal.

There are certain minor points of importance which further help in making *The Sole Spokesman* the masterpiece it is. The role of Mountbatten is shown to be very partisan in his dealings with the final process of partition. Mountbatten considered Jinnah, at various times, a 'lunatic', 'bastard', 'evil genius' and 'psychopathic case'. Given this perception, it is not surprising that in the last crucial days, Mountbatten, time and time again took Nehru into his confidence. As Jalal argues, repeatedly "Mountbatten failed to observe protocol or the pretence of impartiality. It had been agreed to show the plan simultaneously to all the political leaders. But Mountbatten—in an 'act of friendship'—showed Nehru the plan on the condition that he would not discuss it with his Congress colleagues, and kept the plan away from Jinnah" (p 272). It was due to Mountbatten's intense dislike towards Jinnah that Nehru, Congress and India were repeatedly given the benefit of the doubt when it came to critical issues concerning the partition of India.

Ayesha Jalal has also highlighted the dynamics of the Muslim majority provinces in great detail and has analysed their relations with the central offices of the League and with Jinnah himself. Her understanding of local politics is quite impressive and her reading of the Punjab, later Pakistan's most populous, powerful and influential province, is interesting. Time and again she talks of the Punjab's "traditional opportunism" and how the leaders of the province would frequently sell to the highest bidder: "As long ago as the days, good or bad, of Ranjit Singh, who knew his Punjab, the big families had survived the vicissitudes of change at the top, in court and darbar, by knowing when expediency demanded them to be turncoats—an old Punjabi tradition, alive and well to this day. Once the unionists were deemed no longer the best security for their local interests, the landlords and pirs were ready to call in new patrons" (p 143-44). Evidently not only Ranjit Singh but Jalal too knows her Punjab well.

There are a few criticisms of this otherwise excellent achievement. First, there is the broader issue of ideology and the question: What is history? Is history made by a dozen politicians who are articulate and convincing negotiators? Or is it made by people, by productive forces and by a wide canvas on which economic forces dominate? Clearly, Cambridge University subscribes to the former school which this reviewer rejects. Nevertheless, within the bourgeois paradigm, this book is supreme. There is then the essential question: what made Jinnah tick? Why was he so single minded, resolute, determined? Why did he want Pakistan? For Whom? Was it power, or just an intellectual and political challenge? One searches for answers to these questions but fails to find any. A third criticism of the work deals with an apparent contradiction in Jalal's analysis. She has portrayed Jinnah as a brilliant tactician and negotiator who usually won. But the final settlement by Mountbatten was indeed defeat for Jinnah, and Jalal too concedes this point. Mountbatten ruthlessly outwits and humiliates Jinnah into submission and acceptance of a "motheaten" Pakistan. So, did he reallly succeed after all?

With the publication of this work dealing with Jinnah and the freedom struggle for Pakistan, Ayesha Jalal has established herself as an outstanding Pakistani historian dealing with that era. She has filled the space which was occupied previously by sycophants and official scribes who posed as historians. Indeed, this masterpiece will herald her as a major Pakistani social scientist of international repute and clout. It is no longer possible to write about either Jinnah's politics or the question of partition without a thorough reading of Ayesha Jalal's definitive book. She also has the advantage of being a very gifted writer with supreme command over the subject and over the English language, a rare combination amongst Pakistani scholars. Indeed, with this background, one looks forward eagerly to her future works.

Ahmadi Movement: Resolving Some Confusions

Asghar Ali Engineer

Prophecy Continued—Aspects of Ahmadi Religious Thought and Its Medieval Background by Yohanan Friedmann; Oxford University Press 1988; pp xiii + 218, Rs 175.

AFTER the Isma'ili movement the most controversial movement in Islam has been the Ahmadiya movement. The former originated in the second century of the Islamic era and it was influenced by the Greek thought and philosophy. The Ahmadi movement, on the other hand originated in the 13th century of Islamic era, its founder was an Indian and it was a religious response to the western Christian mode of thought sought to be imposed in India. Both these movements represented heterodoxies in Islam. Both were attacked and persecuted by the orthodox Muslims. However, while the orthodox theologians have seemed to be reconciled to Isma'ilism of late, the Ahmadis are still under intense fire throughout the Islamic world. The reason for this irreconcilable attitude towards the Ahmadis is the perception—which is not altogether false—that the followers of the Ahmadi sect do not believe in the finality of the prophethood of Muhammad.

There is a great deal of confusion of thought as far as Ahmadis are concerned. There are claims and counter-claims. The need for an objective and systematic study has long been felt for quite sometime. The confusion has been caused both by Ahmadis themselves as much as by their orthodox rivals from amongst the Muslims. Yohanan Friedmann's study is all the more important as the Ahmadi sect is the latest to appear on the religious horizon of Islam. Also, this sect, again like the Isma'ilis, has been most organised, vigorous and dynamic. No one but the most prejudiced can deny their contribution to the spread of the Ahmadi version of Islam and their establishment of Islamic centres in various parts of the world, especially in Europe and America.

The book is divided into four parts; part one has one chapter, two and three have three chapters each and part four has two chapters. The first chapter of part one deals with the history of the Ahmadiya movement. Ghulam Ahmad, its founder, was born in the late 1830s in a village in Punjab called Qadiyan. Ghulam Ahmad invited people to pledge allegiance to him towards the end of 1888 with a claim to a revelation in Arabic which said, "If you made up your mind, trust Allah. Mark the ark under our eyes and as we reveal. Those who pledge allegiance to you, really pledge allegiance to Allah. Allah's hand is over their hands."

Parts of these revelation are identical with the Quranic verses. Several of Ghulam Ahmad's revelations had this quality. The first ceremony of initiation took place in 1889 in Ludhiyana in Punjab. The Ahmadiya as an organisation was thus established. From 1889 annual gatherings began to take place in Qadiyan where Ghulam Ahmad delivered religious sermons. At these gatherings plans were also made for missionary activities in Europe and America. Ghulam Ahmad also followed the method of issuing challenges to Muslims, Christians and Hindus for debate on various controversial issues.

It would be seen that the controversies were mainly of theological and not social or economic nature. This was limitation as well as the strength of Ghulam Ahmad. Also, Ghulam Ahmad's own theological contribution was not of novel nature. He stuck to mainly orthodox dogmas except on the question of Jesus' death, termination of revelation with the death of Prophet Muhammad and the nature of *jihad*. Ghulam Ahmad did not believe in the traditional concept of *jihad*, i e, waging war with sword. Neither did he support the idea of fighting against the British. It was under the influence of the ideas of Ghulam Ahmad that a noble in the court of the Afghan King Abd al-Latif spoke publicly about the illegality of waging war against the British, who, he said, afforded protection and security to millions of Muslims under their rule. For his views on this issue he was put to death in 1901 by the Amir Abdal Rahman, who entertained pan-Islamic sentiments and had published a few years earlier, a pamphlet advocating *jihad*. It would be interesting to note that even in India the orthodox *'ulama* advocated *jihad* against the British imperialists and issued *fatwas* instructing Indian Muslims to wage *jihad* against the British and join hands with their Hindu brethren to throw them out of India.

When Ahmadis suffered persecution in Afghanistan, many were imprisoned and two of them were executed, the Afghan authorities received full support from the Indian *'ulama*. Shabbir Ahmad Uthmani of Deoband published in October 1924 a book in which he argued that the Ahmadis were apostates. He also surveyed the *shar'i* injunctions on apostacy and reached the conclusion that in Islamic law it carried the death penalty and thereby justified the punishment inflicted on the Afghan Ahmadis. This book, it is interesting to note, was again published after partition and was used as anti-Ahmadi *fatwa* during the anti-Ahmadi disturbances in Pakistan in 1953.

The author has devoted one full chapter to Ghulam Ahmad's idea of *jihad*. The author rightly maintains that the rein[terpretation] pretation of the idea of *jihad* is one of [the] main themes of Ahmadi religious thou[ght.] Ghulam Ahmad's book *Governmen[t] Angrezi awr Jihad* (*The British Governm[ent] and Jihad*) has been entirely devoted to [it.] The author points out: "The centrality [of] this theme in Ahmadi thought is eviden[tly] related to Ghulam Ahmad's involvement [in] polemics against the Christian missionar[ies] and members of Arya Samaj. As we ha[ve] seen above, both groups used the idea [of] *jihad* to describe Islam in an unfavourab[le] aggressive light. Ghulam Ahmad was co[n]vinced that the *'ulama* who cling to the tra[di]tional interpretation of the idea, and speci[al]ly those who propagate the traditions abo[ut] the 'bloody mahdi' expected to come a[nd] eradicate the infidels, supply the enemies [of] Islam with an effective weapon."

Ghulam Ahmad was convinced that All[ah] entrusted him with the task of restoring t[he] idea to its original form in order to defe[nd] Islam against the attack. According [to] Ghulam Ahmad the commandment of *jih[ad]* came into being only as a result of the gre[at] dangers that Islam faced in the first year [of] its existence. He also quotes the Quran[ic] verses 22-39 in which Allah says "Permi[s]sion (to fight) is given to those who a[re] fought against because they were wronge[d] and Allah is capable of helping them." H[e] thus proves his point about the defensi[ve] nature of *jihad* in Islam.

The most interesting and scholarly pa[rt] of the book is the one dealing with the co[n]cept of the finality of prophethood. Ghula[m] Ahmad sent ripples of shock by claimin[g] himself to the *mujaddid* (renewer of faith) *muhaddath* (one who is spoken to by Allah) and *mahdi*, the messiah. In the chapter 'Th[e] Finality of the Prophethood', Friedman[n] examines in great detail the entire hadit[h] literature and its various aspects on the con[]cept of *nubuwwah* (prophethood).

As it has happened with other religions Ahmadi religion also got divided into tw[o] principal sects on the death of Mirz[a] Ghulam Ahmad, Lahoris and Qadiyanis. This doctrinal divide has been extensively discussed in the book. The Lahoris have pro[]duced many notable figures and learne[d] scholars. The Lahoris have taken an unam[]biguous stand that Mirza Ghulam Ahmad was not a prophet. They quote the Mirz[a] who had reportedly said in 1891 that any prophetic claimant who emerged after the death of Muhammad is a liar and an infidel. However, they accept him as 'shadowy' prophet, quoting the later views of Mirz[a] Ghulam Ahmad and maintaining tha[t] shadowy prophets have not ceased to appear in the Muslim community after Muhammad's death.

The book deserves serious attention of scholars who wish to understand various views on the dogma of the finality of prophethood in Islam. The production is also first class and the Arabic transliterations quite flawless, a difficult feat to achieve.

Made in India: The Challenge

Excerpts from the speech of Shri J.N. Sapru, Chairman, I.T.C. Limited, at the 78th Annual General Meeting held on 27.6.1989.

Shri J.N. Sapru

THE INDIAN ECONOMY

Recent assessment of our economic progress indicates that in 1988-89 the growth in our Gross Domestic Product has been in excess of 11%, with agriculture growing at 20% and the industrial and service sectors growing at 8% each. This performance underscores the basic resilience and vigour of the Indian economy, which has emerged stronger even after successive droughts, and reflects favourably on the measures initiated by Government in recent years to encourage industrial and economic growth.

Despite the balance-of-payment crunch facing the country, the overall performance of the economy brings out the optimist in me. Having achieved the 'commanding heights' in the public sector, it is now time to pause, reflect and re-assess whether this good old order should not give way to the new.

The achievement of our objective of 6% growth in the Eighth Plan, enjoins on industry a growth commitment of 12%, coupled with at least a 10% growth in real terms of exports. We must actualise these aspirations, and take a significant step forward towards combating an old and tenacious adversary of our society—poverty. Indian industry will have to start becoming socially more responsive and internationally cost-competitive.

PERFORMANCE HIGHLIGHTS

Echoing the performance of the country's economy, your Company has completed another good year in terms of working results, posting a net income of Rs 364.36 crores, profit before tax of Rs 47.21 crores and profit after tax of Rs 29.20 crores.

On an annualised basis, the nine months' results reflect a 27.5% growth in net income and an increase of 33.5% and 57% in profit before tax and profit after tax, respectively. More than the returns in a particular year, it is the consistency of performance that more truly reflects the value of your Corporation. Your Board has thought it prudent to recommend a Dividend of 40% and capitalisation of reserves by issuance of Bonus Shares in the proportion of 1:1, subject to the approval of the Controller of Capital Issues.

The Report of the Directors gives you a fairly detailed view of the Company's performance. I will therefore dwell only on a few salient aspects that may be considered noteworthy.

1. Foreign Exchange

Your Company is one of the largest foreign exchange earners for the country in the private sector. Direct inflow of foreign exchange earnings of Rs 56.13 crores during this financial period reflects a 43% increase on an annualised basis and covers outflows five times. They also represent 15.4% of your net sales income.

2. Agri-businesses

Whilst all our business activities are progressing satisfactorily and continue to maintain their leadership, I am particularly happy to report the progress made by your Company's newest area of business activity. Different varieties of oilseeds under the brand name ADARSH have been enthusiastically received by the agricultural community in Andhra Pradesh and the market response to the SUNDROP range of cooking oils launched in the cities of Visakhapatnam, Madras, Hyderabad, Bangalore and Calcutta has been equally heartening. Significant progress has already been made in the development of hybrid seeds and I am pleased to advise that the Ministry of Science & Technology, Government of India, has accorded approval to your Company's Research & Development centre for oilseeds.

3. Punjab Anand Batteries Ltd (PABL)

At the behest of the Government of Punjab, your Company was invited to consider the revival of PABL. Under a Scheme of Rehabilitation approved by the Board for Industrial & Financial Reconstruction, your Company proposes to make an investment of Rs 1.19 crores by subscribing for 11,90,000 shares of Rs 10 each for cash at par. This will bring your Company's shareholding to 50% and I recommend this for your approval. It will take a few years to nurse this Company back to a state of health but I am sure you will be happy with this mark of confidence in the management of your Company.

4. Family Welfare—FICCI Award

I am pleased to advise that, in recognition of our achievements and active participation for over two decades in the Government's Family Health and Welfare programme, your Company has been given the prestigious Federation of Indian Chambers of Commerce and Industry (FICCI) Award for 1988.

EXCISE

The present position with regard to our disputes with the Central Board of Excise & Customs, spanning a period of over 15 years, has been explained in detail in the Report of the Directors before you. The status of this issue remains as reported last year, except that the Government has now transferred the adjudication from the Director General of Anti-Evasion (Central Excise) to the Director General of Inspection and Audit (Customs & Central Excise) along with all other cases pertaining to the cigarette industry as a whole, pending resolution since 1973.

I take this opportunity to reiterate that your Company has not ever evaded excise duties, nor knowingly transgressed the law. In the opinion of your Directors, your Company accepts no further liabilities in respect of the disputed issues and will continue to take all appropriate steps for their early and satisfactory resolution.

FUTURE PROSPECTS

Indications at the end of the first quarter reflect a very satisfactory growth over the record performance of last year. All our businesses continue to do well and, barring unforeseen circumstances, you can look forward to another year of improved performance.

MADE IN INDIA: THE CHALLENGE

The achievements these statistics reflect may make us sanguine, but we must not be

blinded into believing that we are on a natural growth escalator which will automatically take us to greater heights without much effort. We must address ourselves to two key issues, namely:

i. Social Responsibility

ii. International Cost-competitiveness.

If we are to continue to 'breast the tape' in the years ahead, we must reorientate our purposes and strategies in the perspective of these two dimensions.

i. Social Responsibility

Social responsibility is inextricably linked to the concept of cost-competitiveness, for it is no more a mere matter of making random and token contributions to social causes. Social responsibility is an integral part of corporate strategy.

The very existence of enterprise cannot be justified on the basis that it is good for business. The existence of enterprise can only be justified on the basis that it is good for society. We exist by societal sanction and must, therefore, always integrate our objectives with the larger good of society, not as a measure of patronage, or even philanthropy, but in businesses' own enlightened self-interest.

The premier social responsibility of business is to make a profit, and profit is not a dirty word. Allow me to reiterate what I said last year, "Bankrupt businesses do not create a prosperous nation." The interests of our stakeholders and, in a more comprehensive sense, the health of our economy does depend on the profitability and productivity of our investments. Not to create a surplus is not only an irresponsible act but a crime against society, more especially in a developing country where capital is scarce and the compulsions of poverty are sometimes terrible but always compelling.

However, though profits are fundamental to a corporation being socially responsible, profiteering is anathema to the concept. We cannot therefore allow all 'responsibility', 'morality' and 'conscience' to lie in the 'invisible hand' of an imperfect market system.

Your Company will continue to enact and implement measures in confirmation of its role as a 'responsible citizen' in its relationships with shareholders, business associates, suppliers, employees, customers, the Government and other relevant publics.

The courageous initiatives of the Government in unleashing the forces of growth and competition deserves reciprocal support from industry. In this context your Corporation will always act with sensitivity and in conscience, being aware that a 'responsible citizen' is an integral part of being a 'good corporate citizen'.

ii. International Cost-competitiveness

Let us now shift the focus to the second issue. The delinking of currencies from fixed rates of exchange, two successive 'oil crises' and the emergence of new economic 'superpowers' and companies within them of international commercial salience rocked the old system, and underscored the basic interdependence of the world's economy. In the common pursuit of improving standards of living, and the quality of life, nations have started agglomerating into larger 'economic communities' to create an environment and circumstance where the relentless demand for better quality and lower costs can be satisfied. The strategic issues for corporations today are not only focussed on 'economies of scale' but also on 'economies of scope'. Throughout the world, corporations are readjusting their activities and perspectives in the context of the 'globalisation' of markets, financial resources, and production and manufacturing systems.

In India, thus far, we have remained relatively protected and have not as yet felt the invigorating challenge of international competition. We have often, therefore, rationalised and shown misplaced sympathy for incompetence and inefficiency. This has extorted its toll on our economy, and sometimes resulted in a high-cost, low-value addition circumstance, which has tended to short-change our own people. But as the future unfolds, it is unlikely that we can achieve our aspirations in terms of economic progress and remain estranged from the challenges and opportunities posed by global economic phenomena.

Time has come when we should reassess our thinking on regulations and reservations and instead give serious consideration to development and growth, cost-competitiveness and quality. We have created too many artificial antagonisms of large, medium, small and even tiny sectors in our economy, which we have tried to insulate from each other without quite appreciating their interdependence and complementarity, and the long-term consequences of protectionism.

We must develop our pride in 'Made in India', and this can only happen when we compete internationally on dimensions of cost and quality. Therefore, let us think of the efficient and the inefficient sectors rather than of the large, medium and small.

It is the contention that the same factors of production—men, machines, materials and money—and the same work-culture cannot successfully produce two different qualities, one for the internal market and yet another for the international market.

As business gets 'globalised', your Company will invest in contemporary technologies and techniques. It will create the necessary totality of 'culture' to meet new challenges to deliver internationally cost-competitive value uniformly to its customers. These measures will give a competitive edge to your Corporation.

ITC's strategic direction will be towards becoming an 'Indian International' in form and spirit and, in so doing, it will continue to generate returns to its stakeholders, and contribute to national wealth and the quality of life in the immediate and the longer time horizon.

CONCLUSION

In conclusion, let us recapitulate. Whereas we can derive satisfaction from progress made as a country and a Company, international economic changes are creating 'new horizons' of challenge and opportunity.

For nigh on to four score years the ITC story has been one of managing challenge and change. We now approach the 'new horizons' with confidence founded in our abilities, taking sustenance from our history.

The challenge we therefore face as industry leaders and must resolve to establish is our pride in the stamp—Made in India.

This does not purport to be a report of the proceedings of the 78th Annual General Meeting.

For the full text of the speech, please write to : Corporate Public Relations Manager, I.T.C. Limited, Virginia House, 37 Chowringhee, Calcutta 700 071.

I.T.C. Limited

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FORM IVA

(See Rule 4A (1))

NOTICE

It is hereby notified for the information of the public that **IMPEX (INDIA) LIMITED** proposes to make an application to Central Government in the Department of Company Affairs, New Delhi, under sub-section (4) of section 23 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to take over the whole or part of J.K. Telecom Limited.

Brief particulars of the proposal are as under:-

i) Name and address of the applicant:

Impex (India) Limited,
New Hind House,
3, Narottam Morarjee Marg,
Ballard Estate,
Bombay 400 038.

ii) Name and address of the undertaking the whole or part of which is proposed to be taken over and the manner of take over, i.e., by acquisition of shares, acquisition of control or management, whether by the acquisition of the ownership of the undertaking or under any mortgage, lease or licence or under any agreement or other arrangement:

J.K. Telecom Limited,
T & D Centre Building,
Rangreth Electronic Complex,
Badgam, Srinagar.

This is a Joint Sector Company promoted by J & K State Industrial Development Corporation Limited and Impex (India) Limited to execute the project for manufacturing 50,000 lines per annum of EPABX/RAX. As per the Shareholders Agreement dated 12th October 1987 between the promoters, 51% of the total equity capital is to be subscribed by J & K SIDCO and 49% of the equity capital to be subscribed by the applicant.

iii) Management structure of the applicant:

The Company is managed by the Board of Directors, Chaired by Shri Ajaypat Singhania.

iv) Capital structure of

a) The applicant:

Subscribed and paid up capital		
3000 Cumulative Performance Shares of Rs 100 each	... ...	Rs 3.00 lacs
4,67,600 Equity Shares of Rs 10 each	... ...	Rs 46.76 lacs
Total	... ...	Rs 49.76 lacs

b) The undertaking proposed to be taken over:

Proposed equity Share Capital		
3,21,000 Equity Shares of Rs 10 each	... ...	Rs 32.10 lacs
To be subscribed by:		
J&K SIDCO — 51%	... ...	Rs 16.38 lacs
Impex (India) Ltd. — 49%	... ...	Rs 15.72 lacs
Total	... ...	Rs 32.10 lacs

v) Line(s) of business of the undertaking which will or is likely to emerge as a result of the proposed take over:

The proposal is merely to subscribe for 49% of the Equity Share Capital to be issued by J.K. Telecom Limited as per the Shareholders Agreement. No change in the lines of business is envisaged.

vi) Consideration for the take over:

The shares shall be issued for cash at par.

vii) Scheme of finance indicating the source(s) of finance for the proposed take over:

Both the promoters have incurred expenditure/advance monies towards implementation of the project which will be adjusted by issue of shares to the above extent. Amount spent/advanced over and above the respective promoters equity contribution shall be refunded in due course by J.K. Telecom Limited.

2 Any persons interested in the matter may make a representation to Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, Dr. Rajendra Prasad Road, New Delhi, within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein.

For **IMPEX (INDIA) LIMITED**

Dated this 29th day of July 1989

P. R. JAIN
DIRECTOR

Investment in Literacy for a High-Technology Society

Tapas Majumdar

Literacy and modernisation are conceptually interrelated and, therefore, their pursuit should be also interdependent. Yet the two movements appear to be proceeding in their respective 'self-reliant' ways. This paper tries to talk about the interrelationship and the interdependence, chiefly from the economist's point of view.

TWO movements in human resource development occupy the centre stage today in most south Asian economies and particularly visibly so in the large population economies like India. One is the old movement for the still remote goal of universal literacy that has now gained a new urgency. The other is a comparatively new (or emerging) movement, gaining ground everyday, for what may be called scientific modernisation of society. This movement too reflects a special urgency among the developing countries for securing a place in the sun in the twenty-first century—a century that is seemingly destined to begin as an era of high technology and high hopes at least for economies that are (or can be) endowed with abundant human if not material capital.

Literacy and modernisation are conceptually interrelated and, therefore, their pursuit should be also interdependent. Yet the two movements appear to be proceeding in their respective 'self-reliant' ways. This paper tries to talk about the interrelationship and the interdependence chiefly from the economist's point of view. While writing it, however, I have been inevitably made conscious of many other points of view too, not the least those of the sociologist and the political scientist.

Economics of Education

It is easy to see education as an economic activity at least in the simple sense that it calls for rational allocation of scarce economic resources. Arguably, it produces a good or goods that we want and are prepared to make some sacrifices for in order to possess. But anyone trying to work out the economics of this activity would immediately discover a number of peculiarities that mark out education—and more prominently, education for literacy—from the more common kinds of economic activities. Since the differentness of human capital formation is an implicit theme of this brief essay I may begin by talking about it first. I propose to refer for that purpose to three simple propositions that are basic to the understanding of this differentness.

Proposition 1: Learning as an activity implies the learner's own investment in time and effort

The main point of this proposition is that no one can buy instant education. So long as instant education remains unavailable in the market—which is likely to be the case so long as definitions are not changed—there has to be a minimum time-and-effort cost of buying a given quantum of education (given, that is, in type, quality and length of time), which would distinguish it from buying most other kinds of consumer or capital goods in the market.

The proposition that education necessarily implies the learner's investment in time and effort is thus stronger than the one that merely says that a rational human being invests in education and thereby in human capital the same way as one would invest in any other kind of capital, physical or financial.

It may be noted that the learner's investment is essential, but it is still only one part of society's investment in education. The other part is provided through a set of activities that can generally be described under the heading of 'teaching' as contrasted to learning. I have elsewhere (Majumdar, 1983) described investment in education as a composite two-part, two-domain investment. One part is the investment of the learners in their individual domain. The other part is the investment of the providers of education in the institutional domain. The two kinds of investment in the two domains are different, but they have to match in time and effort (and other resources) to make sense.

Proposition 2: Human capital, once acquired, cannot be transfered the same way as other capital or inventory

This proposition can be elaborated in two parts. The first part simply follows from Proposition 1. Since acquiring of human capital is necessarily time-and-effort consuming there can be no instant transfer because the transferee will need time and effort to receive the transfer.

The second part of the argument arises out of the idea of domain distinction in investment in education that I talked about, separating investment in teaching (in the institutional domain) from investment in learning (in the individual domain). There has to be investment of both kinds for a transfer of human capital to take place and teaching, like learning, implies time. Presumably it also implies effort—of a kind.

It should, moreover, be noted here that the transfer of human capital exhibits another peculiarity that almost violates the conservation law of economics and sets human capital apart from every other form of capital: its transfer does not deplete the original stock. In fact, there even exists the liberal myth that teaching increases the teacher's stock of learning! This 'counter-economic' characteristic has obvious beneficial effect on the cost of education particularly at the level of the spread of literacy where the time-and-effort cost of *teaching* is not particularly high.

Proposition 3: Most kinds of educational activity are sequential—literacy, by definition, being the first step in a sequence

Though this is perhaps the simplest of the three propositions, economists need to ponder at least two of its implications carefully. Many of our operational judgments in the area of investment in education will be found to be vitally connected with these implications.

First is the logic of the educational pyramid. The familiar hierarchical structure of formal education is provided by the sequence of primary, secondary and tertiary education with literacy at the bottom and higher research at the top. The philosophy of non-formal and continuing education challenges mostly the rigidity of the structure but not necessarily the sequential nature of most kinds of educational activity.

This implies that the costs and returns of an educational activity have to be calculated taking into account not only the scenario where it is an end in itself but also ones in which it is expected to lead to certain subsequent steps in education. The calculation of costs and returns of a certain type of literacy movement, for example, may depend on the extent to which the particular type of literacy envisaged would be favourable to the emergence of the supply of a given type of technical manpower for the economy. In other words, the calculations may depend not only on what good literacy of a given type does by itself but also on what good the supply of scientists, for example, that is expected to flow from that type of literacy would do to the economy.

The second implication of the proposition is that literacy, the first step, has to be defined in relation to the subsequent steps.

It may not always (or ever) happen that the first step would be the same irrespective of the subsequent ones that may be envisaged.

Literacy

Kuhn (1962) once distinguished between two kinds of progress in the natural sciences: normal and revolutionary. When we have progress of the normal kind there can be change, even rapid change, in the state of the art of a discipline but there are no changes in the accepted paradigms. It is as if the stock of knowledge, while it is being added to, is nevertheless built around, or built upwards on, certain existing premises. For this kind of progress the prerequisites for higher knowledge—at least the first prerequisite that we called literacy—would remain unaltered. Normal progress in science then is visualised as being based on fundamentals that either do not yet need to be questioned or at least have not yet been successfully challenged.

Contrasted to normal changes are changes of what Kuhn called the revolutionary kind that flow from the abandonment of many of the old premises. With such changes new and hitherto unsuspected areas of inquiry emerge, new questions become relevant and are asked, and new answers are found. In revolutionary times new scientific disciplines emerge breaking hitherto accepted jurisdictional barriers of old disciplines. Old disciplines often even acquire newer connotations.

What happens to the natural sciences happens, in different ways presumably, to other branches of knowledge as well. And in course of time, sooner or later, society and the economy accept these responses in the body of knowledge as relevant to the needs of the times. By this I mean that the need of the new knowledge base as prerequisite to entry into the new technology-oriented occupations eventually gets articulated. The required qualifications for many new jobs as well as the revised requirements of some old ones become thereby related to the new knowledge.

With such drastic changes in the required qualifications the prerequisites for many courses of learning are also equally drastically changed. In fact, the time then comes for educators to realise that even the idea of what constitutes literacy—the first prerequisite of sequential learning—has to be re-examined from the point of view of the new requirements. Perhaps such a re-examination has become due in our society today for the presumption is that high technology of a revolutionary kind appears to be bearing down upon us with all the semblance of inevitability. It is possible that the re-examination will indicate that the idea of literacy for the modern age needs to be extended beyond its classical definition in terms of learning and using the literary alphabet. The idea of literacy in the more profound sense had, of course, always been related to or even interpreted essentially as learning to live in society. The new literacy definition too, then has to relate to and be interpreted as learning to live in the new high-technology environment of modern society.

Two Reasons

Much is known and much more has been written about why literacy, defined appropriately for the age, is good for everybody. Without further reference to the rich and extensive literature on the subject spanning many disciplines, I would merely note that there are basically two aspects of the 'person in the street', or Everyman, that education at the level of literacy is meant to address. The first aspect concerns Everyman's role as productive agent. The second aspect concerns Everyman's way of life as citizen and consumer.

The social concern, it is to be presumed, will be for both aspects. Society, in other words, would be interested in linking literacy both to (a) the preparations that have to be made for obtaining an adequate supply of qualified manpower for the productive needs of the economy, and (b) the preparations that have to be made for permitting the 'person in the street' to enjoy an enhanced quality of life living in (and adjusting to) a complex high-technology society.

Economists usually talk directly and freely about the first aspect, but only implicitly and guardedly about the second, if at all. The source of the economists' inhibitions in dealing with the interaction between literacy (or education) and the quality of life is not far to seek: the economist's usually accepted paradigm of consumer behaviour cannot easily accommodate it. The individual preference relations that the economist defines are not conceived to be capable of being changed consciously and deliberately through education. The assumed rationality of the individual falls short of the rationality of *changing* preferences (see Majumdar 1980) while that precisely may be what education, at least at the level of literacy, is all about.

It is this consumer or citizen's role aspect, however, that attracted Herbert Simon's (1985) attention as he discussed the concepts of scientific literacy for Everyman whom he called, following Lillian Lieber (1942), The Celebrated Man In The Street or T C Mits. Only changing with the times, Lieber's 'man' becomes for Simon (as for us in this paper), a 'person' (i e, the German 'mensch').

In this brief paper I have in mind mainly Simon's concern. Therefore, I too will deal with the quality of life aspect of T C Mits who has to learn how to live in a high-technology society. But I will come to that concern only after spending a few words on the first aspect, which relates to the productive efficiency of T C Mits and to society's need for that efficiency. This I consider necessary because there is an interconnectedness between the two aspects.

One could perhaps take the position that what was involved in the idea of universalisation of literacy (of the relevant type) was actually a question of equity rather than of efficiency. How many in society ought to be provided with a given type of literacy depended on what society's equity goals were. But how many literates of that type society actually needed keeping in view its technical manpower requirements was, on the other hand, a question of economic efficiency and depended on positive, rather than normative economic conditions. One could then reasonably say that it was the positive second question that was related to the productive efficiency aspect of Everyman from the point of view of society while the normative first question was related to Everyman's quality of life in the economy.

I have, however, tried to argue elsewhere that there is a probabilistic argument (Majumdar 1983) and a plausible historical-anecdotal argument (Majumdar, Khadria and Mukherji 1987) both of which point to the interconnectedness of the two questions, separate as they are. I will briefly state these two arguments here.

Probability

The first argument has two parts. For Part I, consider the problem of producing a desired number (say, 5) of a particular type of very high quality manpower, say, top level physicists. This problem, I suggested, (Majumdar 1983, p 13) was basically different from that of producing a desired number of a particular type of very high quality industrial output: "To produce five good sports cars, to take an example from manufacturing high-quality products in a normal economic enterprise, it should not be necessary to produce them in a larger group of fifteen other cars for company and encouragement. But to produce five good physicists it may well be necessary to put them in a class of twenty. This is so not only because students have a tendency to try to keep up with and improve upon one another, but also because they can often learn from one another rather than from the appointed teacher and the other planned inputs."

Moreover, as I argued in Majumdar (1983, pp 13-14), "There may be another factor that usually does not attract our attention: Education itself is essentially a groping and probing process. It may act like the filter that Arrow (1973) postulated separates the good from the indifferent, but perhaps it may do so only after long and continuous search. It is only at the end of the day that it will be discovered which five, among twenty of equal promise, blossom into the high-powered physicists that society had intended to produce."

The implication of the foregoing is simply that society often does not have the equity problem as a constraint to start with. It may not have to choose five from amongst twenty equally promising people for admission to a course, since admitting all twenty may well prove to be actually more efficient.

Part II of the probabilistic argument will run along similar lines, but will be particularly applicable to a situation in which

a large and diversified economy has to look for efficient ways of building up *over time* a large and *diversified* body of specialised manpower. The problem here is one of searching for and grooming the right talent for the right job over a vast field of alternative specialisations. A probabilistic approach to the development of human resources over time in this case goes beyond the consideration of producing the best in a given line out of a given set of entrants—which was the limited concern of Part I of the argument. The wider approach, in fact, would lead to the proposition that the larger the number-base of entrants to education in general (i e, wider the level of literacy), the greater is the prospect of ending with the right array of people trained in the right way for jobs in every kind of specialised occupation.

Thus, whether society addresses the specific task of producing five good physicists out of twenty prospective ones, or the more general task of creating conditions that would maximise the prospect of developing over time a desired level of specialised manpower for the economy as a whole, in either case there will be a positive (and not necessarily only normative) economic argument in favour of larger numbers and, therefore, greater equity. In other words, the pursuit of equity at the beginning may well lead to efficiency in the end as an outcome.

A Plausible Link

Another argument connecting the two questions may appeal anecdotally. It relates to a presumption about our historical experience with skill formation. Skill according to this argument is necessary not only in production but also in consumption. What is more, the former often is encouraged to grow by the latter. This is because the process of formation of a given skill does not necessarily end with the skilled person's entry into the employment market. It usually continues well beyond, the acquiring of further skill often depending on how well it is assessed and valued by the eventual consumers. T C Mits today, according to this argument, plays the role that the cognoscenti played in earlier societies (Majumdar et al 1987, pp 30-31). The very attainment and maintenance of high-quality skills in the workforce, it is held, demands skills of almost similar kinds among the consumers. The standards attained by the artisan working in the medieval guild depended not only on his training within the guild, but also on the fact that among the gentry were amateur practitioners of the same skills themselves who knew exactly what to demand of the skilled craftsmen and how to value superior output. Now this role is taken over by T C Mits. There is now a natural link between the skill of the average person in the street in surviving and prospering in a high-technology society and the skill of the average person as a factor of production in that society.

One implication of the foregoing argument is as follows: those who acquire the type of literacy that modern society demands of T C Mits have a positive role to play in societal skill formation even as consumers. Obviously, the days of amateur gentlemen practitioners of the arts, crafts and games on the demand side contributing towards the excellence of professional practitioners on the supply side are long since passed. What we have in their place on the demand side are the T C Mits variously skilled and informed.

Whether it is the motivation of competition and talent search amongst the learners (suggested by the probabilistic argument) or the prodding of the cognoscenti (suggested by the anecdotal historical experience), the net effect of an appropriate type of literacy provided on a large scale should be positive on productive efficiency itself. With this I now turn to our obvious next concern: What is the kind of literacy that one may call appropriate for T C Mits in the modern high-technology society?

Everyman

The character of T C Mits' predicament in modern times can perhaps best be visualised in the following way. Until very recently—in what one might call the *pre-modern* times—innovations in industrial societies came to the consumer mainly in the shape of labour-saving devices. The introduction of the washing machine or the steam iron meant that Mrs Mits did not any longer have to use her arm muscles vigorously while doing her laundry—just as the introduction of the motor bike had spared Mr Mits from exercising his leg muscles. And what was labour-saving was also time-saving in a straightforward sense.

Modern gadgetry of the present epoch, in contrast, is directly information-using rather than directly labour- or time-saving. That it is usually also labour-saving or time-saving, I submit, is an incidental feature important mainly from the standpoint of the economy or as an accounting description. But it may or may not be an object of particular concern for the individual user.

Let me take a simple example to make this contrast clearer. Consider the automatic and electronically programmed washing machine that has since replaced Mrs Mits' old one. The new machine can be pre-set to perform a series of operations automatically, correctly picking up complicated sequences for washing silk, cotton and man-made fibres. In choosing the right sequence the machine is not constrained by the extent of Mrs Mits' knowledge or ignorance about the treatment of different kinds of fabric for washing.

What Mrs Mits has now embedded in her washing machine is *information*. What she can do without now is having that information drummed into *her* head as part of her human capital. The new washing machine also happens to be labour- and time-saving compared to washing by hand, but it may not be either if compared to the old washing machine in any absolute sense. In fact, oft[en] the minimum quantum of labour or time [to] be spent on the new gadgetry may be great[er] than what Mrs Mits customarily used [to] spend on the old machine. It is only wh[en] the variety, the quality and the quantity [of] output corresponding to that minimu[m] quantum of time and labour are taken int[o] consideration that it might turn out that th[e] information-using machines are relativel[y] labour- and time-saving too compared to th[e] old machines.

There is a genuine sense, however, i[n] which the average consumer may be said t[o] be better off with the information-usin[g] machines. It is in the sense that the new high technology devices offer the consumer ne[w] alternatives that he or she might not eve[n] have thought existed. In other words, the in[formation] embodied in the new machine—t[o] the extent that such information was no[t] already in the consumer's head—may ope[n] up new vistas of extended choice. Extendin[g] the boundaries of consumer choice woul[d] be, by itself, extending welfare in Lancaster'[s] (1966) sense.

One essential aspect of high-technology, then, is that it spares T C Mits the cost o[f] acquiring some information to be stored i[n] one's head—by providing the same information in the machines. But in doing precisely this, it also has to demand that the literacy prerequisite for living in the age of informatics be revised so that T C Mits might read the machines.

What exactly is the character of this new literacy that T C Mits must have today? The answer to this question, I suggest, depends on the level at which T C Mits is expected (or permitted) to operate as a concerned member of society in a high-technology environment, without having to go for (or being dependent on getting the opportunity of) subsequent schooling. In a democracy, one may add, it depends on the level at which T C Mits himself or herself decides to operate.

Literacy Types

T C Mits may wish only to *use* the new machines. This requires, as is nowadays being increasingly discovered, a fairly simple skill. The basic ability to use computers is acquired almost by only having computers around. Old type literacy usually associated with only the first two R's of reading and writing was, in comparison, a fairly complex skill. It involved not only recognising but also recreating the topologically complex forms that constitute the alphabet in any language.

Experience suggests that computer literacy at the level of using the programmed machines only, can be universalised at little cost at the margin since it is probably a function of only the number of encounters one has with computers. Let L_1 stand for literacy at this level. L_1, then, is the first order literacy of our high-technology society.

T C Mits, with any sense, would possibly go further. Eventually one would see the

point of having a personal computer as well to help solve the family's new and increasingly more complicated time-and-money allocation problems with a bewildering set of activity alternatives. The sight of neighbours getting ahead in life with such equipment would no doubt both provide the incentive and show the way. We may call the ability to programme one's activities with the help of high technology as computer literacy of the second order or L_2.

L_2 should be seen as an extension of the more familiar concept of numeracy, the third R ('rithmetic) of old. Numeracy has been the usually forgotten component of overall literacy. It does not, for example, appear among the census figures for literacy. But there is a legend that it provides a divide of sorts between the two cultures—scientific and literary—in the sense of C P Snow (1959).

How widespread can L_2 become in society? One can think of two obvious limiting conditions to the process of universalisation of this computer literacy of the second order. First is the limit imposed by the scarcity of economic resources to T C Mits' access to personal computers. Not everybody, certainly not the majority of the people living in the developing world, for example, could have access to personal computers in the foreseeable future.

It is interesting to note that on the count of access, L_2 is likely to play the almost reverse role of numeracy in a divided society. Of the three R's reading and writing had traditionally marked the privileged class more than arithmetic. The so-called ' illiterates' could, and did, without feeling particularly handicapped, engage in minor trades and other economic activities that depended on the ability to count. Up to a point the ability to count thus tended to play a relatively counter-elitist role in society being a more universal, if not more plebeian virtue, reading and writing being more priestly. L_2, in contrast, even though a descendant of old-time numeracy, differs sharply from its progenitor in this respect. Clearly it will not serve as the poor man's answer to prayer for seeking entry into the twenty-first century.

The second limit to the process of universalisation of L_2 is suggested by an altogether different kind of consideration: Are there possibly certain inherent (mental?) barriers to the kind of scientific literacy that L_2 implies—barriers that every person in the street cannot be expected to be able to overcome? As of now, there are probably no definitive answers to this question. But two kinds of evidence suggest two possible reasons for what Simon (1984) calls a Science-Mathematics Bump.

First, there is the physiological evidence that leads to the popular hypothesis that there are two distinct kinds of intelligence: analytic, located in the left hemisphere of the brain, and intuitive, located in the right hemisphere. The hypothesis is usually embellished further by the notion that scientists and technical thinkers largely depend on analytic intelligence and, therefore, on the left hemisphere of their brains (of course, if they are right-handed). In contrast the imaginative and creative artists are supposed largely to depend on intuition and, therefore, on the right hemisphere.

If L_2 can be acquired through (and only through) analytic intelligence then persons habitually prone to using the right hemispheres of their brains would have a problem—a science-mathematics bump to overcome.

The second kind of evidence is mainly anecdotal, coming from the study of the two kinds of aptitudes—mathematics and science aptitude and verbal aptitude. Simon noted the curious fact that for persons with adequate verbal aptitude the moment of truth for judging their mathematics and science aptitude comes at a curious point—when the occasion arises for making a translation between verbal and mathematical representations of information. "The moment of truth", suggests Simon (1984, p 137), "—the moment that separates those who will continue in science and mathematics from those who will leave the arena as soon as they are permitted to—arrives when the students are confronted with their first algebra story problems, problems stated in natural language that has to be translated into the language of equations. One might naively suppose that this would be precisely the part of the algebra course in which students of high verbal ability would shine. If the anecdotes are reliable, it is not."

Results of research in cognitive psychology, Simon goes on to suggest, indicate that the difficulty encountered in the algebra story problems is not peculiar to the handling of mathematical symbolism as such. It is ingrained in the problem of translating from one language to another because all such translation has to pass through some kind of internal semantic representation in the translator's mind. To be able to create such semantic representation from stories of real life experience is to be able to take the first necessary step in using a syntactical-cum-lexical language to a purpose. Once this internal representation is achieved the problem of translation into mathematics is esssentially not different from the problem of translating a French text into English.

Economics of L_2 must obviously take into account then two adverse possibilities: (1) Many people who are not analytically bent may find themselves at a relative disadvantage with L_2. If they have to depend on the left hemisphere of the brain for acquiring L_2 when they are more accustomed to using the right they obviously will have some problems. (2) Even people with high analytical powers as shown by their high verbal ability may face a mental block in translating from verbal to L_2 language.

There is, fortunately, no evidence to suggest that the ability to acquire L_2 for T C Mits has to be strictly either zero or one. Perhaps like many other attributes, the ability to use computer literacy for solving personal allocation problems too would be normally distributed among the persons in the street. Investment in the spread of L_2 then must make serious and imaginative attempts to undo the inequality imposed by the two adverse possibilities referred to above. Otherwise the consequences could be serious not only for T C Mits but also for the segmented high-technology society itself.

Could the person in the street legitimately have any further expectation in this respect from high-technology? Would T C Mits be justified in looking beyond even L_2? This might appear at first to be a largely hypothetical question seeing that L_2 itself will not be easily universalised, all other conditions remaining the same. But it may turn out to be really not so hypothetical after all if the promise of high technology is to be given credence. It may be useful to define a third order literacy concept L_3 as the ability to acquire scientific education (even L_2) *aided* by computers. This ability conceivably might be universalised more economically than L_2 directly.

For some years now computers have been used to teach computer *procedure*, or what computers are all about, through activity associated with the programming language LOGO. This is in contrast to the standard teaching of programming in languages like BASIC or FORTRAN. Can such approach be extended beyond teaching the logic of computers to the teaching of L_2-type literacy to people who will not necessarily have direct access to personal computers? The apparent success of LOGO-like approaches with programmes that try to diagnose the student's conceptual mistakes and can interact with the student to correct such mistakes makes one hope that what has been possible in specific instances with subjects ranging from arithmetic and electronics to writing may also be possible eventually more generally and with also the types of literacy that T C Mits might need in the modern age.

To what extent computer-aided instruction or CAI could mitigate the two obstacles faced by T C Mits in acquiring L_2—the right hemisphere-left hemisphere divide and the science-mathematics block—can only be a matter of conjecture. But the belief that the right-left polarity in individuals is at most incomplete, and that the science-mathematics bump is a mainly cultural inhibition that can be removed, may not be mere liberal mythology. By what efforts T C Mits can perhaps be weaned away from a habitual predisposition of the mind or be helped to overcome an actual mental block by the use of CAI are still unanswered questions. There can be little doubt, however, that the norms of democracy demand that economics of the new literacy follow up inquiries in these directions. The costs and benefits of investments in alternative ways of producing high-technology literacy among the people could be the main basis for such inquiries.

It may be true, as Simon says, that "We have only a slight understanding of the magnitude and origins of individual differences in the ability to assimilate scientific and mathematical skills and knowledge. And we have less understanding of the methods that will be effective in dealing with the illiteracy of those who evidence, or claim, or even boast of, incorrigibility". Nevertheless, from the brief discussion so far, at least the following assertions appear to be tenable even at our present state of ignorance.

FOUR ASSERTIONS

First, investment in literacy is partly the learner's own investment in the individual's private domain, in time and effort and also money. Which level or order of scientific literacy the person in the street would seek—only L_1 or L_2 or L_3 would partly depend on the individual's predilections or preferences given resources including time and ability and money. It would obviously be useful to analyse these preferences not only in terms of the improved earning potentials of learning—the rates of returns as commonly understood—but also in terms of the needs felt by T C Mits who has to live in a high-technology society.

Second, because of the complementarity of investments in education in the two domains, the actual investments the learner will make in the individual domain would depend not only on individual preferences but also on the range of opportunities provided to the learner by the investments in education, made in the public or institutional domain. And, therefore, it would depend also on the information network that operates in society effectively determining the average learner's access to the available opportunities.

Third, coming to the different types of literacy, a direct approach to L_2 that would help T C Mits to acquire the ability to use informatics in making everyday decisions is bound to be very costly. It would be so costly, in fact, as to be beyond the reach of all but the wealthiest societies. If the idea of L_2 is to stimulate learning by doing then access to personal computers is a *sine qua non*. Computer literacy of this kind is, therefore, unlikely to be capable of being universalised in a poor country or in an unequal society.

Fourth, the realisation that L_2 is unlikely to be universalised directly under any realistic cost calculations in the foreseeable future does not nevertheless mean that the call for universalisation of scientific literacy for the new high-technology age is itself necessarily unrealistic. There is an indirect approach too, and herein comes the concept of a third kind of literacy L_3. L_3 is the ability of the individual to learn science aided by computers that do the job of teachers. The emphasis here is on old-fashioned learning of concepts—in science, in mathematics, in philosophy, in language—from computers, and not on how to operate and programme computers.

L_3, many would say, is a higher ability than L_2. Yet the investment required in the learner's own domain in terms of money—not in terms of effort—would be less for L_3 than for L_2 if the learner has less need for using personal computers while acquiring L_3 compared to acquiring L_2.

One must bear in mind, however, that here we are talking of the relative investment costs of L_2 and L_3 in the learner's domain. The complementary investments that would be called for in the institutional domain for providing the instruction have, of course, to be added in order to get the complete picture.

Yet there is a reason why the comparison of investments in the individual domain for L_2 and L_3 should be separately made. It is simply that these investments would depend on personal incomes and, therefore, on the *distribution* of the national income. Moreover, the individual investments will also depend on individual preferences. In contrast, investments on literacy (L_2 or L_3) in the institutional or public domain would depend on the *aggregate* of the real national income and given this, on society's collective choice decisions on goals of literacy, rather than on the distribution of the national income or directly on individual preferences.

CONCLUSION

I may sum up this brief essay by underlining once again the two concurrent themes that it tries to propound. First, literacy being the entry point of learning to live, can be defined in different ways for different levels of participation in the modern high-technology society. I have suggested that it may be economically more sensible and socially more acceptable to go for L_3, the literacy for learning science (and other things) through computer-aided instruction than to go for the more flashy L_2, the literacy for running personal computers.

The second theme, is one that I have often pursued elsewhere too, as I have mentioned above. It is to stress the importance of domain distinction in analysing investments in education. To analyse investments in literacy the crucial task, from the economist's point of view, is to distinguish between the different types of scientific literacy relevant for our age (and for a given type of literacy, distinguish the different programmes of action) in terms of costs associated with them. These costs (in time, effort and money) have to be seen *separately* as investments in the learner's domain and investments in the public domain.

The two themes together convey a single message: Investment in literacy as an omnibus concept and an undifferentiated target in society is operationally not a very meaningful construct; that without the necessary differentiation there is the great danger of our disregarding either the needs of the times or the needs of the people living in an unequal society. Neither scientif and technological progress, nor the prospe of economic progress based on distributi justice can be disregarded.

That we, in this country, neverthele sometimes prefer to stick to the omnibu concepts and prefer not to distinguish be ween the small print of alternative soci targets may be partly because we a unaware of the dangers to societal surviva that lurk ahead. Our simple-minded en thusiasm for literacy by the twenty-first cen tury is often tragically reminiscent of th equally simple ardour of the crew that ha set sail for adventure in *The Hunting of th Snark* (Lewis Carroll 1876). They were happ with their captain because, disdaining th hard-to- read charts that were "such shape with their islands and capes", he had bough them what he thought was the best map: " perfect and absolute blank"! And then,

> "This was charming no doubt: but the
> shortly found out
> That the Captain they trusted so wel
> Had only one notion for crossing th
> ocean
> And that was to tingle his bell!"

This paper has perhaps tried to sugges only the obvious: that economists have th onerous task of looking for the islands an capes on the uncharted sea of twenty-firs century scientific literacy rather than of eve listening for the captain's tingling of the bell!

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Perestroika and Soviet Economic Relations with Developing Countries

India, a Test Case

R G Gidadhubli

Soviet economic relations with developing countries in the era of perestroika will be determined by a host of factors—the troubled economic situation in the USSR and in the east bloc in general, the altered global geo-politics induced by improved relations between east and west Europe and between China and Russia and the economic situation in the developing countries.

This paper examines the changing content of Indo-Soviet economic relations, and argues that these changes provide a clue to the possible course of Soviet economic relations with the developing world.

MIKHAIL GORBACHEV's policy of perestroika is aimed at bringing about a revolutionary politico-economic restructuring not only of the domestic sphere of the USSR but also of its relations outside the country. Several policy decisions which have been announced and steps taken so far with regard to domestic and foreign economic spheres have great significance and seem to suggest the seriousness of the approach to restructuring.

It is important to understand what the impact of the policy of perestroika on Soviet economic relations with the developing countries has been and what the likely impact in the next, say, five to seven years will be. But the issue is not that simple since Soviet relations with the developing countries cannot be considered in isolation, more so in the present context. There are many important factors which have a bearing on this subject. Among them are:

a) The difficult domestic economic situation in the USSR, reflected in budgetary deficit of 45-50 billion roubles, inflationary pressure and shortages of a wide range of commodities;

b) Economic difficulties in the countries of the socialist system (many of which are passing through reforms and restructuring of varying degrees) and their impact on intra-Soviet bloc relations;

c) Improvement in east-west relations resulting from Soviet peace initiatives and their likely repercussions on the world political situation;

d) Improvement in Sino-Soviet Political and economic relations and their impact on Soviet-third world relations.

These factors have relevance to the on-going Soviet politico-economic relations with developing countries of the third world.

The Soviet Union has close political and economic relations with India despite differences in the political and economic systems of the two countries and yet there are many elements in Indo-Soviet relations which are common to different groups of countries—bilateralism, non-convertible currency trade, large-scale economic assistance, substantial imports of non-traditional and hi-tech proudcts from India and so on. Hence India offers a test case for Gorbachev in restructuring economic relations with developing countries.

An effort has been made in the first section of this paper, to review major policy decisions concerning Soviet foreign economic relations as also new forms and trends in economic relations with developing countries. This is followed by an analysis, in the second section, of the recent developments in the Soviet economic relations with India and a few major groups of developing countries. Major conclusions are drawn in the third section.

I

Policy Decisions and New Forms of Economic Co-operation

Several policy decisions have been made, during the last couple of years, by the central committee of the Communist Party of the Soviet Union (CC of CPSU) and the Soviet government, proposing radical changes in the organisation and functioning of foreign trade and economic relations of the USSR. A great impetus was given in this regard by the decision of August 19, 1986, on 'Measures to Improve the Administration of Foreign Economic Relations.' In place of the monopoly of the ministry of foreign trade, initially 21 ministries and 70 production amalgamations and enterprises were permitted to deal directly with foreign countries on the basis of the *khozrachyot* (cost accounting) principle. The state foreign economic committee was created under the council of ministers for co-ordinating and supervising foreign economic activities of ministries, banks, amalgamations and so on. The need for this policy decision was the realisation that the USSR had reached the limits for export of raw materials and that the country was losing its competitiveness in the export of manufactured goods, particularly of engineering products (Shamrai Yu, *Foreign Trade*, 4/1987). Presumably, not being content with the progress of August 1986 policy measure, in June 1987 the CC of the CPSU and the council of the ministers of the USSR adopted a decision on 'The Question of Basic Restructuring of Management and Perfecting the Administration of Foreign Economic Relations'. Through this policy the role of trade and industrial chambers of the USSR and of union republics was increased. There was greater emphasis on new forms of economic co-operation with the chambers being required to diversify their functions to include consultancy, marketing, engineering services, sale of Soviet patents, licences, etc.

During 1988 the tempo of declaration of policy decisions was kept up to invigorate foreign trade sector of the USSR. A law was passed in May 1988, on 'Co-operatives in the USSR', under which production co-operatives were permitted to participate in foreign trade and economic relations, on the basis of their own hard currency earnings. Similarly, the 'Agroprom Service' was set up in May 1988 by the association of organisations under the Agro-Industrial Complex (APK) of the USSR, for promoting economic co-operation with foreign countries in the field of production and processing of agricultural products. In June 1988 the council of ministers approved the regulation (Ustav) on 'Bank of Foreign Economic Activities of USSR'. In 1988 several republics namely Estonia, Lithuania, Kazakhstan, etc set up their own foreign trade and economic organisations following the decision in September 1988 to promote republics to directly enter foreign markets on the khozrachyot principle.

On December 2, 1988 the council of ministers of the USSR took yet another bold decision, on 'Future Development of Foreign Economic Activities of State, Co-operative and other Social Enterprises, Amalgamations and Organisations'. This measure gives the right to every enterprise and production association, which has the potential to compete in foreign markets, and to enter into foreign trade and economic activity on a self-financing basis. They are permitted to form consortia with Soviet and foreign partners to carry out trade and other economic activities.

From the above account it is evident that the Soviet leaders have adopted the policy of greater liberalisation with the objective of giving a boost to the growth of foreign trade of the country.

The pronouncement of the series of policy decisions during the last two to three years

s largely due to a piecemeal approach to : process of decentralisation of foreign de activities. Moreover, the overall em-asis has been on export promotion as a p towards greater participation in the rld trade. Considering the fact that cialist countries and developed capitalist untries account for about 80-90 per cent total Soviet trade turnover, much of the viet effort at restructuring would first and remost be directed towards these groups countries.

The impact of new policy measures on viet foreign trade activities has so far been arginal, partly due to the time required for w organisational and institutional changes become really effective. But in the next o to three years some positive improve-ent in the direction of decentralisation of reign trade may be expected provided there substantial qualitative growth in the Soviet omestic economy and if the constraints of ireaucracy and departmentalism are ercome.

Despite the frequently declared Soviet tention of promoting trade with develop-g countries on a priority basis, the share f developing countries in total Soviet trade irnover is not significant and has declined om 12.7 per cent in 1980 to 12.16 per cent 1985 and further down to 11.25 per cent 1987. In the first half of 1988 the share f developing countries continued to decline 10.6 per cent of total Soviet trade turnover. etween 1985 and 1987 there was reduction trade turnover by 2,722 million roubles ith developing countries. Some Soviet pecialists argue that this was due to the verall decline in Soviet foreign trade, caused artly by the difficulties in the Soviet conomic situation and the economic tuations in many developing countries hemselves. This, however, is not very con-incing. Soviet imports from developing ountries declined by about 38 per cent bet-veen 1985 and 1987 (by 2,077 million oubles—see table) and the level of imports n 1987 was lower than that in 1980. Reduc-on in imports of such a large magnitude vhen the USSR had accumulated and has onsistently been maintaining large surplus n trade account with developing countries s possibly an indication that imports from eveloping countries are not on the priority st of the USSR. Reduction in imports of gricultural consumer products such as tea, offee, detergents, textiles, ready-made arments from developing countries when he USSR was facing heavy shortage of these tems in 1987 and 1988 was not justifiable. Thus perestroika has not so far made any ositive impact on Soviet trade with develop-ng countries.

The Soviet leaders have been particularly mphasising the scope for joint ventures. Hence a significant policy decision, concer-ing Soviet foreign economic relations, was aken by the council of ministers of the USSR on January 13, 1987 on 'The pro-cedure of setting up and operating in Soviet erritory of joint ventures involving Soviet organisations and firms of capitalist and developing countries'. The chief motive for this decision was to promote trade, economic, scientific and technological co-operation with capitalist and developing countries, on a stable and mutually advan-tageous basis. This decree is mainly con-cerned with the setting up of joint ventures in the USSR and hence the scope for developing countries to avail of this oppor-tunity will be limited. Moreover, even for developed capitalist countries the decree was not sufficiently attractive due to limitations in the sharing of initial capital, repatriations of profit, etc. Hence through a decree of September 17, 1987 by the council of ministers on 'Extra measures to Improve Foreign Economic Activity in the New Economic Framework' many of the limita-tions were sought to be removed and provi-sion made for the Soviet involvement in joint ventures to be set up in third world coun-tries. The Soviet organisations are now able to substantially expand co-operation with the firms of capitalist and developing coun-tries in science, technology, trade, finance, services, tourism and advertising. In other words, the Soviet policy makers have given emphasis for Soviet organisations to actively participate in the services sector of develop-ing countries, where their share is negligible so far.

Up to January 1, 1989, 191 joint venture enterprises were registered in the USSR out of which there were only 8 with developing countries which is an indication of the fact that developing countries by virtue of their weak financial and technological position, may have a meagre role to play in the joint venture activities in the USSR. Moreover, the progress with regard to the registered joint enterprises is not very satisfactory.

In some respects even before Gorbachev's policy of perestroika, many unorthodox forms of co-operation in the economic sphere had been promoted in the USSR since the early 1980s. These included technical assistance, processing customers' raw materials, buyback deals, turnkey contracts, production sharing, assistance in operating enterprises, ventures involving three partners and so on. Among these, turnkey contracts have been quite widespread in the 1980s. As per Soviet official sources, by the mid-1980s the USSR had completed 150 turnkey projects in 18 developing countries, including Algeria, Morocco, Mali, Ethiopia, Afghanistan, Libya, Nigeria, Angola, Yemen, Mauritania. In 1985 they constituted 47 per cent of overall Soviet assistance to developing countries as against 4 per cent in 1970. This form of economic relations has gathered further strength under the new con-ditions of perestroika. In early 1986 over 120 turnkey projects were under construction which are to be completed by 1990.

Buyback deals are playing an increasing role in Soviet economic ties. These deals are accomplished in the framework of overall export-import operations, taking into ac-count the production, financial and com-mercial interests of the partners. At present the Soviet Union has over 60 buyback deals with developing countries.

The Soviet Union is making slow but steady progress in establishing foreign economic relations involving third country participation. For instance, a joint enterprise has been set up by Gosagroprom of RSFSR along with the Swedish firm 'Tetrapack' and a Brazilian firm 'Suko-Citriko-Kurtale' for manufacturing apple juice in the USSR and obtaining the concentrate of sweet lemons from Brazil. Similarly, the Soviet firm 'Texprom-export' and the Brazilian firm 'Norberto Olebreht' are jointly building a power station at Kopanda in Angola. [*Foreign Trade,* 1/1988, pp 15-16].

In the engineering sector, the Soviet firm Machinpribor and the Brazilian firm 'Interar' have joint trading activity for the supply of machinery and equipment to Argentina. Similarly, the Soviet Union has set up a firm ADOKS, jointly with Argentina for the sale of Soviet textile machinery and spare parts in that country and in other countries.

In the first half of 1980s the USSR and western firms from about 25 capitalist coun-tries participated in builidng projects in Algeria , Argentina, Vietnam, Iran, Iraq, Pakistan, Greece, Ethiopia and so on. According to UNCTAD secretariat, in the first half of 1980s, 300 projects were built and are being constructed in third countries by joint participation of soicalist and western countries [Foreign Trade, 1/1988]. Most of these projects are in developing countries, although there are some in Greece and Finland. Soviet specialists expect that perestroika will offer new third country market possibilities for the USSR on the basis of compensation.

Since the last decade the USSR has established several joint stock companies in many developing countries for the purpose of handling, shipping and storage of foreign goods—Kateko (1976) in Cameroon, Marim export in Morocco, Sinsov in Singapore, Thasas in Thailand, Filsov in Philippines and so on. This form of economic activity in foreign countries has gained strength since the mid 1980s. The USSR has set up several joint stock companies—Aftorg (1987), Aftento (1987), Aspac (1988) in Afghanistan and Indsotra (1988) in India.

Similarly, Sovrybflot, a company spon-sored by the Soviet ministry of fisheries, has set up several joint fishing companies in the maritime economic zones of develop-ing countries such as Iran, Singapore, Mozambique, Peru and so on. The decrees of January 1987 and September 1987 are likely to boost these types of economic activities in developing countries.

With some Latin American countries the USSR has established a new form of economic relations involving compensation-hiring operations. For instance, Soviet ships are given on hire to Brazil, Mexico, etc, for which the compensation is paid in the form of coffee, cables, etc. [Ishenko I and Khazarov V, *Foreign Trade,* 8/1988]. The USSR has a somewhat similar arrangement with India in the field of civil aviation.

In the recent past there has been a marked shift in the Soviet approach in providing economic assistance to developing countries. In the 1960s and 1970s their declared policy was to assist the development of such branches of industries as were intended to make them self-reliant and self-sufficient in their economic development. Thus the Soviet Union helped many countries in developing power, energy, metallurgy, oil exploration and exploitation and so on, which formed the core sectors of developing countries. Soviet economic assistance is now gradually shifting to the promotion of export oriented areas in the developing countries, such as mining of valuable minerals for exports, processing of agricultural products for exports and so on. A classic example is that of Guinea, where bauxite deposits are mined with Soviet technical and economic assistance so that 50-90 per cent of bauxite is exported to the USSR through an agreement valid for 30 years. Under the present policy of perestroika this shift may get accentuated.

As justification for this shift it is observed that, considering the third world's growing indebtedness and lack of export avenues to repay debts, it would be expedient for the Soviet assistance programme to third world countries to lay greater stress on industries producing exportable goods in order to enable them to repay Soviet loans. Hence this shift serves the economic interest of the Soviet Union.

II

Indo-Soviet Economic Relations

Gorbachev's leadership has brought about intense activity in Indo-Soviet economic relations, partly contributed to by mutual visits by the leadership of the two countries followed by visits of official delegations on both the sides as well as visits by business groups. The top leadership of both the countries have laid the basis for wide scale relationship through the agreement of June 22, 1985 about 'basic directions of economic, trade, scientific- technical co-operation between the USSR and India for the period up to 2000'.

The offer of two huge rouble credits, comprising of one billion roubles, during the visit of Rajiv Gandhi to the USSR in 1985 and of 1.5 billion roubles during the visit of Gorbachev to Indian November 1986, reflected the interest of the USSR in intensifying economic ties with India, which has for over a decade been occupying a premier place in Soviet economic relations with developing countries. The second credit is qualitatively different in the sense that it has a component of rupee resources, made available to supplement the mobilisation of financial resources on the Indian side, for the biggest ever hydro-project at Teri, with a project capacity of 2,400 MKV. The Soviet Union has continued to extend technical and economic assistance in similar traditional areas of energy, mining, metallurgy, etc. Mention may be made of projects at Kahalgaon Thermal power of 840 MKV capacity, at Vindhyachal Thermal Power Station, the metallurgical plant at Visakhapatnam, the expansion of the metallurgical plants at Bokaro and Bhilai, the geological prospecting for hydro carbons in north Cambay and Cauvery basins, the oil processing plant at Karnal with a capacity of 6 million ton per year and transportation to Chaksu-Karnal over a distance of 345 KM, etc.

This offer of two huge credits to India despite domestic resource constraints has partly been necessitated by the Soveit interest in increasing the export of machinery and equipment, in the traditional spheres of India's basic industries, in which the Soviet Union has been well established. The credit offer also enables the Soviet Union to give a boost to sagging exports to India caused by declining oil prices in 1986-87.

Under perestroika, in addition to the above traditional areas of economic co-operation, emphasis is given to new fields and approaches to economic interaction. Among the new trends in Indo-Soviet economic relations is the proposal for joint production in India, in respect of mobile excavators, turbo and hydro generators, drilling equipment, mining equipment, pumps, coking equipment, conveyor belts for the coal industry and so on. For this purpose, the USSR is to initially supply machinery and equipment to India and jointly produced engineering goods are to be partly exported back to the USSR. [Khotsialov, *Foreign Trade*, 3/1988]. So far there is some progress in the joint production of coking equipment in the Durgapur heavy engineering plant in India and heavy duty trucks of 110t capacity. However, bureaucratic delays in negotiations, technicalities on either side and the problem of marketing of manufactured goods and the like have detracted from the success of such undertakings.

As regards joint ventures, although several proposals are being considered by both sides for processing of leather, production of pesticides, herbicides, pigments, etc, what has materialised so far is the setting up of an Indian restaurant in Moscow and the construction of a hotel in Tashkent. A joint unit for transport and shipping in India has been established to facilitate shipping of goods between the two countries. Proposals are being made for the construction of 10 more hotels by 1990 in the USSR at Samarkand, Bukhara, etc. In other words, joint ventures are yet to take roots in Indo-Soviet economic ties.

One area in which the USSR has shown very keen interest to jointly co-operate with India is in the field of science and research in priority areas such as bio-technology, laser technology, immunology, powder metallurgy, computer and electronics, space research, etc. In this regard the visit of academician G I Marchuk to India during the visit of Mikhail Gorbachev in 1986 was significant. A further evidence of this is the creation of a sectoral group for science and technology under Marchuk in the Sovie[t] Indian Sub Committee for promotin[g] bilateral relations between the two countrie[s].

According to Soviet sources during th[e] period 1984-87 joint research has bee[n] undertaken in 22 branches of applied an[d] fundamental science and technology—sola[r] energy, protection of metal against corrosion, powder metallurgy, meteorology hig[h] temperature physics, oceanography and so on. 112 topics were considered in which 66 Soviet and 48 Indian research institutes and laboratories have participated [Foreign Trade, 1/1988]. In agriculture joint research is proposed in the selection of seeds, development of high yielding variety of rice, soil study, breeding of fur animals and so on. However, results of joint research have been obtained in a few fields only such as solar energy and meteorology. Moreover, there are hardly any publications of joint research work either in India or in USSR. Approach to joint research is rather formal and bureaucratic and the outcome of research is insignificant as compared to the expenditure made by both the countries.

Indo-Soviet trade turnover in 1987 was 2,178.5 million roubles which was about 900 million roubles lower than in 1985 and 13 million roubles lower than in 1986. India's share in total Soviet trade has declined from 2.17 per cent in 1985 to 1.69 per cent in 1987 and further down to 1.66 per cent during January-June 1988. It is significant that two-way trade has declined despite intense efforts to boost trade in this period. Overall Indo-Soviet trade turnover exceeded Rs 50 thousand crore in 1988 as a result of intensive efforts in the second half of the year.

This reduction in trade has partly been caused by the decline in the price of oil (from over $ 30 per barrel in 1985 to $ 12-15 per barrel in 1987) which constituted about two thirds the value of Soviet exports to India. The impact of oil price decline was even more devastating for the Soviets in 1986 resulting in a 40 per cent reduction in Soviet exports to India. The oil factor has brought to the surface many issues of Indo-Soviet trade and equally significant are issues raised by perestroika.

The basis of Indo-Soviet trade, namely, bilateralism and rupee trade which served the interests of both the partners, seems to be losing its relevance under changing conditions.

In the opinion of some Soviet specialists bilateralism is a primitive form of foreign trade practice which served its purpose under specific international conditions of 1950s and 1960s. Under present circumstances, bilateralism and rupee trade are not conducive for rational growth of economic relations between the two countries. A similar opinion persists even more strongly among Polish economists concerning Polish Indian bilateral trade relations and it may not be unlikely that with improvement in the domestic economy, Poland may discontinue rupee trade based on bilateralism in the next three to five years. This has some relevance for Soviet Indian trade as well.

However, Soviet policy makers and a aller section of academics consider that pee trade continues to serve the interest both the countries and this opinion is ared by a section of the policy makers in dia as well. The strong justification for dia is that rupee trade ensures availability substantial quantities of oil (four to five llion tons) and oil products (two to three llion tons) and other items such as non-rous minerals, newsprint, fertilisers, etc. milarly for the USSR, rupee trade is a arantee for steady and assured supply of a, coffee, pepper, cashew and a wide range consumer goods. In the last few years me of the hi-tech items such as computers, rox machines, etc, are being imported from dia which, otherwise, were imported with fficulty on hard currency payment. In her words, the Soviets can count on the rge Indian market from where they can im-ort a wide range of traditional and non-aditional goods including engineering ems, either manufactured in India or nported by India from developed capitalist ountries.

Concerning quantitative aspect, as ecided during the visit of Gorbachev to dia in 1986, Indo-Soviet trade is scheduled increase by two and a half times in five seven years, which means that by 1992 vo-way trade is to reach the level of s 1,00,000 crore. According to Soviet pecialists this is not an unrealistic target if ew forms of co-operation including joint entures, production co-operation, etc, play n important role. Moreover, while continu-g to retain the rupee trade arrangement ith India, the Soviet policy makers propose change the structure of exports to India, hich at present is heavily weighted (66-70 er cent) in favour of oil and oil products. n fact, the Indo-Soviet trade structure esembles the north-south pattern with the SSR finding itself in the role of the south. ence continuation of this situation will not erve the interest of the USSR. Hence their fforts are oriented to changing the struc-are in favour of machinery and equipment irected not only at state sector projects but lso at private sector companies. The latter, owever, is not going to be an easy task. The oviet trading organisations have to convince rivate sector firms about the high quality of Soviet machinery, comparable to that of developed capitalist countries, show readiness to supply spare parts, ensure after-sales-service and so on. In many of these aspects Soviet organisations have to go a long way and they lack aggressive sales-manship, being so far confined to dealing with public sector companies in a bureau-cratic fashion. It is to be seen how far under perestroika Soviet firms and organisations change their style of functioning to be com-petitive in the Indian private sector. Hence, in many respects India is a testcase for Soviet exports of engineering products to the private sector in developing countries on a purely commercial basis.

In evaluating the prospects of Indo-Soviet trade it is also necessary to consider the im-proving Sino-Soviet relations as well as Soviet relations with Pakistan. The China factor is particularly important since China can offer many of the commodities that India offers to the Soviet Union since both the countries possess comparable resource potentialities. In turn, for the USSR both India and China offer large markets for engineering goods and prospects for wide ranging economic ties. In fact, Soviet trade with China has increased in the last few years although often erratically.

The Soviet response to the China factor in Indo-Soviet economic relations is not unanimous, true to the spirit of perestroika. In the opinion of Soviet policy makers and a section of academics, an improvement in Sino-Soviet relations will have no adverse effect on Indo-Soviet trade because the latter has grown steadily over the last couple of decades and has been found to be advan-tageous for the USSR and hence will not be given up. It is also opined, rather unconvin-cingly, that the Soviet market for goods such as tea, tobacco, textile goods is large enough to absorb supplies from both China and India. On the other hand, some academics feel that, though not immediately, but possibly after four to five years, the USSR may get an opportunity to choose the source of supply between India and China and that may create an atmosphere of healthy com-petition which will be advantageous for the USSR. It is also argued that improved Sino-Soviet and Sino-Indian political relations may lead to better possibilities of economic interaction for the benefit of all the three countries concerned. While this may be a theoretical possibility, apprehension in Indian circles about a likely adverse effect on Indo-Soviet trade, due to improved Sino-Soviet relations may not be unrealistic. The same reasoning may hold good, though to a lesser degree, about improving Soviet-Pakistan relations so far as India is concerned.

What is the likely impact of the policy of perestroika on Soviet economic relations with 'developing countries of socialist orien-tation' (CSO)?

From various writings in the Soviet press and views expressed by Soviet specialists on developing countries, it is clear that there will be major restructuring in Soviet economic relations with the CSO. This is partly due to a serious reconsideration of the concepts and policies of socialist development during the last four years in the Soviet Union itself. Moreover, in certain cases, the expectations of the Soviet leaders about economic development in 'CSO' were not satisfied leading to a realisation of the mistakes of the Soviet policy towards CSO. In a few cases the Soviet Union had supported military or dictatorial regimes with no real possibility of socialist development due to the absence of political, social and economic basis for a socialist movement. Hence the Soviet policy makers and specialists will be cautious in accepting developments in a third world country as amounting to socialist orienta-tion. So far as the present group of 'CSO' is concerned, ideology is to play a less important role in Soviet policy towards these countries. This was made clear by Gorbachev while addressing intellectuals in Moscow on January 6, 1989. Consequently, economic factors will be playing an impor-tant role in Soviet policy towards 'CSO'.

In 1985 Soviet trade with CSO constituted a small part of their total trade. For instance, with six 'CSO' countries (Angola, Ethiopia, Afghanistan, Kampuchea, etc) Soviet trade turnover was just about 1.2 per cent which declined to 1.15 per cent in 1987. In terms of Soviet trade with developing countries the 'CSO' account for about one-fifth the share or even less. Hence the observation made by Marie Lavigne (1987) that CSO accounted for over half of Soviet exports to develop-ing countries does not seem to be valid. In her calculations the inclusion of countries such as Iraq, Syria, Congo, Seychelles in the CSO group is not convincing.

The Soviet Union has essentially been an exporter of defence items, machinery and other engineering products, while imports from CSO are not large and consist mainly of minerals (e g, bauxite from Guinea), fuels (e g, natural gas from Afghanistan) and so on and a few agricultural products. With the improvement in Soviet-American relations and Gorbachev's policy of 'dialogue' as a means of solving international issues, defence exports by the USSR to CSO will decline which will bring down total trade with CSO. In the immediate future the

TABLE : SOVIET TRADE WITH DEVELOPING COUNTRIES

	USSR			Developing Countries		
	Total	Imports	Exports	Total	Imports	Exports
980	94097	44463	44635	11961	5092	6870
Percentage	100	100	100	12.7	11.5	13.8
985	141565	69102	72464	17225	7624	9601
Percentage	100	100	100	12.16	11.0	13.2
987	12882	60741	68142	14503	4747	9757
Percentage	100	100	100	11.25	7.8	14.3
988 (January-June)	66360	33367	32993	7061	2497	4582
Percentage	100	100	100	10.6	7.4	13.9

Source: *Foreign Trade of USSR, Statistical Year Book*, Moscow, 1980, 1985, 1987 and *Foreign Trade Journal*.

Soviet Union may not expect any substantial increase in imports from CSO to sustain overall trade level.

Since the coming to power of Gorbachev, newly industrialising countries (NIC) of the third world are receiving greater attention, although so far their share in Soviet trade turnover has been marginal. The Soviet leadership has realised the potentialities of these countries as exporters of a wide range of manufactured goods including hi-tech products which are, otherwise, imported by the USSR mainly from the developed capitalist countries with great difficulty. The Soviet policy- makers and specialists are aware of the fact that rapid economic progress of NIC and particularly of modern branches of industries has largely been the contribution of developed capitalist countries and their multi-national corporations (MNC) and that the USSR may stand to gain by developing trade and economic relations with these countries. In the opinion of some Soviet specialists NICs are not completely free from the control of MNCs due to which trade and economic relations with the USSR are not at the optimum level. Improving east-west relations may facilitate economic relations between the USSR and NICs.

Gorbachev's displayed interest towards the Pacific and east Asian countries through a series of high level visits, the latest being that of Shevardnadze in the end of December 1988, may boost economic ties between the USSR and South Korea, Philippines, Singapore, and so on. Besides increased trade with these countries, there are possibilities of their participation in the economic development of the Soviet Far East through joint ventures, production co-operation, etc. Similarly, as already pointed out, Soviet trade and economic ties with Brazil and Argentina are gradually taking a qualitatively new turn.

The Soviet Union has also realised the potentialities of these countries in scientific and industrial research. Hence the USSR has established long-term co-operation with enterprises and scientific institutes in Brazil which is the first of its type with a Latin American country creating wide possibilities of benefits for both the partners [*Foreign Trade 1/1988*].

III

Conclusion

Under the leadership of Gorbachev, the Soviet foreign economic policy has undergone a major restructuring from the past support to new international economic order (NIEO) and the call for international economic security at XXVII congress of CPSU to the new economic thinking enunciated by him in the UN general assembly in December 1988. His latest policy initiative is based on co-operation and co-ordination of efforts with developed capitalist countries in solving the economic problems of third world countries and particularly of the least developed among them. Gorbachev is in favour of going beyond the economic groupings of north, south, east, west and has extended his country's readiness to reschedule and partly write off debts of some developing countries. Gorbachev's new economic thinking is a reflection of his policy of perestroika of Soviet foreign economic relations.

A series of policy decisions have been made though often in a piecemeal fashion in the last two to three years to enable the USSR to effectively participate in the world economy. Qualitatively new conditions are being created to facilitate the realisation of this objective. However, the progress made so far is inadequate since some of the policy measures are on paper waiting for practical realisation. Formalism, bureaucratic approach to problems of the country and vested interests of different sections continue to offer bottlenecks and resistance to the early and easy implementation of the policy of perestroika.

So far as developing countries are concerned, the Soviet trade and economic relations are likely to undergo major changes. Despite domestic financial difficulties, the Soviet Union will be required to provide economic assistance in order to sustain trade with developing countries. New forms of economic co-operation particularly joint venture and production co-operations have not so far made any impact on the nature of economic relations with developing countries. Considering constraints on the part of developing countries, economically and technologically, new forms of economic co-operation may have limited significance in the near future. The Soviet policy of economic assistance has shifted its emphasis in favour of development of export oriented activities in developing countries, as against the previous policy of assisting them in sectors which were to lead to self reliance, self sufficiency, etc. The new shift in emphasis suits the economic interests of the Soviet Union in order to recover long-term loans extended to developing countries from time to time.

As regards Indo-Soviet economic relations, despite active exchange of visits at political and business levels and the offer of two huge credits two way trade declined between 1985 and 1987 primarily due to the sharp fall in oil prices. The Soviet policy makers are keen to change the structure of Soviet exports to India in favour of machinery and equipment meant not only for the public sector but also for the private sector. The latter, however, is a difficult task requiring major improvement in the quality of Soviet engineering goods supported by aggressive salesmanship and an effective marketing strategy. Improvement in Sino-Soviet and Soviet-Pakistan relations may affect Indo-Soviet trade in the near future.

Soviet policy towards countries with socialist orientation will be based more on economic consideration and interests rath than on ideology. Soviet exports of defenc equipment to countries with socialist orier tation will decline with the improvement i Soviet-American relations. However, th USSR will not give up its political objective in its relations with developing countrie: Newly industrialising countries will b receiving greater attention of the Sovie policy makers under perestroika.

[Paper presented in the 30th Convention o International Studies Association and Britisl International Studies Association held in th University of London, UK from March 28 t April 1, 1989.]

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Women, Emancipation and Equality

Asha Jayant
Indira Rothermund

MEERA KOSAMBI writing primarily on Pandita Ramabai's contribution to the women's cause (*EPW*, October 29, 1988) deals with the trends in the traditional position of women in Hindu culture under the subtitle 'patriarchy and the family'. She attempts to sketch 'the patriarchal social system' in the context of the Indian society. In doing this, she contends that the elements of patriarchy are derived from "the ancient texts and hallowed by tradition and custom", and she uses the stereotype argument of feminists that "Brahmanical texts emphasised the supremacy of men". In doing this, she bases her entire statement on Dube's edition of '*Visibility and Power*' (Delhi, 1986), without going into the original 'Brahmanical texts'. On the basis of this book she comes to the conclusion that "women were not only passive but inferior and needed to be strictly disciplined in order to curb their inherently evil and weak character".

In this discussion we cover only the major issue of the lack of appreciation of the limitation of her study, with reference to the ancient so-called Brahmanical texts to support her categorical statements such as "marriage was central to women's life as the only sacrament (sanskara) that she was entitled to" or that "the general view of women as chattel and sex object (with uncontrolled sexuality of their own) led to their seclusion to the home and exclusion from public life". The author further stresses that the patriarchal ideology still dominates Indian society today. The fallacy in this argument is largely due to the fallacy in the framework itself.

Patriarchy, according to Webster's New World Dictionary, is 'male domination' and that is generally the interpretation which both the feminists and their opponents have been taking. The question then is (a) who is a male? (b) what is the nature of domination?

The underlying assumption is that before we whole-heartedly revive the tradition with its values and details or reject it totally, it is necessary to look at the Indian tradition with an open mind and see whether it can offer us an alternative perspective on male-female relationships for the modern situation.

An adequate assessment of Indian women's social status necessarily involves tracing the cultural background of Indian women through the ages especially, the ancient Indian society, as reflected in the earliest literature. As Radha Kamal Mukerji says, "there is a widespread misconception regarding the true status of women in ancient Indian society". He further asserts that, "there is a widespread ignorance about the original Sanskrit literature, both the Vedic and classical and of the Dharmashastras (law books) in which are to be found the laws, customs and traditions which define the true status of women in early times" [Tara Ali Baig (ed), *Women of India:* 1958]. It is pointed out that in the Vedic period highest place was accorded to women in India, the Rig Veda hymns 'praised the virtues of women even as greater than those of men'; in the Samkhya philosophy (earlier than the period of the Buddha) "the primordial one is conceived of as a harmony of Purusha (male) and Prakriti (female)." Similarly, historians highlight how the advent of Buddhism stimulated the idea of women having freedom to be educated, to travel as missionaries and to become Buddhist nuns [Talim, *Women in Early Buddhist Literature:* 1972]. However, later Buddhist priests also spoke of 'women as an evil to be avoided by men', while the Buddhist Jatakas attribute such a 'vile nature to women'.

The Hindu Dharmashastras (200 BC to 200 AD), especially the Manusmriti, took up a rather ambiguous position and the interpreters of Manu's codes contributed to the gradual degradation in women's status. The situation is said to have become worse with the Muslim invasion in the eleventh century. India has experienced varied cultures, and this has left a mark on the cultural habit and practices of the people of India. Therefore, it is most essential to study the status of women in the earlier periods of Indian history if we want to speak of the status of women as based on the Indian traditional culture as it is often done in women's studies.

The concept of external male domination as we have seen is not explicitly mentioned in the earlier Indian tradition. It comes in as an interpretation of the Dharmashastra precepts and the practical system.

In the west the word domination stands for authority, autonomy and power as consistently maintained in western thought and life. In India when self-control is the maxim, domination in Indian thought becomes internal, or inward control over passions and desires. The control is meant to achieve inner strength, inward authority and internal autonomy that may eventually generate a tremendous power over the external world. This principle of self-control is to regulate the social order by limitations for the legitimacy given to all desires. Emphasis is on achieving harmony, order and balance in the social structure instead of rights [Kane, Dharmashastras: 1930-1941].

Further, in Indian thought religion is a way of life and therefore, *dharma* is secular in nature. The whole edifice of the social structure is based on *dharma* and all that the word stands for. It rules over *artha* (economic determinant), and *kama* (desire) in social living. In contrast, the pivot of western thought is economics (*artha*) which rules over desire and morality, religion being a private affair.

Therefore, in western thinking, man, being externally oriented, controls the economic security of woman and she can establish her right, equality and dignity only by the fundamental principles extended to her by the secular law. What is inherent in the Indian tradition appears apparent in western culture. In Indian law, protection and security were her inherent rights assuring her dignity as *dampati* or one unit in society, and law gave credibility to the Upanishadic principles of inherent oneness in the apparent duality [Sachdeva, *Hindu Undivided Family:* 1987]. On the other hand, in the west the principle of duality operates at all levels and therefore rights become essential.

Meera Kosambi's article also suffers from certain conjectures about the Hindu joint family system without adequate textual support; this makes the conclusion that "the normative pattern of role relationships within the patriarchal joint family, as far as the women is concerned, is influenced by the twin factors of authority and emotions," highly suspect.

The unique system which supported

family life in Hindu society was the Mitakshara or the laws of the undivided Hindu joint family. It indicated unity of ownership, and joint possession (Manusmriti, edited by Shastri: 1983). The *karta* or the manager has only limited ownership over ancestral property. The male, because of his external role, developed the image of being the provider of the family initially through custom and usage, and later under codified law. This law seemed to grant him the privilege of ownership rights, and religious ceremonies, acquiring the image of agnatic domination, primogeniture and agnatic succession and the role of protector was carried to the extreme (Sachdeva, *Hindu Undivided Family*: 1987). This led to the decadence of the original view of the Hindu joint family, which was based on the values of mutuality, co-operation and interdependence. Therefore, the justification of the new value of equality and liberty which forms the cornerstone of the feminist movement.

Generally, there is a notional belief, among the feminist social scientists, that the elements of patriarchy in Indian society are derived from the ancient sacred texts and are 'hallowed by tradition and custom'. In view of this belief, it is often emphasised that the supremacy of man, the importance of a male child as a goal in life, assigning to women a 'passive role', etc, are rooted in the Brahmanical texts. It is further asserted that the patriarchal ideology still dominates Indian society today and women's life is therefore considered to be confined to the family. These ideas need to be examined and evaluated by means of a study of the traditional texts referred to by the feminist scholars.

Contrary to this, the 'Brahmanical' Dharmashastras (law books) consider male-female relationship as representing complementarity, and the social order has been formed on this principle of complementarity whose representation is through *dharma*. Purusha, the active male, remains the same principle in *dharmic* law as the *karta* of the family. *Karta* means a manager of the family. His role is to offer protection, security, balance and harmony among the members of the joint family. What is non-aggressive appears domineering in the interpretation of the word patriarchy in the western sense, but that sense of domineering activity is absent in the male orientation of an Indian.

Our comments are not intended to create an impression that the Hindu joint family system is satisfactory in all respects. There is a lot of scope for an in-depth study of the problem of women's position, patriarchy and the family in Indian society.

BANQUE NATIONALE DE PARIS

(INCORPORATED IN FRANCE WITH LIMITED LIABILITY)

(INDIAN BRANCHES)

BALANCE SHEET AS AT 31ST MARCH, 1989

31.12.1987 Rs.	CAPITAL AND LIABILITIES	Rs. P.	Rs. P.
Not Applicable	**1. Capital** Deposited with Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949 Government Securities of the face value Rs. 17000000/- (market value Rs. 15127000/-) included in investments on the opposite side		Not Applicable
—	**2. Reserve Fund and Other Reserves**		2,434,000.00
—	**3. Deposits and Other Accounts:**		
	Fixed Deposits:		
1,424,559	(1) From Banks	953,125.40	
672,219,793	(2) From Others	734,152,788.29	
111,114,664	Savings Bank Deposits	104,422,925.99	
	Current Accounts, Contingency Accounts, etc:		
1,769	(1) From Banks	69,637,988.29	
375,908,678	(2) From Others	529,871,331.82	
1,160,669,463			1,439,038,159.79
	4. Borrowings from other Banking Companies, Agents, etc:		
64,596,800	(1) In India	354,628,800.00	
1,780,107	(2) Outside India	1,873,566.85	
66,376,907			356,502,366.85
	PARTICULARS:		
9,421,146	(i) Secured by Corresponding advances to customers	10,928,800.00	
56,955,761	(ii) Unsecured	345,573,566.85	
66,376,907		356,502,366.85	
42,781,167	**5. Bills Payable**		82,202,363.27
	6. Bills for Collection being Bills Receivable as per Contra:		
160,409,612	(i) Payable in India	382,993,621.51	
56,338,195	(ii) Payable outside India	64,041,403.24	
216,747,807			447,035,024.75
	7. Other Liabilities:		
—	(i) Branch adjustment (in India)	46,350,232.94	
74,575,017	(ii) Head Office and Balances of Foreign Branches	87,325,197.12	
13,268,664	(iii) Income accounted in advance	20,208,493.01	
87,843,681			153,883,923.07
354,686,913	**8. Acceptances, Endorsements and Other Obligations per Contra**		866,110,170.77
1,929,105,938	Carried Forward		3,347,206,008.50

31.12.1987 Rs.	PROPERTY AND ASSETS	Rs. P.	Rs. P.
121,779,507	**1. Cash** In hand and with Reserve Bank of India and State Bank of India (including foreign currency notes)		188,557,649.77
	2. Balances with Other Banks:		
456,338	(i) In India	732,818.66	
1,506,544	(ii) Outside India	8,080,898.77	
1,962,882			8,813,717.43
	On Current Account:		
456,338	(i) In India	732,818.66	
1,506,544	(ii) Outside India	8,080,898.77	
1,962,882		8,813,717.43	
	On Deposits:		
—	(i) In India	—	
—	(ii) Outside India	—	—
—	**3. Money at Call and Short Notice**		—
	4. Investments: (At cost or market value whichever is lower)		
367,412,521	(i) Securities of the Central and State Governments and Other Trustee Securities including Treasury Bills of the Central and State Governments	482,745,148.01	
	(ii) Ordinary Shares (other than held in Head Office books)		
—	Partly paid—Unquoted	—	
559,300	Fully paid—Quoted	559,300.00	
50,000	Fully paid—Unquoted	410,000.00	
—	(iii) Debentures or Bonds	—	
24,945,925	(iv) Other Investments—UTI	—	
—	(v) Gold	—	
392,967,746			483,714,448.01
	5. Advances: (Other than Bad and Doubtful Debts for which provision has been made to the satisfaction of the auditors)		
	(I) Loans, Cash Credits, Overdrafts, etc.		
425,034,131	(i) In India	736,675,146.62	
—	(ii) Outside India	—	
425,034,131		736,675,146.62	
	(II) Bills Discounted and purchased (excluding Treasury Bills of the Central and State Governments)		
295,383,679	(i) Payable in India	419,639,243.62	
28,776,555	(ii) Payable Outside India	57,078,714.61	
324,160,234		476,717,958.23	
749,194,365	(Particulars of Advances as per attached Schedule)		1,213,393,104.85
1,265,904,500	Carried Forward		1,894,478,920.06

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BANQUE NATIONALE DE PARIS

(INCORPORATED IN FRANCE WITH LIMITED LIABILITY)

(INDIAN BRANCHES)

BALANCE SHEET AS AT 31ST MARCH, 1989

31.12.1987 Rs.	CAPITAL AND LIABILITIES	Rs. P.	Rs. P.
1,929,105,938	Brought Forward		3,347,206,008.50
	9. Profit and Loss:		
19,847,402	Balance of Profit brought forward	21,230,212.76	
11,048,305	Less: Amount remitted to Head Office	—	
8,799,097		21,230,212.76	
—	Add: Amount remitted to Head Office during 1987 now adjusted	4,779,312.50	
8,799,097		26,009,525.26	
12,431,116	Profit for the period/year as per Profit and Loss Account annexed	12,168,774.53	
21,230,213		38,178,299.79	
—	Less: 20% of Profit transferred to Reserve Account	2,434,000.00	
21,230,213		35,744,299.79	
21,230,213	Balance of Profit Merged with Head Office and Balances of Foreign Branches	35,744,299.79	—
	10. Contingent Liabilities:		
818,831	(i) Claims against the Banking Company not acknowledged as Debts	1,101,030.75	
923,012,445	(ii) Guarantees/Letters of Credit issued	1,099,972,756.07	
272,240,041	(iii) Liability on Bills of Exchange rediscounted	533,827,743.65	
662,520,068	(iv) Liability on account of Outstanding Forward Exchange Contracts	2,323,614,162.97	
6,500	(v) On partly paid shares of Joint Stock Companies	6,500.00	
1,929,105,938	TOTAL RUPEES		3,347,206,008.50

31.12.1987 Rs.	PROPERTY AND ASSETS	Rs. P.	Rs.
1,265,904,500	Brought Forward		1,894,478,920
	6. Bills Receivable being Bills for Collection per Contra:		
160,409,612	(i) Payable in India	382,993,621.51	
56,338,195	(ii) Payable outside India	64,041,403.24	
216,747,807			447,035,024.7
354,686,913	**7. Constituent's Liabilities for Acceptances, Endorsements and Other Obligations per Contra**		866,110,170.7
	8. Premises, Less: Depreciation:		
2,545,254	Cost as per last Balance Sheet (see note 3)	6,901,504.32	
4,356,250	Additions during the period/year	269,484.80	
6,901,504		7,170,989.12	
1,111,389	Less: Depreciation written off upto 31st March 1989	1,220,334.00	
5,790,115			5,950,655
	9. Furniture and Fixtures Less: Depreciation (see note 2)		
13,838,104	Book Value as per last Balance Sheet	16,936,366.67	
3,164,919	Additions during the period/year	10,459,678.38	
17,003,023		27,396,045.05	
66,656	Less: Deductions during the year	272,280.32	
16,936,367		27,123,764.73	
8,742,986	Less: Depreciation—Written Off upto 31st March 1989	15,045,730.28	
8,193,381			12,078,034.4
	10. Other Assets		
817,080	(i) Head Office and Balances of/or with foreign branches	2,867,839.85	
8,426,548	(ii) Interest accrued on investments	14,237,005.26	
4,161,989	(iii) Other interest and commissions receivable	8,188,338.70	
47,550,177	(iv) Tax payments less provisions	59,098,547.57	
44,698	(v) Stamps	42,429.17	
5,528,858	(vi) Prepaid expenses and Sundry Amounts receivable	16,604,474.37	
9,094,762	(vii) Deposits	19,935,832.53	
443,070	(viii) Vehicles less depreciation	577,639.19	
—	(ix) Item in suspense account	1,096.71	
1,716,040	(x) Branch Adjustment (in India)	—	
77,783,222			121,553,203.35
—	**11. Non Banking Assets acquired in satisfaction of claims**	—	
1,929,105,938	TOTAL RUPEES		3,347,206,008.50

As per our attached report of even date

For S.B. Billimoria and Company
Chartered Accountants
Sd/-
MR. S. J. MERCHANT
Partner

For Banque Nationale de Paris
Sd/-
MR. C. DOMERCQ
Manager for India

BOMBAY 18th July 1989

![BNP]

BANQUE NATIONALE DE PARIS

(INCORPORATED IN FRANCE WITH LIMITED LIABILITY)

PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1ST JANUARY, 1988 TO 31ST MARCH, 1989

01-01-1987 to 31.12.1987 Rs.	EXPENDITURE	Rs. P.
69,559,972	1. Interest paid on Deposits, Borrowings Head Office, Foreign Branches Accounts, etc.	106,819,335.26
26,434,477	2. Salaries and Allowances and Provident and Gratuity Funds,	43,485,542.04
14,400	3. Directors' and Local Committee Members' Fees and Allowances	27,000.00
5,806,928	4. Rent, Taxes, Insurance, Lighting, etc.	8,010,090.12
535,988	5. Law Charges	425,620.00
1,050,644	6. Postages, Telegrams and Stamps	1,872,941.19
145,000	7. Auditors' Fees	181,250.00
3,323,641	8. Depreciation on and Repairs to the Banking Company's Property	7,299,784.21
2,764,685	9. Stationery, Printing, Advertisements, etc.	3,763,535.64
—	10. Loss from Sale of or dealing with Non-Banking Assets	—
36,333,489	11. Other Expenditure (including Income-Tax Provision and Head Office Supervision Charges)	45,032,268.16
12,431,116	12. Balance of Profit	12,168,774.53
158,400,340	TOTAL RUPEES	229,086,141.15

01.01.1987 to 31.12.1987 Rs.	INCOME (Less provision made during the year for Bad and Doubtful Debts and other usual or necessary provisions).	Rs. P.
128,273,894	1. Interest and Discount including from Head Office and Foreign Branches	188,053,990.77
26,310,882	2. Commissions, Exchange and Brokerage	40,737,004.05
63,690	3. Rents	79,612.50
1,033,097	4. Net Profits on Sale of Investments, Gold and Silver, Land, Premises and Other Assets (not credited to Reserves or any particular Fund or Account)	—
—	5. Net Profits on Revaluation of Investments, Gold and Silver, Land, Premises and Other Assets (not credited to Reserves or any particular Fund or Account)	—
—	6. Income from Non-Banking Assets and Profits from Sale of or dealing with such Assets	—
2,718,777	7. Other Receipts	215,533.83
158,400,340	TOTAL RUPEES	229,086,141.15

Notes forming part of the Accounts for the Period from 1st January, 1988 to 31st March, 1989

1) Particulars of remuneration to Chief Executive Officers in India:

	Former Manager Rs. P	Present Manager Rs. P.	Total Rs. P.	1.1.87—31.12.87 Rs.
Salaries and Dearness Allowance	282,339.72	21,066.00	303,405.72	251,248
Other Allowances	89,256.24	112.00	89,368.24	1,560
Bonus	55,219.75	—	55,219.75	8,325
Money value of other benefits and perquisites (including furnished accommodation, utilities and car calculated according to the income tax rules)	231,488.67	2,556.05	234,044.72	174,060
Total Rs.	658,304.38	23,734.05	682,038.43	435,193

2) Fixed Assets had been reinstated in the books of the Indian Branches of the Bank as at 1st January, 1969 by adopting cost in respect of premises and income tax written down value in respect of vehicles, furniture and fixtures.

3) Premises include shares in Housing Companies of Rs. 5,064,337 (previous year Rs. 5,064,337) on which no depreciation has been provided.

4) In respect of tax matters in dispute amounting to Rs. 45,406,893 upto the accounting year 1985 where the bank/tax authorities have preferred appeals, no provision has been made in respect of these matters pending the final outcome of these appeals. However the amount of unremitted profits and Head Office charges withheld in India is more than adequate to cover the liability, if any that may arise in this regard.

5) Figures for the current year are for 15 months from 1st January, 1988 to 31st March, 1989, whereas those for the previous year are for the calendar year ended 31st December 1987. They are therefore not comparable.

Previous years figures have been regrouped wherever necessary.

As per our attached report of even date.

For S.B. BILLIMORIA AND COMPANY
Chartered Accountants

Sd/-
MR. S. J. MERCHANT
Partner

For BANQUE NATIONALE DE PARIS

Sd/-
MR. C. DOMERCQ
Manager for India

BOMBAY: 18th July 1989

BANQUE NATIONALE DE PARIS

(INCORPORATED IN FRANCE WITH LIMITED LIABILITY)

(INDIAN BRANCHES)

Schedule of Particulars of Advances Required by the Banking Regulation Act 1949 (Act/Fsx of 1949) Attached to and Forming Part of the Balance Sheet As At 31st March, 1989

31.12.1987 Rs.	PARTICULARS	Rs. P.	31.12.1987 Rs.	PARTICULARS	Rs. P
329,307,152	1. Debts considered good in respect of which the banking company is fully secured	601,097,968.76	4,031,785	5. Debts due by the directors or officers of the banking company or any of them either severally or jointly with any other persons.	14,832,377.04
128,005,623	2. Debts considered good for which the banking company holds no other security than the debtors' personal security	387,946,313.99	—	6. Debts due by the companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or in the case of private companies as members.	—
291,881,590	3. Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors.	224,348,822.10	4,031,785	7. Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either severally or jointly with any other persons.	14,832,377.04
—	4. Debts considered doubtful or bad, not provided for.	—	—	8. Maximum total amount of advances including temporary advances granted during the year to the companies or firms, in which the directors of the banking company are interested as directors, partners, or managing agents or in the case of private companies as members.	—
749,194,365	TOTAL RUPEES	1,213,393,104.85	5,290	9. Due from banking companies	243,990.19

Auditors' Report on the Indian Branches of Banque Nationale de Paris under Section 30 of the Banking Regulation Act, 1949.

We have audited the attached Balance Sheet of the Indian Branches of Banque Nationale de Paris as at March 31, 1989 signed by us under reference to this report, and the relative Profit and Loss Account of the Indian Branches of the Bank for the period 1 January, 1988 to 31 March, 1989.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account, together with the notes thereon, are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956. The accounts are, therefore, drawn up in conformity with the Forms A and B of the Third Schedule to the Banking Regulation Act, 1949.

We report that subject to and read with the foregoing remarks:

(1) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit and have found them to be satisfactory;

(2) The transactions which have come to our notice have been, in our opinion, within the power of the Indian Branches of Banque Nationale de Paris;

(3) In our opinion, proper books of account as required by law, have been kept by the Bank so far as appears from our examination of those books;

(4) The above mentioned Balance Sheet and the Profit and Loss Account of the Indian Branches of the Bank dealt with by this report are in agreement with the books of account;

(5) In our opinion, and to the best of our information and according to the explanations given to us, the accounts together with the notes thereon and subject to note 2 dealing with fixed assets and note 4 with certain taxation matters under appeal give the information required by the Companies Act, 1956 in the manner so required for Banking Companies and on such basis give a true and fair view in the case of the Balance Sheet, of the state of affairs of the Indian Branches of the Bank as at 31 March, 1989 and in the case of the Profit and Loss Account, of the profit of the Indian Branches for the period 1 January, 1988 to 31 March, 1989.

For S.B. BILLIMORIA & CO
Chartered Accountants
Sd/-
MR. S. J. MERCHANT
Partner

BOMBAY: 18th July, 1989.

Bank of Oman Limited

بــنك عُمــان المحــدود

(Incorporated in UAE with Limited Liability)

Air India Building, Nariman Point, Bombay 400 021.

BALANCE SHEET AS AT 31ST MARCH, 1989

Bombay Branch

revious Year 31-12-87 Rs. P.	ÇAPITAL & LIABILITIES		31-3-89 Rs. P.
	1. Capital Deposit with Reserve Bank of India under Section 11(2)(a) & (b) of the Banking Regulation Act, 1949, comprising of Government Securities of face value of Rs 1,00,00,000/- are included in Investments		
20,00,000.00			20,00,000.00
Nil	**2. Reserve Fund and Other Reserves**		14,17,797.00
	3. Deposits and Other Accounts		
	(i) Fixed Deposits from		
,53,00,000.00	(a) Banks	Nil	
,14,82,974.65	(b) Others	56,00,24,655.70	
1,59,40,418.56	(ii) Savings Bank Deposits	1,87,89,496.03	
	(iii) Current Accounts, Contingency Accounts, etc. from		
1.64,780.93	(a) Banks	6,40,498.62	
3,72,51,213.71	(b) Others	14,34,44,140.14	
7,01,39.387.85			72,28,98,790.49
	4. Borrowings from Other Banking Companies, Agents, etc.		
.73.06.165.00	(i) In India	37,39,371.36	
58,961.46	(ii) Outside India	52,432.83	
,73,65,126.46			37,91,804.19
	Particulars		
Nil	Secured	Nil	
,73.65.126.46	Unsecured	37,91,804.19	
24,71,696.84	**5. Bills Payable**		93,69,359.07
	6. Bills for Collection being bills receivable as per contra payable		
.29.78.506.99	(i) In India	11,93,52,336.64	
1,16,30,936.22	(ii) Outside India	7,71,05,992.61	
,46,09,443.21			19,64,58,329.25
	7. Other Liabilities		
1,06,71,207.82	(i) Balances due to Head Office & Foreign Branches	1,64,59,355.04	
11,48,542.68	(ii) Income accounted in advance	30,82,627.91	
1.18,19,750.50			1.95.41.982.95
,90,93,662.64	**8. Acceptances, Endorsements and other obligations per contra**		19,28,78,342.01
6,74,99,067.50	Carried Forward		1,14,83,56,404.96

Previous Year 31-12-87 Rs. P.	PROPERTY & ASSETS		31-3- Rs
1,33,82,367.76	**1. Cash** In hand and with Reserve Bank of India and State Bank of India (including foreign currency notes)		6.26.80,910
	2. Balance with Other Banks		
3,21,68,316.47	(i) In India	48,73,205.04	
34,26,498.15	(ii) Outside India	87,29,000.53	
3,55,94,814.62			1,36.02.205
	On Current Accounts		
2,21,68,316.47	(i) In India	48,73,205.04	
34,26,498.15	(ii) Outside India	87,29,000.53	
	On Deposits		
1,00,00,000.00	(i) In India	Nil	
Nil	(i) Outside India	Nil	
2,00,00,000.00	**3. Money at Call and Short Notice**		
	4. Investments (at or below cost)		
14,16,25,175.00	(i) Securities of the Central & State Governments & other Trustee Securities including Treasury Bills of the Central & State Governments	19,82,63,905.00	
5,00,000.00	(ii) Equity Shares	5,00,000.00	
41,00,000.00	(iii) Debentures or Bonds	19.35,000.00	
Nil	(iv) Other Investments	Nil	
Nil	(v) Gold	Nil	
14,62,25,175.00			20.06.98.90
	5. Advances (other than bad & doubtful debts for which provision have been made to the satisfaction of the Auditors, refer Notes (4) & (6))		
	(I) Loans, Cash Credits, Overdrafts, etc.		
15.61.61.782.76	(i) In India	27,20,79,368.50	
Nil	(ii) Outside India	Nil	
15,61,61,782.76		27.20.79.368.50	
	(II) Bills Discounted and Purchased (excluding Treasury Bills of the Central & State Governments) payable		
8.65.69.540.32	(i) In India	9.04.67.961.77	
2,32,81,744.65	(ii) Outside India	5.34.46.934.95	
10.98,51,284.97		14.39.14.896.72	
26,60,13,067.73			41.59.94.
48.12.15.425.31	Carried Forward		69,29,76.2

Bank of Oman Limited

بـــنك عُـمـــان المحـدود

(Incorporated in UAE with Limited Liability)

Air India Building, Nariman Point, Bombay 400 021.

BALANCE SHEET AS AT 31ST MARCH, 1989

Bombay Branch

Previous Year 31-12-87 Rs. P.	CAPITAL & LIABILITIES		31-3-89 Rs. P.
66.74,99,067.50	Brought Forward		1,14,83,56,404.96
	9. Profit and Loss Account		
92,54,694.68	Profit as per last Balance Sheet	1,21;22,321.91	
45,56,361.04	**Add:** Profit for the year per Profit & Loss Account Annexed	70,88,985.39	
1,38,11,055.72		1,92,11,307.30	
16,88,733.81	**Less:** Profit Remitted	74,05,749.43	
Nil	**Less:** Transferred to Statutory Reserve	14,17,797.00	
1,21,22,321.91			1,03,87,760.87
	10. Contingent Liabilities		
2,12,087.78	(i) Claims against the Banking Company not acknowledged as debts	2,12,087.78	
	(ii) Guarantees given on behalf of		
13,25,000.00	(a) Customers of Head Office and Foreign Branches	25,00,000.00	
Nil	(b) Officers	Nil	
3 47,75,698.66	(c) Others	3.36.23.360.66	
1.73.91,700.00	(iii) Liabilities on bills of exchange rediscounted	10.50,00.500.00	
99.46.176.10	(iv) Liability on account of outstanding forward exchange contracts	9,61,76,631.00	
7,96,21,389.41	TOTAL RUPEES		1,15,87,44,165.83

Previous Year 31-12-87 Rs. P.	PROPERTY & ASSETS		31-3-89 Rs. P.
48,12,15,425.31	Brought Forward		69.29,76,286
	6. Bills receivable being bills for collection per contra payable		
3,29,78,506.99	(i) In India	11,93,52,336.64	
1,16,30,936.22	(ii) Outside India	7,71,05,992.61	
4,46,09,443.21			19,64,58,329
10.90,93,662.64	**7. Constituents' Liabilities for Acceptances, Endorsements and other obligations per contra**		19.28.78.342
Nil	**8. Premises less Depreciation**		
	9. Furniture & Fixtures (including capitalised alterations) less depreciation		
31,86,679.31	Cost as per last Balance Sheet	48,28,982.39	
16,42,303.08	Additions during the year	32.66,342.96	
48,28,982.39		80.95,325.35	
Nil	**Less:** Disposals during the year	27,900.99	
48,28,982.39		80,67,424,36	
18,71,703.39	**Less:** Depreciation upto 31-3-1989	31,36,981.36	
29,57,279.00			49.30:443.0
	10. Other Assets		
11,86,520.98	(i) Head Office & balances with Foreign Branches	1,11,718.06	
19,73,478.99	(ii) (a) Interest accrued on investments	76,11,125.20	
12,35,799.71	(b) Other interest and commission receivable	26,13,985.05	
3,69,41,708.24	(c) Prepaid expenses and sundry amounts receivable	6,08,22,830.20	
1,24,578.43	(iii) Stamps and Stationery	1,73,926.43	
2,83 493 00	(iv) Vehicles less depreciation	1,67,180.00	
4,17,45,579 25			7,15,00,764 9
Nil	**11. Non Banking Assets acquired in satisfaction of claims**	Nil	
67,96,21,389.41	TOTAL RUPEES		1,15,87,44,165.83

For BANK OF OMAN LTD., BOMBAY,
Sd/-
O.C.J. MARTIN
MANAGER-OPERATIONS

For BANK OF OMAN LTD., BOMBAY,
Sd/-
M.A. BAIG
ASST. CHIEF MANAGER

For BANK OF OMAN LTD., BOMBAY,
Sd/-
M.V. KULKARNI
CHIEF EXECUTIVE OFFICER
(INDIA)

As per our Report or even date attached
for N.M. RAIJI & COMPANY,
Sd/-
ANAND RAO
PARTNER

Bombay, July 29, 1989

بنك عمان المحدود
Bank of Oman Limited

Bombay Branch

PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 1989

ious Year 31-12-87 Rs. P.	EXPENDITURE	31-3-89 Rs. P.	Previous Year Ending 31-12-87 Rs. P.	INCOME (Less provision made during the year for bad and doubtful debts and other usual or necessary Provisions) Refer Notes (4) & (6)	31-3-8 Rs.
64,474.14	1. Interest paid on deposits, borrowings from foreign banks/branches, local banks, Reserve Bank of India, Financial Institutions etc.	6,96,19,727.33	5,37,36,760.88	1. Interest and discount including from Foreign Branches	7,87,26,941.
21,354.76	2. Salaries, allowances, Provident Fund and Bonus	36,45,226.01	69,94,141.77	2. Commission, Exchange and Brokerage	1,12,30,466.
38,165.89	3. Local Advisory Board Members' Fees and Allowances	54,787.96	Nil	3. Rent	N
50,219.40	4. Loss on sale of Investments	Nil			
72,735 22	5. Rent, taxes, insurance, lighting, etc.	62,93,651.62			
Nil	6. Law Charges	12,000.00	Nil	4. Net profit on sale of investments, gold, silver, land, premises and other assets (not credited to reserves or any particular fund or account)	9,83,360.
51,871.60	7. Postage, telegrams, telephones and stamps	5,61,851.00			
30,000.00	8. Auditors fees	48,000.00	Nil	5. Net profit on revaluation of investments, gold, silver, land, premises and other assets (not credited to reserves or any particular fund or account)	N
08,747.58	9. Depreciation on and Repairs to the Banking Company's property	19,85,639.22	Nil		
33,664.86	10. Stationery, printing, advertisement etc.	4,12,632.31	Nil	6. Income from Non-banking assets and profit from sale of or dealing with such assets	N
Nil	11. Loss from sale of or dealing with non-banking assets	Nil	Nil		
98,764.31	12. Other Expenditure	19,78,486.78	3,95,456.15	7. Other Receipts	7,60,219.
56,361.04	13. Balance of profit for the year	70,88,985.39			
26,358.80	TOTAL RUPEES	9,17,00,987.62	6,11,26,358.80	TOTAL RUPEES	9,17,00,987.

NOTES FORMING PART OF THE ACCOUNTS FOR THE PERIOD ENDED 31ST MARCH, 1989

e Balance Sheet and Profit and Loss Account have been prepared in confor- ty with Forms 'A' and 'B' respectively of the Third Schedule to the Banking gulation Act, 1949.

rticulars of Remuneration paid/provided to the Chief Executive Officer.

evious Year				Current Year
rstwhile Officer Rs.	Present Officer Rs.	Total Rs.		Rs.
,58,400	30,000	1,88,400	Salary & Bonus	1,89,930
24,376	5,122	29,498	Perquisites evaluated in accordance with Income Tax Rules	33,712
,82,776	35,122	2,17,898	TOTAL	2,23,642

ovision for Income-Tax has been made on the basis of the stand taken by the nk in the return of income and appeal filed by it with the assessing authorities.

Pending outcome of the appeal/assessments, the additional tax liability, if any, cannot be ascertained.

4. In cases where the Bank has made no provision for bad and doubtful advances the balance as on 31 March, 1989 in the Unremitted Profits Account is considered adequate to cover the after tax impact of subsequent losses, if any, arising out of these advances. In view of the steps being taken for the recovery of these advances, it would be premature to quantify such losses.
5. For making provision for doubtful advances, the Bank has taken into account certain claims from the guarantee institutions which the Bank has considered valid and recoverable.
6. The Bank is of the opinion that the decision of the Honourable Supreme Court regarding the taxability of interest on sticky advances in the case of State Bank of Travancore Vs CIT is not applicable in cases where no interest has been charged on sticky accounts. The Bank has therefore not made any provision for income-tax in respect of cases where no interest has been charged on sticky accounts.
7. Depreciation has been provided at the written-down-value method rates prescribed in Schedule XIV of the Companies Act for the 15 month period ending 31.3.1989.
8. Previous year's figures have been regrouped wherever necessary and are not comparable with the current period figures which are for a period of fifteen months.

r BANK OF OMAN LTD., BOMBAY.
Sd/-
O.C.J. MARTIN
MANAGER-OPERATIONS

For BANK OF OMAN LTD., BOMBAY.
Sd/-
M.A. BAIG
ASST. CHIEF MANAGER

For BANK OF OMAN LTD., BOMBAY.
Sd/-
M.V. KULKARNI
CHIEF EXECUTIVE OFFICER
(INDIA)

As per our Report of even date attached
for N.M. RAIJI & COMPANY,
Sd/-
ANAND RAO

Bombay, July 29, 1989

بنك عمان المحدود
Bank of Oman Limited

Bombay Branch

Schedule of Particulars of Advances Required by the Banking Regulation Act 1949 (Act X of 1949) Attached to and Forming Part of the Balance Sheet as at 31st March, 198

Previous Year 31-12-87 Rs. P.	PARTICULARS	31-3-89 Rs. P.
13,18,03,548.51	(i) Debts considered good in respect of which the Banking Company is fully secured	27,87,03,620.08
2,60,49,140.32	(ii) Debts considered good for which the Banking Company holds no other security than the debtors personal security	2,08,81,094.68
10,81,60,378.90	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	8,90,81,406.16
NIL	(iv) Debts considered doubtful or bad, not provided for	2,73,28,144.30
26,60,13,067.73	TOTAL RUPEES	41,59,94,265.22

Previous Year 31.12.87 Rs. P.	PARTICULARS	31 R
1,58,783.44	(v) Debts due by the Directors or Officers of the Banking Company or any of them either severally or jointly with any other persons	5,31.07
NIL	(vi) Debts due by Companies or firms in which the Directors of the Banking Company are interested as Directors, Partners or Managing Agents or, in the case of Private Companies, as Members	
1,98,887.89	(vii) Maximum total amount of advances, including temporary advances made at any time during the year to Directors or Managers or Officers of the Banking Company or any of them either severally or jointly with any other persons	6,69,54
NIL	(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the Directors of the Banking Company are interested as Directors, Partners, Managing Agents, or in the case of Private Companies, as Members	
1,50,00,000.00	(ix) Due from Banking Companies	

REPORT OF THE AUDITORS

We have audited the attached Balance Sheet of the Bombay Branch of Bank of Oman Limited as at 31st March, 1989 and also the Profit and Loss Account of the Bombay Branch of the Bank for the period ended on that date.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with provisions of Sub-Section (1), (2) and (5) of Section 211 and Sub-Section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account, together with the notes thereon are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956. The Accounts are, therefore, drawn up in conformity with Forms 'A' and 'B' of the Third Schedule to the Banking Regulation Act, 1949.

We report that read with the foregoing remark:

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;

(b) the transactions which have come to our notice have been, in our opinion, within the power of the Bombay Branch of the Bank;

(c) in our opinion, proper books of account as required by law have been k by the Branch so far as appears from our examination of those books;

(d) the Balance Sheet and Profit and Loss Account of the Bombay Branch of Bank dealt with by this report are in agreement with the books of accou

(e) in our opinion, and to the best of our information and according to explanations given to us, the said accounts read with the notes thereon a subject to
  (i) Note 4 regarding provision not having been made for certain bad a doubtful advances and
  (ii) Note 6 regarding provision for tax not made on interest not charged sticky advances,

give the information required by the Companies Act, 1956, in the manner required for Banking Companies and on such basis the said Balance Sheet gi a true and fair view of the state of affairs of the Bombay Branch of the Ba as at 31st March, 1989 and the Profit and Loss Account gives a true and f view of the profit of the Bombay Branch for the period ended on that da

For N.M. RAIJI & COMPANY
CHARTERED ACCOUNTANTS

Sd/-
ANAND RAO
PARTNER

Bombay, July 29, 1989

Printed by Krishna Raj at Modern Arts and Industries, 151, A Z Industrial Estate, Ganpatrao Kadam Marg, Lower Parel, Bombay 400 013 and published by him for Sameeksha Trust from Hitkari House, 284, Shahid Bhagatsingh Road, Bombay-400 038.


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- UNEMPLOYMENT, TECHNOLOGICAL DYNAMISM AND GOVERNMENT INTERVENTION: A CLOSER LOOK AT 1989-90 BUDGET
- DECAY OF PARLIAMENTARY INSTITUTIONS IN INDIA
- PAKISTAN: DILEMMA OF THE LEFT
- WHAT IS SOCIALIST FREEDOM?
- PUBLIC HEALTH SERVICES IN A MESS
- THE CHINESE TRAGEDY: ROOTS AND OFFSHOOTS

ECONOMIC AND POLITICAL WEEKLY

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Vol XXIV No 31 August 5, 1989

Budget 1989-90: Reflecting Constraints and Confusions

Policies of the government are the outcome of the pressures from the diverse ruling interest groups. This limits the government's capacity to utilise the economy's resources more rationally which in turn increases social tensions and demands on the government. The 1989-90 budget reflects yet again the government's incapacity to break out of the low growth trap. Technology is unlikely to 'take off' to raise 'efficiency' or reduce costs to make Indian goods export competitive and efforts at creating employment are too inadequate. A more explicit policy of state intervention can reverse these trends. **1771**

Afterthoughts on a Bloodbath

The Beijing tragedy has inflicted serious damage on the CPC's ongoing programme of socialist modernisation through an updating of science and technology which depends for its success on the involvement of the Chinese intelligentsia and the collaboration of advanced capitalist countries. **1785**

The Chinese treatment of the students cannot be justified. Equally, nor can the holier-than-thou attitude of the Big-7. **1748**

Granted that the Chinese students are fighting for some kind of freedom within Deng's political system, is that the same thing as fighting for 'socialist freedom'? Freedom in the socialist sense is much more often 'freedom from' than 'freedom of' which is not the same thing as saying that socialism is inimical to civil liberties. The socialist concept of freedom demands that we look at the question of civil liberties in a socialist society in its own terms and not in liberal terms. **1761**

Infant Deaths in Calcutta

The rapidly deteriorating public health system in Calcutta has once again been highlighted by the recent mass deaths of fourteen newborn babies at the Calcutta Medical College and Hospital. And yet again the state's health administration is more concerned with manufacturing excuses and churning out temporary remedies than with instituting basic changes. **1751**

A 'Third Alternative'?

In the last couple of years the track record of the left in Pakistan has been so poor that it is indeed a miracle that there is a left at all in the country. Recently though the newly formed Qaumi Inquilabi Party has been making an effort to unite what remains of the left to forge a 'third alternative'. **1759**

Sri Lankan Fiasco

The Indian prime minister now feels betrayed. The Sri Lankan ruling class did not avail of the opportunity provided by the IPKF. Junius Jayewardene is gone; they have installed in his place a commoner who lacks breeding and manners and does not quite belong **1743**

Legislators' Privileges

In early May Yashwant Sinha of the Janata Dal raised in the Rajya Sabha a breach of privilege question against the Chandigarh administration on his arrest and detention in the city recently. That the matter is still only being 'looked into' is cause for serious reflection. **1745**

In Maharashtra a journalist's report of the corruption in the secretariat has been held to be a breach of privilege which lowers the prestige of the legislature. **1749**

Arm Twisting Press Barons

With every change in the political regime in Madhya Pradesh, the correspondents of national dailies are appropriately changed. It is no coincidence that those who are transferred out are the ones who are not on good terms with the new incumbents. **1755**

'No' to a Steel Plant

Now that the furore about the steel plant in Wardha, near Gandhi's Sevagram has somewhat died down, the Ashramites' objections should be closely examined. **1754**

LETTER TO EDITOR

Nature of Indian Capitalism

THIS is in reference to the review of our book *Technology Development and the Environment* by A Chokkalingam (June 3). I am most grateful to Chokkalingam for an important comment he has made on my paper 'Population Growth, Technological Change and Economic Development' which runs thus: "Issues of class and extraction of surplus value in this context are not specifically discussed" (col 2, p 1226).

In my paper under reference, I have tried to show that the capitalist class in India is a result of transplantation of the capitalist mode of production from overseas where this mode of production has evolved historically. As such the capitalist class in India has no root in its history. India had wealthy feudal and mercantile classes but surplus social labour extracted by these classes did not play any role in India's capitalist industrial development even though India was rich in proto-technology—products of which were known world-wide at that time. Causes of the failure of industrialisation to evolve in India from traditional proto-technology were discussed in my paper. Briefly, population pressure on the existing resources and technology was not strong enough to generate forces to develop proto-technology into industrial technology as it did in Britain. The population growth rate was meagre at around 2 per cent or even less and sometimes negative and not sustained. In the view of Kautsky, feudalism, like other modes of production, only has the ability to sustain no more than a certain size of population and once that limit is reached feudalism gives way to another mode of production (capitalism) which can carry on with the task of sustaining the population too big for feudalism. (Quoted in A Hussain and K Tribe, *Marx and Agrarian Question,* 1987 and see for details also P Maitra, *Population, Technology and Development,* Aldershot, UK, and Vermont, USA, 1986).

Capitalism in India not having been a product of India's own social and economic development generating the social surplus needed for capitalist transformation, it has failed to play any progressive role of the type that capitalism played in the UK in the nineteenth century. An introduced capitalism results in acute exploitation, poverty and economic inequality but cannot bring about revolutionary change in the mode of production and with it in social consciousness. That is why, despite a long history of introduced capitalist industrialisation in India, over 70 per cent of labour force is dependent on primary sector and only 9 per cent is in manufacturing including 3-4 per cent in small scale and household industries. When capitalism emerges as a historical necessity, a society cannot afford this kind of undeveloped economic structure. On the other hand, when the mode of capitalist production evolves in a society, it brings about a revolutionary change in the social mind, hitherto a feudalistic one of worshipping of nature and feudal lords, blind religious faith and fatalistic outlook on life. In India, the recent rapid growth of industrialisation and modernisation, on the contrary, has been accompanied by a rising tempo of feudal practices, religious fanaticism, religious fundamentalism, communal riots, etc.

With the above interpretation of class and its role, very little can be said of the significance of surplus extraction resulting in the development of capitalism. There is no doubt about the fact that a huge surplus is extracted and gets increasingly concentrated in the hands of a few due to the nature of technological change introduced in these societies. In 19th century cases of capitalist industrialisation, extraction of surplus played a vital role in the spread of capitalism absorbing human resources in a more productive way. Thus surplus was generated as a result of increased productivity of social labour.

In later cases of capitalist industrialisation, with imported technology from developed economies at their intensive phase of technological change, the rate of extraction of surplus has been enormous and much higher than what it was during the 19th century capitalist industrialisation, but with little diffusion effects and with no impact in terms of raising social consciousness as Marx envisaged. On the contrary, rapid growth of modernisation with imported technology has been accompanied by strengthening of the feudal social mind, deepening communalism and religious fundamentalism, etc. This is to be expected, because when technology and production instruments evolve from traditional stage through interactions between social mind and environment human resources are processed and divested of past feudalistic blind religious faith, fatalism, etc. As the technology based on science evolves through more productive use of labour, the capitalist system extracts social surplus for its own use and, unconsciously, prepares its own grave. In Marx's view, factory life required cooperation among workers against the onslaught of capitalist exploitation. This helps the development of a communist consciousness which is a necessary and irreplaceable step prior to the revolutionary establishment of a communist society.

Is this applicable to the capitalism of India where factory workers comprise only 6 per cent of the labour force? When capitalist technology, evolved in another country through the use of its social labour, is transferred to India or any other third world country of today, it absorbs very little of their labour in capitalist production but undoubtedly it generates a tremendous amount of economic surplus while the vast majority of the workforce remains engaged in primary activities, small scale and household industries, as petty traders, porters, domestic servants, etc. The capitalist service sector again absorbs very little of human capital. The capitalist sector, though very limited, extracts a huge surplus but with very little labour.

In the circumstances, the extraction of surplus has no more significance than surplus extraction by the mercantile capitalist class. That is, introduced capitalism draws a huge surplus but fails to revolutionise the mode of production and develop socialist social consciousness as most Marxists believe.

Because of these reasons, I did not give any importance to the analysis of class and surplus extraction. But I think, I should have included the analysis and its absence has been a grave mistake. I owe an enormous debt to G Chokkalingam and your esteemed journal.

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Political Winds

THE rapid political developments of the last three weeks marked by the presentation of the Comptroller and Auditor General's report to parliament, the decisive resurfacing of the Bofors scandal as a political issue and the mass resignation of opposition MPs from the Lok Sabha have put the prime minister personally and the top leadership of the Congress(I) on the defensive; equally importantly, these developments have served to re-emphasise the fact that the coming elections to parliament will be essentially a contest between rival segments of, what may be called, bourgeois political forces in the country. Indicative of this are two immediately evident consequences of the latest political events. First, within the opposition the position of the Janata Dal under the leadership of V P Singh has been definitely enhanced. It is interesting in this context that the Congress(I)'s counter-strategy of trying to implicate V P Singh in the Bofors deal because he had been finance minister in Rajiv Gandhi's government when the deal was struck has had little impact. Second, within the Congress(I) there has emerged open restiveness and rumblings of disaffection towards the party's leadership. Two prominent members of the party—Rao Birendra Singh from Haryana and H N Nanje Gowda from Karnataka, both with not inconsiderable political bases in their respective regions—have already come out in the open, but it is clear from its reaction that the Congress(I) leadership is aware that the sentiments publicly expressed by these two leaders strike sympathetic echoes in fairly wide circles within the party. These two trends are, of course, related and mutually reinforcing. The enhanced position of the Janata Dal within a generally reinvigorated opposition widens the political options available to Congressmen, especially those with relatively sound local support bases who had been ignored or even deliberately side-lined by the prime minister and the coterie around him but who have now once again become politically relevant with the approaching elections. Such Congressmen will increasingly perceive that there can be political life for them beyond and without Rajiv Gandhi and so begin to assert themselves within the party and, should cost-benefit calculation suggest the wisdom of such a course, cross over to the Janata Dal at strategic moments between now and the elections. V P Singh's statement on Thursday calling on Congressmen "with conscience" to revolt against the party leadership is a response to this situation and a signal to malcontents in the Congress that the Janata Dal will have worthwhile openings for them. Of course, the more the number of prominent Congressmen who shift their allegiance to the Janata Dal, the further consolidated will get the position of the Dal within the opposition (and, not unimportantly, that of V P Singh within the Dal itself).

Another widely-noticed development in recent weeks has been the readjustment of the position of the left parties led by the CPI(M), reflecting a coming to terms with the emerging political situation. Not only did the left parties decide to fall in with the strategy of mass resignation of opposition party MPs, but making explicit the implied logic of the move the CPI(M) general secretary, E M S Namboodiripad, finally conceded in an interview this week that the principal enemy was the Congress(I) led by Rajiv Gandhi and so the principal task just now was the removal of the Congress(I) from power at the centre. Of course, the CPI(M), and the other left parties, continue, through repeated public statements, to take care to keep their distance from the BJP and declare that they would not engage in any sort of joint political activity with that party. It is worth noting, however, that within the emerging overall political situation, relations between the CPI(M) and the BJP are much less important to either opposition unity or to the opposition's electoral prospects than the two parties are apt to make out. However genuine and wide the ideological differences between the two parties may be, in the immediate context of the parliamentary elections, these differences are not the dominant issues even for the two parties themselves. This is brought out, in the case of the CPI(M), by the differences among the opposition parties in regard to the stand to be taken on the government's panchayati raj bill in the Rajya Sabha. On this issue the confrontation that the CPI(M) faces is not with the BJP at all but with the Janata Dal itself. The CPI(M), taking its stand on the need to protect the state governments' powers against encroachment by the centre, is for total opposition to the bill so as to deny the government the two-thirds majority in the Rajya Sabha necessary to ensure the enactment of the constitutional amendment. On the other hand, the Janata Dal, essentially sharing the Congress(I)'s motives in seeking to pander to the local power structures in the rural areas, in particular in the Hindi-speaking northern states, does not want to give a political handle to the Congress(I) by appearing to come in the way of the enactment of the panchayati raj bill. Similarly, in the case of BJP, when it comes to sharing out constituencies for the elections, the major differences and conflicts it is going to face will be with the Janata Dal, especially in the northern states. This is not to say, of course, that the issues that divide the left parties from the BJP are not vital ones from the standpoint of the long-run direction of the country's polity, but in the coming elections, which will be fought out essentially among different segments of bourgeois political forces, these issues are hardly going to be decisive.

CONGRESS(I) POLITICS

Fanning Communal Flames

WHENEVER the Congress(I) tries to play the communal card, it either unleashes a fundamentalism which becomes uncontrollable, or reinforces the established fundamentalist groups which can always outwit the Congress(I) at their own game.

Indira Gandhi, in her bid to outsmart and disable the Akali Dal wooed those Sikh fanatics who were to the right of the Akalis and created a Bhindranwale. What was probably meant to be a temporary clog to queer the Akali pitch, has now become a Khalistani automation which no longer obeys New Delhi.

Her son, by trying to toady both the Hindu and Muslim fundamentalists, has opened the floodgates of religious revivalism and allowed the communal parties and groups on both the sides to gain legitimacy. When in February 1986, at the instance of his party people in UP, the disputed Ayodhya shrine was unlocked to allow Hindu devotees to go there and claim it as the birthplace of Rama, it should have been recognised that Hindu fundamentalists of all hues, ranging from the seemingly moderate BJP to the delirious Vishva Hindu Parishad would not stop at mere prayers. Neither the promise of a court verdict (to be given by a newly constituted three-member bench of the Allahabad high court) nor unfavourable astrological predictions (manipulated by a desperate ruling party to avoid communal riots on the eve of elections) can deter the Hindu fundamentalists from going ahead with the programme of starting the construction of Shri Ram Mandir at the controversial site in Ayodhya in November this year. Instead of toying with the soft options of legal verdicts and astrological predictions, the government could adopt the hard choice of clamping down upon the hordes of fanatic devotees who are coming from all corners of India carrying bricks for the proposed temple. But the state would not dare to 'hurt Hindu sentiments'. It would rather deploy the police to prevent or beat up the Leftist demonstrators who under the auspices of the CPI and the CPI(M) are planning to converge at Ayodhya in November to prevent the construction of the temple—a rare bold gesture by the Communists to fight the communal forces. In any confrontation between the fundamentalists and the democratic and secular forces, the Indian state always intervenes in favour of the former. Witness its behaviour during the anti-sati demonstration led by Swami Agnivesh some time ago, when it was prevented by the police from expressing its protest against the Hindu revivalists.

Such kid-glove treatment of Hindu communal forces by a state already identified overtly with Hinduism through officially used Hindu myths and symbols, invariably encourages chauvinism among the Hindus and emboldens the Hindu communal groups. This is markedly noticeable in the heartland—the citadel of obscurantism, religious superstitions and fundamentalism of both the Hindu and Muslim varieties. The recent victory of the BJP in the municipal elections in Lucknow and Allahabad indicates that the party has thrived upon the religious revivalism generated among the Hindus, in the wake of the Ayodhya shrine dispute.

The three-member bench of the Allahabad high court constituted for the speedily disposal of the Ayodhya dispute, will hear the case in Lucknow. The historic city has been chosen for the hearing since, according to an official order, had for centuries been free from communal hatred, bias or prejudices and had remained a "glittering example of the democratic and secular outlook". Things at the moment being what they are, one can only hope that Lucknow does not become another Meerut, and the hearing of the case does not provide yet another handle to the Hindu and Muslim communalists to start a riot there.

BIHAR

Crude Censorship

THE manner in which the ruling elite, at various levels, has set about suppressing criticism is nothing if not systematic. At the national level, the non-official media is sought to be brought in line via shrewd formulations of the newsprint policy and attempts at legislative redefinition of the dimensions of freedom of the press itself. Public outcry against the Defamation Bill has, at least temporarily, stalled the latter. Recourse to such methods may reasonably be interpreted as a tacit admission, by the officialdom, of the ineffectiveness of the government in its chosen project of marketing the virtues of the current leadership. It would seem that the recent hard sell campaign, that bars no hold and presumes on too much in the matter of public credulity, has found little purchase.

That, however, is cold comfort when the cruder methods of censorship employed by the regional and sub-regional power elite are considered. The incidents in Bihar, involving attacks on the press reflect the extent of collusion between the administration and criminal elements. The distinction between the former and the latter is not strictly valid, given the unabashedly criminal activities of the administrative arms, as for instance in Dhanbad, the fiefdom of the notorious coal-mafia. A sordid drama that began with the attempted rape and assault of a 16-year-old tribal girl by seven policemen culminated in the arrest and maltreatment of several journalists.

The arrests and subsequent harassment in custody constitute an obvious attempt at gagging the press, by terrorising individual pressmen. The Dhanbad police arrested Brahmdeo Sharma, the togenarian editor of *Awaaz*, a local Hindi daily that had been critical of the nexus between the police and the mafia. The immediate provocation was the paper's sharp attack on the statement of the superintendent of police justifying the attempted rape on the ground that the victim was 'characterless'. Journalists who went to see Sharma in the lock-up were detained. Saleman Ravi, a reporter of the English daily *New Republic*, who was covering a demonstration in front of the assistant district magistrate's (ADM) office, was assaulted by the police and had to be hospitalised. Ashok Verma, correspondent of the *Nav Bharat Times*, who went to visit him in hospital was subjected to violence by the police in the presence of the deputy development commissioner and his wife, and the ADM, who, ironically enough, discharges responsibility pertaining to law and order. Verma was handcuffed and kept in custody, without any consideration for his kidney ailment, while the chief minister's instruction to release him were ignored by the Dhanbad administration, which even refused to hospitalise him despite his critical condition.

The entire episode mirrors the realities of Bihar politics. The unrestrained attack on the press is only a part of a broader process of degeneration of the polity. Democratic rights are devalued as the administration and a constellation of anti-democratic elements feed off each other in harmonious symbiosis. In a milieu in which the people are browbeaten into submission it is only the uniform that distinguishes the lumpen in the constabulary from the lumpen outside it.

JHARKHAND MOVEMENT

'No Jharkhand, No Elections'

Indu Bharti writes:-

TWO months ago it appeared as if the Jharkhand Movement would once again fall prey to the electoral ambitions of its leaders. What strengthened this feeling was the fact that the All Jharkhand

Students Union (AJSU) which was staunchly opposed to the participation of the Jharkhand Coordination Committee (JCC) in the elections had to bow to the wishes of leaders like N E Horo of the Jharkhand Mukti Morcha (Mahato) and Santosh Rana of the CPI(ML) who were favouring participation in the elections. But, the one-day seminar organised by the JCC on June 22 at Dhanbad to discuss the issue of participation/boycott of polls and to take a final decision on the issue has changed the scene.

At the seminar, the AJSU leaders after realising (as a result of the two rounds of talks they had with the central and state governments) that the government's intention was only to trap them to get their agitational programmes suspended, once again argued for the boycott of the elections and advocated the slogan of 'No Jharkhand, No elections'. Other constituents of JCC like the Jharkhand Party, JMM (Mahato) and CPI-ML (Rana) agreed that unless the Jharkhand state was created, no elections would be allowed to be held in the region. More significant however was the rapprochement between the AJSU and the JCC. They not only ironed out their simmering differences at the seminar and agreed to work unitedly in future but also resolved that henceforth the AJSU would not be treated as only a constituent of the JCC, but, would be projected as the youth wing of the JCC and all the agitational programmes of AJSU would be supported by other constituents of the JCC. The JCC and the AJSU have given an ultimatum to the centre for creating a separate Jharkhand state by August 15 next, failing which they have threatened to resume their non-cooperation movement beginning with a seven-day bandh call from that date.

The Jharkhand Mukti Morcha (Shibu Soren) however, opted to go for a 'referendum' to seek the opinion of the tribals on the issue of participation in elections. The JMM (S) also constituted a committee for this purpose. But soon after in the first week of July, it has entered into a poll-alliance with the Janata Dal. This makes its real intentions clear.

Meanwhile the third round of talks scheduled to be held with the Jharkhand leaders on July 7 has been abruptly postponed and there is considerable uncertainty as to when it will take place. Just how serious the government is about solving the Jharkhand problem is evident from the fact that S K Pachauri, joint secretary in the union home ministry who was sent as the centre's representative during the first round of talks, was transferred to Andhra Pradesh within a week of the Patna talks. In fact, he was, reportedly, already under orders of transfer when he was despatched to Patna as the centre's representative.

JAPAN

Labour Shortage and Immigrant Workers

JAPAN's ministry of labour is reported to have come out with an estimate of the labour shortage in the country. The estimate is based on a ministry survey of some 15,000 private firms across the country covering the light industrial sectors and involving 62 job categories. The major finding of the survey is that as against 18.5 million workers employed by private industries there were as many as 2.1 million vacancies. Thus the overall shortage was of the order of 11.3 per cent. The greatest shortage was found to be in construction where it was to the extent of 26.7 per cent. In terms of job categories, it is estimated that as many as 2,49,000 more sales personnel are needed, 1,75,000 shop assistants, 99,000 bus, truck and taxi drivers and 88,700 accountants. The survey has also revealed that labour shortage is most serious for small and medium sized firms employing less than 300 persons. In fact these firms account for 90 per cent of the overall shortage.

It would appear that the survey excluded from its purview not only agriculture but also the entertainment industry—the two areas which seem to have attracted a large number of mostly clandestine, migrant labour from south-east Asia, particularly Philippines. More than 1,00,000 Philippine workers are estimated to be in Japan sweating it out in either entertainment (which is very much a euphemism for the prostitution industry in Japan and where possibly there are quite a few women from Thailand as well) or agriculture.

Given the growing labour shortage in Japan, the question under debate right now—though the debate is still rather muffled—is whether to allow the immigration of workers in an open but regulated manner or to allow the present clandestine immigration to continue and grow. The latter has all the evils which one generally associates with illegal activity of any sort, though it also allows the labour importing country to exploit to the maximum the weak bargaining position of the migrant labour. (It is not quite certain though that the gains from this exploitation accrue to the industries which actually employ such labour.) The question of immigrant labour can no longer be swept under the carpet, given the magnitude of labour shortage revealed by the labour ministry's survey. And when decisions on the subject are taken, countries like India cannot be unconcerned. The outflow of workers to the Gulf having slowed down with the need for unrequited inflow of foreign exchange greater than ever before, India has perforce to look for possibilities and opportunities elsewhere.

SOVIET UNION

Miners' Strike

AT this year's May Day parade in Moscow one of the floats showed the Soviet worker crushing the pencil-pushing figure of a Soviet bureaucrat under a huge crate labelled perestroika. But little did the Soviet ruling elite expect such action to be unleashed in reality. While it may be an overstatement to characterise the recent coal miners' strike that spread from Kuzbas in Siberia to Donbas in the Ukraine as 'perestroika from below', it could be described as 'coal miners for perestroika'.

One of the main demands of the miners was for individual pits to be given financial autonomy *vis-a-vis* the ministry and the regional coal boards. This would mean that the local managements of the pits would have to be given decision-making powers over incomes, expenditures, contracts other than state purchases and the allocation of surpluses. In other words, the mine workers were articulating the interests of the local pit managements in the hope that the latter would safeguard their interests in matters such as spending the surpluses on improving their social facilities, etc. *Khozraschet* (economic accounting) and self-financing which were extended to almost all enterprises quite

CORRIGENDUM

The Research Officer wanted by Centre for Studies in Decentralised Industries, 5th floor, N K M International House, 178, Backbay Reclamation, Bombay-400 020 should have a Master's Degree in Economics/ Social Science instead of a Degree in Economics/Social Science as erroneously mentioned in its advertisement appearing on page 1686 of this journal dated July 29, 1989. All other particulars remain unchanged.

recently were only applicable to each regional coal board as the unit in the coal industry. The coal miners felt that this was benefiting the bureaucracy where they should have been deriving the benefits. Instead they had to continue to put up with poor living conditions. Bad housing, food shortages and poor social amenities in Siberia have also contributed to the spread of discontent.

Shortages of food and basic consumer goods like meat, condensed milk, tea, coffee, cocoa, sugar, detergent and soap are perhaps a graphic illustration of some of the problems of the Soviet economy. Two other economic problems are the deteriorating financial position of the government, especially the growing budget deficit, and the external account deficit. According to Nikolai Ryzhkov, the Soviet prime minister, the debt-service ratio—proportion of export earnings required to finance interest and amortisation payments—has "passed the red line of 25 per cent". The budget deficit, according to one Soviet economist, is 24 per cent of the total budget. Again, according to Nikolai Ryzhkov, total Soviet foreign borrowing from the west is around 34 billion roubles.

All the same, as a concession to the miners, Mikhail Gorbachev announced that 10 billion roubles had been set aside for the import of consumer goods, which is double the amount announced previously.

The miners' strike has forced the government to concede greater financial autonomy to the coal mines. The government has also agreed to a 50 per cent increase in the pithead price of coal. The demand of the Coal Miners Union was for a 100-200 per cent increase. The burden will fall on the thermal power plants unless they too get a hike in electricity tariffs. The politics of administered pricing is perhaps one of the core issues today for this affects the relative profitability of different sectors. The problem is compounded by the reluctance of the government to bear the burden of loss-making enterprises which require continual capital subsidies.

In a departure from past practice the official Coal Miners Union has backed the demands of the coal miners. The miners have also been supported by the central press. While they may not become 'masters of their pits', the miners are at least getting a taste of the fruits of glasnost.

BUSINESS

SUGAR

Price Rise Stoked by Government

M D Dewani writes:

SUGAR prices are threatening to go out of the government's control. Already they have jumped by about Rs 1,000-1,100 per tonne between June 26 and July 20 and the possibility of a further spurt cannot be ruled out as the steps taken by the government have proved ineffective.

It was on June 26 that the government reduced by 50,000 tonnes to 8.32 lakh tonnes the monthly sugar release for domestic consumption and, possibly being aware of the likely adverse reaction in the market, simultaneously sounded a warning that "with enough sugar stock the government would not hesitate to release substantial quantity in case of requirement or in case prices do not remain reasonable in the open market". Sugar mills and the trade have virtually ignored this warning as hollow for there would have been no need to slash the monthly supply of sugar to the domestic market if the stock with the government were large enough.

The sugar market responded with a smart rise in prices but the government did not release any additional sugar as it had threatened to do. That only confirmed the belief that the government might not be having a big stock or it might not be considering the surge in prices unreasonable. That added fuel to the fire and sugar prices have continued to move forward. It would not be unreasonable to assume that an extra Rs 40-50 crore will pass this month from the pockets of consumers into those of sugar mills and traders.

The steps the government has taken to restrain the flare-up in sugar prices have been of no avail. For instance, on July 11 it prohibited wholesalers from selling sugar to other wholesalers in the same cities or urban areas in certain states, but that announcement fell flat. Thereafter the Reserve Bank tightened margin requirements on bank advances against sugar, khandsari and gur stocks. That too is unlikely to have any impact on the surging prices as the spurt is not due so much to stock holding with bank advances as to the demand-supply imbalance and government failure to rectify that situation.

In fact sugar prices had started looking up right from March last in view of reports that sugar production might fall much short of the earlier over-optimistic estimate of 102 lakh tonnes. Moreover, sugar mills had started pressurising the government to allow exports so that some quantity could thus be siphoned off and the consumer could then be squeezed at will. As if to add fuel to fire, Sukh Ram, union minister of state for food and civil supplies announced in early April 1989 that the government had decided to allow export of one lakh tonnes of sugar immediately and another identical quantity later. The sugar mills took this as the signal to start pushing up prices. As if oblivious of this situation, the minister again announced in parliament that it had been decided to export sugar as production was likely to be more than the 91.10 lakh tonnes achieved in the previous year.

As more alarming reports of cane shortage and likely fall in sugar production continued to flow in, the government cancelled its earlier decision to allow sugar exports, but even this could not roll back the prices as the demand-supply imbalance had become clear to every one. Production by end-May 1989 was actually less than that in the same period of the preceding year. The crushing season is over now and production is estimated at 89 lakh tonnes against 91.10 lakh tonnes in the previous season.

On the other hand, the internal requirement continues to rise by about seven lakh tonnes a year. On this basis domestic consumption this year can reach about 100 lakh tonnes if it is not restricted artificially to a lower level. This reveals a huge gap of about 13 lakh tonnes between production and demand. In this situation no half-hearted steps can bring back normalcy to the sugar market.

Actually the government should have placed orders for sugar imports right in March when indications were available that the production target of 102 lakh tonnes was going to be a far cry and prices had started moving up. Instead of doing so, it indulged in futile talk of entering the export market. It is now too late to effect immediate imports even if the necessary foreign exchange is made available, as prices of white sugar in the international markets have shot up with Nigeria, China, the USSR and some other countries emerging as big buyers. Knowing full well that the government may not be in a position to import sugar in this situation, the sugar mills and the trade have started urging the government to import sugar, so that the blame for further rise in prices can be laid at the door of the government.

However, there is no escape from imports if sugar prices are to be kept at a reasonable level. If the government means business it should right now enter into contracts for about 12 lakh tonnes of sugar for November-December delivery to cool the domestic market and in the meanwhile start releasing adequate sugar from the existing stock so as to roll back prices. Instead of taking any such step, the government has curtailed the monthly

sugar release and has thus played into the hands of sugar mills. Not only should the cut be restored immediately, but some additional quantity should be released to discipline the market.

The country started the current season with brought-in stocks of about 26 lakh tonnes. This can be run down to meet the immediate demand. However, unless imports are arranged to replenish the stock there may be a further rise in prices even in the coming season, once it becomes clear that the standby stock has gone down sharply and there are no arrangements to augment it.

The industry has of course started clamouring for excise duty concession to start early crushing in the next season. That can yield some additional production in October, but there is no guarantee that the overall production will thereby be higher. Moreover early crushing may lead to low recovery. It is therefore doubtful whether such a step can help the country in getting out of the present predicament. A better way to achieve some tangible result lies in giving some excise concession on the incremental output to those sugar mills which produce more than 112 per cent of their current season's output.

COFFEE

Troubled Brew

SERIOUS trouble has been brewing for the Indian coffee industry ever since the international coffee agreement collapsed about two months ago and the quota system was abolished. The initial optimism expressed by the Coffee Board chairman that the abolition of the quota system may actually benefit India and enable the country to increase its exports by over 50,000 tonnes taking advantage of the 'free market situation' was short lived. For, the prices of the commodity in the world market have witnessed a continuous decline following the abolition of quotas. In spite of the frantic efforts made by the major producing countries to initiate informal talks to maintain prices at reasonable levels, they soon dipped below the 110 cents a pound 'indicator price' fixed by the International Coffee Organisation (ICO) when the quota system was in vogue. In fact the average prices declined to as low as 88 cents a pound by the third week of July.

In keeping with the global trend, prices at the export auctions in India have also nosedived. For instance; prices at Bangalore's export pool auctions slumped by 38 per cent from Rs 650 to Rs 400 per 50 kg. Though the official view is that the prices would recover eventually, the planters are sceptical. They are currently faced with an unprecedented crisis. Karnataka Planters' Association (KPA) and the United Planters Association of India (UPASI) have sounded an alarm of disastrous consequences for the country's Rs 600 crore-coffee industry and have called for immediate fiscal measures to hold the minimum release price (MRP). It is pointed out that some of the competing countries have already responded to the crisis situation by withdrawing taxes on coffee. Planters representatives have advocated a similar action in India by the central and state governments. They want the suspension of excise duty on coffee and slashing the current rate of purchase tax in Karnataka.

India produced a record of 2.16 lakh tonnes of coffee last year but the home consumption was only 60,000 tonnes. The carryover stock from last year's crop is nearly 60,000 tonnes after exporting 97,000 tonnes. The current year's crop is estimated at two lakh tonnes. Last year there was a carryover stock of 30,000 tonnes. Thus the current season commenced with a carryover stock of 90,000 tonnes. Hence the concern and anxiety of the coffee growers is understandable. They are particularly unhappy at the inefficiency of the Coffee Board which has failed to respond quickly to the sudden change in the market scenario. Under the quota system, there was at least a ready and assured market for over one lakh tonnes of coffee to quota and non-quota countries. Now in a free market, the competition is bound to be intense exerting a downward pressure on prices. True, the quality of Indian coffee is superior as compared to many other producers but this claim will not go unchallenged in the changed circumstances. Unfortunately, India's overseas marketing set up is not strong and the Coffee Board has not yet formulated an international marketing strategy to deal with the changed situation. Big producers like Colombia and Costa Rica had foreseen the collapse of the coffee agreement and launched an advertising campaign in the US, the biggest consumer in the world.

Against this background, India will have to reconcile to lower unit value realisation in the overseas markets this year. Holding the prices in the domestic market will also be difficult. Only a few days before the scrapping of quotas, the Indian government had set the domestic sales target by 2000 AD at 1.25 lakh tonnes, as against the current level of around 60,000 tonnes. Now the country may have to achieve this target in a year or two, a formidable task considering the fact that domestic consumption has stagnated around 53,000 to 60,000 tonnes a year during the last decade.

TWENTY YEARS AGO

EPW, August 2, 1969

Government has been too busy with the political and legal aspects of bank nationalisation to start laying down the policy framework and guidelines for a new credit policy that would be closely integrated with the Fourth Plan. Since the major part of bank credit goes to large industry and this position would not be significantly altered in the near future the new credit policy has to be closely integrated more specifically with the approach underlying the Monopolies Bill and the ideas, still very nebulous, about reform of the industrial licensing system and management of public enterprises... To begin at the beginning, capital, even domestic capital, has to be recognised as the most scarce commodity, the allocation of which has to be determined by the most rigorous criteria. Without going into a learned dispute over the relationship between credit and capital, it is necessary that the rate of interest, whether on government or private borrowings, should reflect the scarcity of capital to a greater extent than it does now, and that investment decisions should be made after a careful evaluation of relative priorities and profitability. Investment choices have to be informed with considerations of comparative advantage in terms of international prices. And the time-scheduling of investments has to be arranged in such a manner as to maximise the generation of output and cash receipts within the shortest time... Reforms of this magnitude requires political motivation and direction and they have to be carried out through administrative agencies. Yet, the broad canvas on which the new policy has to be sketched require that persons other than politicians and administrators be involved closely in the framing of issues and formulation of directions. There is need for a compact policy group comprising not more than five members drawn from outside government to assist (not just to advise) the finance ministry, Planning Commission and Reserve Bank in this work. In plain language, this group should be effective (rather than conventionally high-powered) and competent enough to counter both political adventurism and bureaucratic inertia in matters relating to credit planning and industrial policy. Sectoral allocations of credit should, however, be left to a somewhat larger body, comprising the above three official agencies, selected bankers and some professional managers of industry, which should be expected to produce workable plans for implementation by commercial and development banks.

STATISTICS

Index Numbers of Wholesale Prices (1981-82 = 100)

	Weight	Latest Week (15-7-89)	Variation (per cent) Over Last Month	Over Last Year	Over March 25, 1989	In 88-89++	In 87-88	In 86-87	In 85-86
All Commodities	1000	162.7	0.7	5.4	NA	6.3	5.3	5.7	7.1
Primary Articles	NA	162.9	1.1	0.1	NA	4.8	5.2	2.0	4.8
Food Articles	NA	184.2	1.9	2.6	NA	9.1	6.6	6.8	6.4
Non-food Articles	NA	156.6	−0.5	−4.7	NA	−6.7	6.4	−10.2	−2.3
Fuel, Power, Light and Lubricants	NA	155.9	0.2	3.9	NA	5.2	6.8	11.9	2.6
Manufactured Products	NA	163.9	0.7	9.0	NA	7.9	4.9	7.2	6.0

Cost of Living Index

	Base	Latest Month	Variation (per cent) Over Last Month	Over Last Year	Over March 1988	In 87-88	In 86-87	In 85-86	In 84-85
For Industrial Workers	1960 = 100	818[3]	0.6	8.6	0.6	9.1	8.8	6.5	6.4
For Urban Non-Manual Employees	1984-85 = 100	138[1]	0.7	7.0	7.0	9.6	7.9	7.9	8.1
For Agricultural Labourers	July 60 to June 61 = 100	739[1]	−0.3	12.5	12.3	9.8	4.8	4.8	0.2

Money and Banking

		Latest Week (30-6-89)	Variation (per cent in brackets) Over Last Month	Over Last Year	Over March 24, 1989	In 88-89	In 87-88	In 86-87	In 85-86
Money Supply (M_3)		2,01,183	1,588 (0.8)	25,992 (14.8)	9,951 (5.2)	27,225 (16.7)	22,027 (15.7)	22,295 (18.8)	14,423 (13.9)
Net Bank Credit to Government Sector	Rs crore	1,05,251	1,112	10,723	8,426	12,738	12,811	12,776	6,555
Bank Credit to Commercial Sector	Rs crore	1,29,832	1,221	19,759	3,766	18,752	12,389	11,294	10,963
Net Foreign Exch Assets of Banking Sector	Rs crore	6,171	548	2,172	64	637	673	1,314	13
Deposits of Scheduled Commercial Banks	Rs crore	1,47,143	2,485 (1.7)	19,826 (15.6)	7,713 (5.5)	21,385 (18.1)	15,321 (14.9)	17,320 (20.3)	13,160 (18.2)
Foreign Exchange Assets**	Rs crore	6,075	496 (8.9)	693 (12.9)	−233 (−3.7)	−830	−508	604	+197

Index Numbers of Industrial Production (1980-81 = 100)

	Weights	Latest Month (March) 1989	Averages for* 1988-89	Averages for* 1987-88	Variation (per cent) In 1988-89	In 1987-88	In 1986-87	In 1985-86
General Index	100.0	208.1	181.0	166.4	8.8	7.3	9.1	8.6
Basic Industries	39.4					5.6	9.2	6.8
Capital Goods Industries	16.4					16.0	18.2	10.6
Intermediate Goods Industries	20.5					4.7	4.4	7.5
Consumer Goods Industries	23.6					7.4	7.1	12.5
Durable Goods	2.6					7.6	18.9	18.7
Non-Durable Goods	21.0					7.4	4.9	11.5

Note: The index numbers of industrial production by use-based classification are not available beyond March 1987

Foreign Trade

	Unit	Latest Month (Feb 89)	Cumulative for* 1988-89	Cumulative for* 1987-88	1987-88	1986-87	1985-86	1984-85	1983-84
Exports	Rs crore	1,883	17,876	14,033	15,719 (25.1)	12,569 (15.4)	10,895 (−7.2)	11,744 (20.2)	9,771 (11.0)
Imports	Rs crore	2,303	25,366	20,256	22,343 (10.6)	20,201 (2.8)	19,658 (14.7)	17,134 (8.2)	15,831 (10.8)
Balance of Trade	Rs crore	−420	−7,490	−6,223	−6.624	−7,632	− 8,763	−5,390	−6,060

Employment Exchange Statistics

	Unit	Latest Month (Jan 89)	Cumulative for* 1989	Cumulative for* 1988	1988	1987	1986	1985	1984
Number of Applicants on Live Registers (as at end of period)	Thousand	30,195	30,195	30,019	30,050 (−0.7)	30,247 (0.4)	30,131 (0.4)	26,270 (0.4)	24,861 (7.9)
Number of Registrations	Thousand	514	514	469	6,028 (10.3)	5,465 (−0.2)	5,473 (−6.0)	5,824 (−6.4)	6,220 (−8.0)
Number of Vacancies Notified	Thousand	40	40	45	542 (−12.7)	621 (0.8)	616 (−10.0)	683 (−3.4)	707 (−15.5)
Number of Placements	Thousand	26	26	35	340 (−5.6)	360 (1.1)	356 (−8.2)	388 (−4.7)	407 (−16.3)

Income

	Unit	1987-88@	1986-87++	1985-86++	1984-85	1983-84	1982-83	1981-82	1980-81
Gross Domestic Product (current prices)	Rs crore	2,93,306	2,60,680	2,33,305	2,06,732	1,86,406	1,58,851	1,42,876	1,22,226
Gross Domestic Product (1980-81 prices)	Rs crore	1,70,363	1,64,441	1,56,083	1,48,955	1,44,391	1,33,830	1,29,776	1,22,226
Per Capita Income (1980-81 prices)	Rupees	1,918	1,892	1,836	1,791	1,781	1,687	1,686	1,627

* For current year upto latest month for which data are available and for corresponding period of last year.
** Excluding gold and SDRs. + Upto latest month for which data are available.
++ Provisional data. @ Quick estimates.
Notes: (1) Superscript numeral denotes month to which figure relates, e g, superscript[1] indicates that the figure is for January and so on.
(2) Figures in brackets denote percentage variation over previous period.

BHARAT GEARS

Recovering from Setback

of the year and this trend is continuing in the current financial year. The company's

rent financial year. A ZF gear box modified for application in a Japanese LCV manufac-

• 18 months.

are confident of making this new unit

STATISTICS

Index Numbers of Wholesale Prices

Variation (per cent)

Latest | Over | Over | Over

BHARAT GEARS

Recovering from Setback

BHARAT GEARS has suffered a setback in its performance during the 18-month period ended January 31, 1989. Equity dividend, paid at 12.5 per cent for 1986-87, is being skipped. Turnover at Rs 37.12 crore against Rs 21.95 crore for the previous 12 months showed a growth on annualised basis, but the outcome was a decline in gross proft from Rs 2.31 crore to Rs 1.44 crore. After depreciation, there was a deficit of Rs 74 lakh against a surplus of Rs 84 lakh previously. Profit margins dwindled due to rise in costs. Interest and other financial charges took away a much bigger slice of the income.

The current year holds out promise of an improvement in the working results. In view of the management's strategy to diversify the company's market base by exporting about a quarter of its sales volume, the company embarked on a substantial gear development programme which resulted in a loss of productive capacity during the year. This capacity will, however, be available for use in the current year which is expected to result in an increase in sales volume of 20 per cent.

The domestic market for automotive gears, which was sluggish in the beginning of the period, improved towards the close of the year and this trend is continuing in the current financial year. The company's main customers in the segment are agricultural tractor and truck/bus manufacturers who are witnessing an unprecedented boom in their business. This boom will help the company to achieve its targeted increase in sales volume.

Export of gear products recorded a substantial growth of over 300 per cent over the previous year on annualised basis. In the 18-month period, gears worth Rs 700 lakh were exported to USA, UK and western Europe on which export incentives of Rs 287 lakh were earned. The company has entered into a long-term agreement with a large manufacturer of truck/bus axles in USA for supply of axle gears sets valued at $ 6.4 million per annum for a period of five years. The total export potential for the company's products is estimated to be $ 10 million per annum.

The gear box project, set up in technical-cum-financial collaboration with Zahnradfabrik Friedrichshafen (ZF) of West Germany, commenced commercial production in December, 1988. The product has been well received as an original equipment. During the last financial year, the company supplied 235 gear boxes worth Rs 48 lakh to an OEM in India and expects to supply another 1,500 gear boxes by the end of current financial year. A ZF gear box modified for application in a Japanese LCV manufactured in India under licence is under trial overseas, and clearance is expected to be received before the year end. With this, the company expects to reach a sales volume of 5,000 gear boxes next year.

The furnace division executed contracts amounting to Rs 151 lakh during the period and has contracts worth Rs 330 lakh in hand. The company has been awarded a contract against stiff international competition for supply to the World Bank funded modernisation projects of Indian Railways. The gear project of Raunaq Automotive Components, promoted by the company in the joint sector with PICUP, has already been commissioned and its products—gears for two-wheelers, agricultural tractors and trucks—have received encouraging response from the trade as well as OEMs.

The Week's Companies *(Rs Lakh)*

		Bharat Gears		FICOM Organics		Garware-Wall Ropes	
		Latest Year 31-1-89*	Last Year 31-12-87	Latest Year 31-3-89*	Last Year 30-9-87	Latest Year 31-3-89*	Last Year 30-9-87
Paid-up Capital		433	431	129	129	284	96
Reserves		881	963	596	307	773	575
Borrowings		2312	2030	564	348	1047	604
of which Term Borrowings		1606	1606	392	196	370	241
Gross, fixed assets		3944	2931	856	489	1642	1261
Net fixed assets		2631	2119	668	363	968	768
Investments		14	14	91	—	262	112
Current liabilities		1060	876	282	243	889	587
Current assets		1980	1918	812	663	1758	983
Stocks		721	727	411	279	893	545
Book debts		723	828	232	225	313	281
Net sales		3712	2195	2801	1325	3653	1660
Other income		427	84	79	28	476	189
Raw material costs		1667	995	1756	804	2538	1175
Wages		677	369	79	38	191	101
Interest		446	229	85	49	176	78
Gross profit (+)/loss (−)		144	231	493	295	421	237
Depreciation provision		218	131	69	36	142	89
Tax Provision		—	16	55	41	45	50
Net profit (+)/loss(−)		−74	84	369	218	234	98
Investment allowance reserve		—	—	9	—	45	—
Transfer to reserves		—	42	283	179	137	79
Dividend							
Amount	P	—	4	—	—	—	—
	E	—	38	77	39	47	19
Rate (per cent)	P	—	15	—	—	—	—
	E	—	12.50	60	30	24	20
Cover (times)		—	2.10	4.80	5.60	4.98	5.16
Ratios (per cent)							
Gross profit/sales		3.88	10.52	17.60	22.26	11.52	14.28
Net profit/capital employed		—	6.02	50.89	50.00	27.66	24.02
Inventories/sales		19.42	33.12	14.67	21.06	24.44	32.84
Wages/sales		18.24	16.81	2.82	2.87	5.23	6.08

* 18 months.

GARWARE-WALL ROPES

New Export Markets

GARWARE-WALL ROPES has produced encouraging working results for the 18-month period ended on March 31, 1989. The directors have proposed payment of a 24 per cent dividend on the capital doubled by a one-for-one bonus issue as against 20 per cent paid for the previous 12 months on the old capital. The 'rights' shares issued at a premium of Rs 20 per share are eligible for dividend for the period during which such capital was paid up.

Production reached 8,481 tonnes as against 4,795 tonnes previously, recording an annualised growth of 18 per cent. Sales at 8,575 tonnes against 4,532 tonnes showed 47 per cent growth on the same basis. In terms of value, sales brought in Rs 36.53 crore against Rs 16.60 crore in the preceding 12-month accounting year and yielded a gross profit of Rs 4.21 crore against Rs 2.37 crore. These figures show a contraction of profit margins. Net profit stood at Rs 2.34 crore (Rs 0.98 crore). The enhanced distribution was covered 4.98 times by earnings as against 5.16 times previously.

Despite severe international competition, the company continued to penetrate into newer markets and was able to achieve exports of Rs 8.08 crore as against Rs 2.68 crore in the previous year. The new 100 per cent export oriented unit named as 'Garware-Wall International', a division of Garware-Wall Ropes, has commenced its commercial production on May 15, in line with the planned schedule. With a comfortable order book position in hand and continuous efforts made by the company for enlarging its export potential, the directors are confident of making this new unit

successful. The company also received recognition as registered 'Export House' enabling it now to undertake exports of third party products for which it has been receiving regular export enquiries. With various incentives announced by the central government to the Export Houses, and the encouraging export performance of the company so far, management is confident of further broad-basing its exports.

The company has obtained a letter of intent for the manufacture of polypropylene multifilament yarn to the extent of 2,000 tonnes per annum and necessary steps are being taken to convert the same into an industrial licence for setting up a separate fibre division of the company. The management foresees a good potential for this product and is confident of commencing commercial production in the next financial year. A research and development plant for developing indigenous technology for this has already been installed, successful trial runs have also been taken and the laboratory results are quite encouraging.

FICOM ORGANICS

Expansion Completed

FICOM ORGANICS has turned in good financial results for the 18-month period ended March 1989. The directors have recommended a final dividend of 22 per cent making a total of 60 per cent for the period against 30 per cent paid for the previous 12 months. Turnover at Rs 28.01 crore was higher by 41 per cent on an annualised basis as compared to Rs 13.25 crore in the previous year and total production increased by 32 per cent on the same basis to 7,985 tonnes from 4,040 tonnes. Profit margins, however, shrank and gross profit came to Rs 4.93 crore against Rs 2.95 crore. Net profit stood at Rs 3.69 crore (Rs 2.18 crore) to provide an earnings cover of 4.80 times for the enhanced distribution as against 5.60 times previously.

The company exported 1,173 tonnes of malathion technical, which was about 63 per cent of malathion sales. The company completed erection of its plant facilities for further expansion of alkyl phenols (that is dedocyl phenol and nonyl phenol) capacities. With this expansion, total alkyl phenol capacities increased to 10,000 tonnes per annum. Commercial production from the expanded plant commenced on March 27, and overall production is also well stabilised. The company also entered into a technical know-how agreement with the National Chemical Laboratory, Pune, for the development of process know-how for the manufacture of D-phenyl glycine. Development work is also in progress on this and other projects in the R and D department. The company is also evaluating avenues to take up manufacture of some more chemicals.

Calcutta Diary

AM

The Indian prime minister has readjusted his sights. The nobility cannot be saved in Sri Lanka; it is too late for that. So he might as well use the occasion to effect a little extension of his empire, and annex the island's north-eastern beachheads.

RENDER even unto the pretender of a Caesar the things that belong to him. The Greek tragedy in Sri Lanka is the denouement of a causality which, admittedly, is internal to that nation. Why deny however our prime minister the role of the accidental *deus ex machina* he has come to play? Even without him, Sri Lanka would perhaps have been destroyed as a country, but, hallelujah, has not he speeded up the process?

Please consider, as the cliche says, the objective circumstances. Sri Lanka is a lush, rich island. Outwardly, it has no reasons to go under. The population barely touches twenty million. The island grows enough rice to feed the people, and has plenty of fish and livestock. Tea, rubber and copra offer open-ended prospects of export earnings. And the island's silvery coast, with vast stretches of calm, beguiling water all around, should make the tourists flock in their thousands. The Sri Lankans, besides, are amongst the most charming people to come across, easy-going, friendly, intelligent. There is also so little of the bigotry of diverse kinds which marks their immediate northern neighbours.

Were external assistance not forthcoming, or not forthcoming on a sufficient scale, then too Sri Lanka should have grown at a fast enough rate. There has actually been no dearth of foreign funds. Till the early eighties, the island country did maintain fairly satisfactory progress, and certainly enjoyed a much higher rate of economic growth than what obtained in the so-called third world countries. Partly on account of the exigencies of the parliamentary democratic process, it evolved, through the fifties and the sixties, a sensible package of public policies, with stress on elementary education and public health and nutrition projects. Its programme for expansion of literacy has been about the most enlightened among the south Asian countries; the administration has been trained to devote a great deal of resources to both preventive and curative health care measures; and, much before the World Bank discovered the *cause celebre* of basic needs and poverty eradication, extensive food subsidies were introduced to lessen the burden of daily existence for the country's poor. Each of these measures eminently qualified to be dubbed as 'populist', but in their totality they fashioned an improvement in the general quality of life which stood out in the morose climate of south Asia.

All this could still only establish the point that Sri Lanka was an *enlightened* oligarchy, and not obliterate the fact of its being an *oligarchy*. Farm real estate as well as non-agricultural wealth have been extremely closely held in the island. Since the average living standard was much higher than in India, the grosser kinds of social exploitation common in this country has not been observable over there. But that has not been enough to stop history's remorseless march. Once social awareness spreads, the sense of deprivation sprouts roots according to its own style. Both absolute scales of measurement and cross-country comparisons then lose their relevance; domestic relativities take over. Faithfully reflecting the structure of land distribution, Sri Lanka's political set-up in the immediate post-independence period too provided the hint of a closely held arrangement. The British were habituated to deal only with the landowning class, who also contributed the comprador elements in the trade and processing collaborations that came up. To nobody's surprise, it is to this class the British handed over charge when they left the island. In the beginning, the ruling political group, the United National Party, was, almost exclusively, a cartel of cousins, and very near ones. As happens in all feudal polities, the cousins soon learnt to grow distant. Thus it was that Solomon Bandaranaike drew away from the United National Party, and opened his separate outfit, the Sri Lanka Freedom Party. For the populace, despite their receiving some morsels of incidental benefit because of the happenstance, it was nonetheless tweedledum substituting tweedledee; the basic social correlates remained unchanged. Those handful amongst them, who, via intellection, realised that what obtained was a precarious, unstable equilibrium, could not transgress the boundary conditions imposed by their own class inheritance. Whether it was the Trotskyite Lanka Sama Samaja Party or the more conventional Communist Party, their leaders and pamphleteers did not spring from a different social category. They happened to be ideologically disoriented; in terms of property alignments, however, they continued to belong where the UNP and the SLFP belonged. Their credibility was therefore heavily circumscribed.

By a quirk of fate, in the sixties, these theses-spinners found themselves in government in alliance with the SLFP. The nationalisation programme they embarked upon introduced some colour to the picture. But the texture of social realities remained unchanged. Regular remittances to foreigners were now substituted by once-over compensatory transfers. The compradors nonetheless were now inside the administration; the charade of nationalisation hardly affected their material interests. If anything, it increased their bargaining capability *vis-a- vis* the working class. Certainly it increased their profligacy. The distant cousins, mostly located in the two principal parties, kept indulging in their petty and not-so-petty jealousies. For them, the fundamental point was still to live it up.

The majority of the Sinhalese-speaking populace were left out of the arrangement because they constituted the base, which is supposed only to provide support, not share. Apart from a thin stratum of those who managed to infiltrate into the civil service, the Tamils too were left out. The Tamils in any case did not quite fit into the established class hegemony. Those amongst them who went in in the last century of course mostly went in as indented labour. Those who had been around Jaffna and Vavuniya and Batticoloa for nearly five centuries did not ever begin to belong either. They turned out to be the perennial outsiders. It was thus a two-bit misfortune. Even those who made money from trade could not buy their way into the Sinhalese plutocracy. More because of the accidental barrier of separate religious rituals than on account of the linguistic

divide, they continued to be differentiated from the Sinhalese-speaking proletariat too. The haughtiness carried south from across the Palk Strait perhaps partly helped to perpetuate the divide.

History marches, and it marched in its own manner in Sri Lanka through the post-independence decades. The island's comfortably placed, whichever political party they formally belonged to, did not have a clue to what was happening either in the countryside or in Colombo's outlying shantytown. When the Janatha Vimukti Peramuna struck in 1971, Sirimavo Bandaranaike panicked. Her reaction was not that of a besieged individual, or of just one political party played into a corner, it was that of the entire Sri Lanka ruling class. Sirimavo appealed to Indira Gandhi; it was a consolidated class appeal. If, instead of her, Junius Jayewardene had been in charge at that particular moment, he would have behaved exactly in the same way. Jayewardene proved the point sixteen years later; the IPKF went in, not to discipline the LTTE, who are devoid of any class ideology, but to save the oligarchs from the revolutionary insurgency unleashed in the island's south.

This underlies the dilemma Sri Lanka is currently facing. The oligarchy has crumbled within the United National Party, as it has in the SLFP too. The plutocrats in the island are running for cover. The Premadasas and the Kumaranatungas, plain commoners, could come up in the conventional boss parties because the bosses are frightened beyond measure. A plebeian Premadasa or an upstart like Vijaya Kumaranatunga—who was gunned down last year—, the plutocrats tried to convince themselves, might somehow subdue JVP firepower and save the day for them. It is a bitter comedown for them. But these are difficult times, insurrectionary times, whoever can roll the revolution back and protect their property rights deserves to be acclaimed as president or prime minister. Humour the poor, bribe them a little if that would enable you to cling to your privileges—and to your property.

Such calculations however do not impress the dull boys from the World Bank and the International Monetary Fund. Their political acumen has been honed in the blunt school of Ronald Reagans and Bill Caseys, and their sense of humour belongs to the world of the *Readers' Digest*. They have read only a single script. Subsidies, it has been dinned into them in downtown Washington, are bad, and subsidies to the poor are particularly bad. They have been determined not to deviate from the line. Social realities underlying an insurrectionary situation mean little to them. The Sri Lanka government has, as a result, been confronted with a nightmarish problem for the past several years running: the defence budget has continued to soar, but with the Bank and the Fund enforcing the regime of the tight leash, fiscal dispensations for the poor have actually been further cut back even as prices have mounted. As a natural process, the support base of the Janatha Vimukti Peramuna has expanded at a furious pace during the past half a dozen years.

Sri Lanka's internal compulsions do not impress the Indian prime minister either. The deep calls to the deep; the deep also responds to the deep. The quality of response is bound to be different when the appeal is from the non-deep. Indira Gandhi moved her navy and her commandos because the frantic appeal was to save a class hegemony, the class to which she herself belonged. Her son arranged to fly in troops two seasons ago because Junius Jayewardene once more had appealed to him on behalf of the ruling oligarchy; what could be more proper than the oligarchs of the region protecting each other looking after each other's welfare? But the Indian prime minister now feels betrayed. The Sri Lankan ruling class did not avail of the opportunity the IPKF provided to them. They caved in to the riff-raff. Junius Jayewardene is gone; they have installed in his place as their president a commoner who lacks in breed and manners, and does not quite belong. Nothing could be more disappointing.

Ranasinghe Premadasa is making one last ditch effort. He is still trying to save the system which has been kind to him as an individual. If only the IPKF would now *withdraw*, he could, he thinks, still extricate the existing social order from certain death. The Indian prime minister is unmoved. It is no longer the same thing as it was two years ago, the Sri Lanka oligarchs are a burnt-out case, they have replaced a Junius Jayewardene by a miserable Premadasa. They are beyond redemption, therefore why bother to spare a thought for them?

The Indian prime minister has readjusted his sights. The nobility cannot be saved in Sri Lanka; it is too late for that. It is a pity, but something still needs to be salvaged from the Sri Lanka fiasco. He might as well use the occasion to have a little extension of his empire, and annex the island's north-eastern beachheads. Let there be chaos and revolution in the rest of the country, the IPKF will see to it that one corner of Sri Lanka receives the quintessential benefits of India's democratic process. Why, if things proceed swimmingly, one might even consider introducing the Jawahar Rozgar Yojana over there; vacuity should never set on the Indian empire.

Detention of Legislators

A G Noorani

Our legislators have been aggressive in claiming privileges against the people, supposedly their masters, but they have been quiescent in asserting their privileges against the ministers responsible to them. However, the irony may be more apparent than real.

STRANGELY enough, while our legislators have been very assertive in claiming imaginary legislative privileges against their own masters, the citizens, they have been quiescent in claiming their real privileges against their servants, the ministers responsible to them. The irony is more apparent than real. The ruling party controls the legislature and our legislators have not developed the tradition of viewing such matters independently on principle.

On May 12, Yashwant Sinha of the Janata Dal raised in the Rajya Sabha a breach of privilege question against the Chandigarh administration on his arrest and detention in the city recently. He regretted that home minister Buta Singh did not do anything about this deliberate contempt on the face of the administration. The deputy chairman informed the house that the secretary-general of the Rajya Sabha was looking into the matter. Dipen Gosh, CPI(M), pointed out that this was a serious matter. A member of parliament had been arrested and the minister concerned at the centre had not even reacted to it for two months.

L K Advani, BJP, said the issue had been raised in the house three times. Still nothing had been done. In fact, the arrest of a member is such a serious matter that in the normal course the chairman should have taken *suo motu* notice of it. Advani demanded that the Chandigarh administrator should be called before the privileges committee for explanation.

This is not a matter which can be treated lightly. In India the law affords little protection against arbitrary imprisonment. The governor of Punjab, S S Ray, and the central ministers have shamelessly suggested that Parkash Singh Badal would be released from prison if he changed his views on the present situation in Punjab. What if the regime of the day were to arrest opposition legislators and rush through repressive legislation as was done during the Emergency?

In 1962 the Madras High Court observed in the case of K Anandan Nambiar: "We, however, readily concede the contention that if a party in power detains a political opponent or continues his detention with the *mala fide* object of stifling opposition and prejudicing the party to which he belongs in a forthcoming election, *there would be an undermining of the basis of our constitution*" (emphasis added). Yet the Court held that Nambiar could not be allowed to attend the sittings of the state assembly since he had been detained under the Preventive Detention Act. The Supreme Court took the same view in Anandan Nambiar's case in 1965. It reaffirmed this view in 1975 in Indira Gandhi's election case when the legislation validating her election was challenged on the ground that parliament had been robbed of its constitutional composition by reason of the large-scale arrest of opposition MPs. The court simply followed its ruling in 1965 and that ruling blindly followed the case of Captain Ramsay in 1939 when the Committee of Privileges of the House of Commons declared the law in these terms: "The precedents lend no support to the view that the members of parliament are exempted by privileges of parliament from detention under Regulation 188 of the Defence (General) Regulations, 1939. Preventive arrest under statutory authority by executive order is not within the principle of cases to which the privilege from arrest has been decided to extend. To claim that the privilege extends to such cases would be either the assertion of a new parliamentary privilege or unjustified extension of an existing one."

The truth is that the Committee of Privileges of the Commons did not act judicially in that case at all but as a political body surcharged with the understandable fever of the war. Few sympathised with Captain Ramsay. He was widely suspected of being a fascist collaborator. The clerk of the House of Commons, the redoubtable Sir Gilbert Campion, cited precedents. Those were the cases of obstructive Irish MPs some of whom had not taken their oaths or their seats in the house. Terrorism in Ireland and obstructionism coupled with partisanship produced a bad precedent.

The precedent was followed in 1939 in Britain and in 1965 and 1975 in India. However, the report of the Committee of Privileges in 1939 was *not examined* by the court. If it had been, instead of a passage in May's *Parliamentary Practice* based on it, it would have been found that the home secretary had stated on oath before the committee that Captain Ramsay had not been detained for anything said in parliament. He had also affirmed on affidavit before a court of law that he was personally satisfied as to the grounds of detention. The report observed: "If the real ground of internment had been that the member was likely to prove an embarrassment to the executive in parliament no such affidavit could have been sworn without the commission of gross perjury."

Can anyone doubt for a moment that such "embarrassment to the executive in parliament" is the very reason why MPs are arrested in India? What is more, in India, unlike in England during the height of the war, persons are detained not on the personal satisfaction of the home minister accountable to parliament, but of district magistrates and commissioners of police.

Despite the cosmetic changes made by the 42nd and 44th Amendment to the Constitution, the law of parliamentary privileges is frozen to what British law was on January 26, 1950. Article 105 of the Constitution originally reads thus:

> (1) Subject to the provisions of this Constitution and to the rules and standing orders regulating the procedure of parliament, there shall be freedom of speech in parliament.
> (2) No member of parliament shall be liable to any proceedings in any court in respect of anything said or any vote given by him in parliament or any committee thereof, and no person shall be so liable in respect of the publication by or under the authority of either house of parliament of any report, paper, votes or proceedings.
> (3) In other respects, the powers, privileges and immunities of each house of parliament, and of the members and the committees of each house, shall be such as may from time to time be defined by parliament by law, and, until so defined, shall be those of the House of Commons of the parliament of the United Kingdom, and of its members and committees, at the commencement of this Constitution.

The court, therefore, has in each case to consider the rights of an MP in Britain. It is well settled that he enjoys freedom from arrest in civil cases but none so far as criminal proceedings go.

The 42nd and 44th Amendments delete the reference to the House of Commons but retain the legal position intact. British law of privileges prevailed in 1952 in Deshpande's case. The committee of

privileges of the Lok Sabha characterised preventive detention as being "in its essence as much a penal measure as any arrest by the police or an order of the magistrate on suspicion of the commission of crime".

This is utterly wrong. In 1969 the Supreme Court knocked the bottom out of this doctrine. It said:

> It must be emphasised that a detenu is not a convict. Our Constitution, notwithstanding the broad principles of the rule of law, equality and liberty of the individual enshrined therein, tolerates, on account of peculiar conditions prevailing, legislation which is a negation of the rule of law, equality and liberty.
>
> But it is implicit in the constitutional scheme that the power to detain is not a power to punish for offences which an executive authority in his subjective satisfaction believes a citizen to have committed. Power to detain is primarily intended to be exercised in those rare cases when the larger interest of the state demands that restrictions shall be placed upon the liberty of a citizen curbing his future activities. The restrictions so placed must, consistently with the effectiveness of detention, be minimal.

Why, then, should not a legislator be permitted to attend the proceedings of the legislature even if he be under preventive detention? Besides, Article 105 is controlled by the fundamental right to personal liberty embodied in Article 21 of the Constitution. If this be the law in relation to an MP or MLA in preventive detention, the wrong done to Yashwant Sinha is graver still.

POTOMAC MUSINGS

Craving for the Philosopher's Stone

Deena Khatkhate

Even when all his diagnoses and prognoses have been proved wrong, the economist can still be trusted to provide ex post facto *rationalisations for every new economic development, however contrary to his earlier expectations it might be. A case in point is the economist's continuously shifting position on what constitutes an appropriate international exchange rate system.*

LOOKING at the advice economists of all hues are dishing out to all and sundry, you may be forgiven if you call them pests. And yet you cannot avoid them. They are a draw at every cocktail party. You can bank on them to razzle-dazzle. While a loquacious economist is going full steam in a crowd, a quiet but scholarly physicist may be wanting to say how the fusion of atoms could be an answer to the world's energy shortage or a biologist may be itching to explain how genetic engineering could banish many dreadful diseases or render barren land fertile. But the economist will carry the day. The trail blazing scientist may change the world one day but he cannot sell himself; he has no audience. The economist doesn't care a dime for the world; he creates his own universe with his own brand of laws, but be never has to worry about an audience. He can talk about food prices, jobs, the stock market and about politicians and businessmen, whom he can impress with his bag of tricks. The immediacy of what he says is the real thing for you and me. If his diagnosis and prognosis go haywire, he can shelter behind the plea that objective conditions have changed. He can change his advice and theories as easily as a chameleon can change its colours.

Why the snide remarks about the poor economist, you may ask. The provocation is the recent behaviour of the dollar exchange rate. We have been fed on the lore of market forces determining exchange rates. If you stop interfering with people's decisions of what to produce and what to buy, everything will be hunky-dory. We will be in a state of Pareto optimality. After the second world war, the wiseacres got together at Bretton Woods and set up a par value system. Exchange relationships between currencies were ordained. Were they market determined? You should not ask such silly questions. They were the equilibrium exchange rates. You could alter them only if you perceived a 'fundamental disequilibrium'. What is this animal, 'fundamental equilibrium'? Nobody knew and nobody cared, but everyone believed it existed. Fundamental was what was not non-fundamental and disequilibrium was what was not equilibrium. This knowledge was enough for you to decide if the exchange rates needed to be changed. Look at the balance of payments position and, if it is in deficit, see whether the deficit is sustainable. What on earth is this notion of sustainability? See whether the deficit is filled by the normal inflow of autonomous capital. If you are still in doubt about what is normal, stop playing Socrates and change the exchange rate at once.

The moment of truth arrived in 1971 when the whole edifice of international exchange rates came crashing down. But the indefatigable economist would never say "nay". Floating exchange rates are the panacea, he thundered. If you follow the inflation differentials among nations, you will know what value the currency of any country will take on. The resulting exchange rates together with the differentials in interest rates will then determine the capital flows across nations. But, once again, the floating exchange rates regime belied everything the economist had been preaching. Capital did not follow the course charted by interest rate differentials. In fact, it happened the other way round. Interest rates and exchange rates followed capital flows. The chaotic international economic order became more chaotic. The major industrial powers thought of orderly conditions in the exchange markets only when they were sucked into a recession. But the economist is never assailed by self-doubt. He was back with a new prescription, economic co-ordination. Exchange rates are the penumbra and fiscal and monetary policies are the umbra. If countries follow the right fiscal and monetary policies, exchange rates will move along the equilibrium path. None ever asked the economist whether co-ordination of policies did not

offend the market principle. If the exchange rates veer away from the levels dictated by the 'fundamentals', the major industrial countries—be they G-5, G-7 or G-10, depending upon who can get in—should allow intervention by their central banks to stabilise it within a 'target zone'. Mr Fundamental is thus back in the economist's circus ring, with the difference that now he has become a friend unlike in the era of fixed par values. Despite invoking this personage time and again, no economist has ever succeeded in identifying him. The economist just believes that he exists in some form somewhere, pulling the strings in the puppet-show of exchange rates gyration.

But the economist's predicament has once again become acute with the recent soaring of the US dollar to new heights. The deficit in the US balance of payments is large and widening, the US budget deficit is also stubbornly large and inflation is rising. All these should signal depreciation of the dollar. Imagine what would have happened if these things had occurred in some unfortunate developing country. It would have been promptly pulled up by the international organisations and the economists and advised to devalue. But how can you ask a country which is a reserve currency country to follow this theoretical prescription. So the economist is left with an *ex post facto* rationalisation. Martin Feldstein, former chairman of the Council of Economic Advisors under president Reagan, who had all along advocated elimination of economic co-ordination of policies by the industrial countries, pronounced that "the dollar's rise is bewildering. The market is as far as I can see irrational in terms of the fundamentals and not driven by any particular economic view, since its theory of how to rationalise dollar swings seems to change every few months." The learned professor could not explain why exchange market analysts who had been saying that "inflation was good for the dollar because it would induce the Federal Reserve to raise interest rates, increasing the return on dollar investments" had now switched to saying "the weakening of inflationary pressures was positive for the dollar because rising prices are bad for currencies". These befuddled professors may have learned more from the magnificent 'Impossibility Theorem' of Kenneth Arrow, which got him the Nobel Prize. But it is futile to expect the lofty economic theorists to confess their ignorance; If they did, they would be an extinct species.

And yet the poor developing countries cannot escape the omniscient economist and his advice to devalue when they run payments and fiscal deficits and experience inflationary pressures. If devaluation does not succeed, they will be told that their domestic fiscal and monetary policies are at cross purposes with their exchange rate policies. Poor countries do not have the luxury of co-ordinating their economic policies with those of other countries, rich or poor. With the rich countries, such co-ordination amounts to unequal exchange and is therefore out of bounds. And with other poor countries, what purpose is anyway served by an alliance of mendicants? Hence developing countries deserve not co-ordination but coercion. They can be asked to auction foreign exchange or, worse, float their currencies. And if disaster strikes them, as has happened to some countries in recent times, the economist can attribute it to some other policies pursued by these countries. In the army, if a general loses a war, he is cashiered, but the economist has no such fear.

Paranoia in Beijing

GPD

The students asking for prime minister Li Peng's resignation was in all probability the main factor which caused the paranoia in Beijing. Deng and his comrades must have seen nightmares of the Cultural Revolution when the slogan was 'bombard the headquarters'.

TWO general secretaries sacked in a span of three years speaks volumes about the nature of the counter-revolutionary rebellion in China. Hu Yaobang lost his job because the students had organised a movement which spread to thirteen cities of China. Now Zhao Ziyang has been dismissed. He may also be put on trial.

It is clear that there has been students unrest in China for over three years now. The broad contours of their demands have been quite explicit. These demands have been a reaction to the Cultural Revolution and the strong anti-intellectualism which it bred. Both Deng Xiaoping (and his comrades) and the students/intellectuals have been coming to terms with the rather torrid legacy of the Cultural Revolution. It is a paradox of the Chinese situation that for the first time in many decades intellectuals and intellectual pursuits have been given their due place. This has happened after 1978 and after Deng Xiaoping had finally emerged as the supremo in the Chinese power structure. When Deng talks of revolution he is talking of an intellectual and technological revolution. He is also talking of a 'modernist' revolution.

When the new economic policy was introduced in the Soviet Union, Lenin talked of a retreat. Deng has carefully avoided that language. It is not possible to describe what he has been doing as a historical compromise, a temporary setback, for the simple reason that Deng Xiaoping does not use that language. He has in fact ruled out the possibility of the current collaborationist course being reversed in the next fifty years. In his speech on June 9 to the PLA commanders, Deng talked of revamping education. The time-limit, obviously on the minimum side, that he specified was sixty to seventy years. The proposed education programme would concentrate on "plain-living" and obviously on the economic policies that were first introduced nearly eleven years ago.

In the meanwhile, the Chinese leadership has tacitly acknowledged that the army-people interaction at the Tiananmen Square on June 4 did not demonstrate what Deng claimed in his June 9 speech—that "people cannot but recognise that the PLA are the sons and brothers of the people". Li Peng, the Chinese premier, has claimed that the PLA ran out of teargas on June 4. He also further stated that the army ran out of rubber bullets and had to use real ones. Of course, the official Chinese position is and has been that the students attacked the army. Deng in fact instructed the commanders of the army that they should "make sure that our weapons are not taken away from us". The PLA commanders allowed their weapons to be taken over. But not all weapons seem to have been snatched. Some soldiers had their weapons but what they did not possess was the supply of rubber bullets; so they fired the real ones. So a few people died. The Chinese authorities say only twenty-three died. Hong Kong papers, not all of whom can be relied upon (certainly not *Ming Bao*), put the figure in thousands. Now American newspapers have computed the figure of dead between four hundred and eight hundred.

Even Deng Xiaoping does not deny that students have been killed. In his speech on June 9 Deng Xiaoping said, "the US berates us for suppressing students. But when they handled domestic students' unrest and turmoil, didn't they send out police and troops, arrest people and shed blood? They were suppressing students and the people, but we are putting down counter-revolutionary rebellion". He does not deny blood-shed and killings. All that he says is that whereas the Americans were killing people, his comrades have killed counter-revolutionaries. In short, you can kill provided you are careful to brand your victims as counter-revolutionaries.

Deng Xiaoping's message is clear. What the party leadership does is only a compromise; what the students were indulging in was a counter-revolutionary rebellion. Deng has even tried to bring in historical determinism in his address. He said that what has happened "was bound to happen and was independent of man's will". It is interesting that Deng is talking this language. If the "counter-revolutionary storm" was inevitable what policies or what economic realities made it so? Lack of "political work and education" apparently resulted into this storm independent of human will. "Upholding four cardinal principles and persisting in the open policy and reforms" that the CPC has held dear since the 13th Party Congress were right. And yet the storm burst out into the open.

Deng has also said that the people who had gathered at the Tiananmen Square had "two main slogans: To overthrow the communist party and topple the socialist system". What is the evidence for it? Deng has not cited any in his speech. The students' demands either of 1986 or of 1989 do not suggest that Deng is right. As we pointed out the last time, the students asking for the prime minister's resignation was in all probability the main factor which caused the paranoia in Beijing. Deng and his comrades must have seen nightmares of the Cultural Revolution when the slogan was 'bombard the headquarters'. The moment the nightmare was seen, the students became ten-feet tall monsters out to destroy the 'socialist' system. Once this perception came to stay what happened was "inevitable" and, in a manner of speaking, "independent of human will".

Anyway Deng Xiaoping and his comrades will carry on with their versions of the happenings of June 4 and since. They would do so with an element of injured innocence. But their lies and half-truths should not blind us to the great hypocrisy of the heads of the seven rich nations of the world who had gathered at Paris. These people, especially the Americans and the British, have no qualms about trying to resist proposals for sanctions against South Africa. The number of people whom the Americans have killed across the three coloured continents should invite the worst reprisals. The South Koreans beat and kill their students every alternate month. Nobody proposed sanctions against them; certainly not the big seven. Why then sanctions against the Chinese?

Deng Xiaoping should have known the hypocrisy of those to whom he has told thrown his country open. He obviously did not. It is good that he has told some plain truths to the Americans. The Chinese treatment of the students cannot be justified. Equally the holier than thou attitude of the big-7 cannot be justified either. The only difference perhaps is that Bush may well argue that his countrymen have not killed Europeans and Americans. They have killed only coloured people. The Chinese have killed their own people. So there is no real comparison. One wishes Deng Xiaoping and his comrades import at least one influence from the west: Never kill your own people. Disarmament for the white people, war for the coloured lot. That is the division which works. The Chinese must reverse that or scrap it altogether. Unless that happens, they will make the traditional killers proud of their systems and put themselves on the defensive.

Decay of Parliamentary Institutions in India

P A Sebastian

A journalist's report on corruption in the secretariat of the Maharashtra legislature has been held to be a breach of privilege which lowers the prestige of the legislature. The episode is indicative of the rapidly deteriorating state of institutions of parliamentary democracy—legislatures, courts of law, criminal investigation agencies, etc—in India.

IN July, 1987 N D Patil, an MLA of the Peasants and Workers Party and Digvijay Khanvilkar, an MLA of the Congress(I) accused each other on the floor of the Maharashtra Legislature of stealing a question belonging to the other. Intrigued by the allegation, Prakash Gupta, a reporter of *Navshakti*, investigated the matter and found to his consternation, that the staff in the secretariat of the Maharashtra legislative assembly were steeped in corruption and some of the MLAs were accomplices in the racket.

Questions, half-an-hour discussions, calling attention motions and such like are the devices to bring people's problems before legislatures. They are first submitted to the secretariat of the legislature. It is alleged that the staff in the secretariat of the Maharashtra legislature manipulate such things when they are submitted by the MLAs who are not well known and not very vociferous. The MLAs ask the parties whose interests are involved in the matter to go and meet the staff concerned. If a deal is struck then the matter appears before the legislature. If not the matter may vanish into thin air. This was the burden of Gupta's article in *Navshakti* which appeared on July 20, 1987. On the same day a motion for breach of privilege was moved in the legislature against the reporter. The motion said that the article interfered with the functioning of the legislature and defamed the chairperson and the members of the legislature. The special privileges committee held that Gupta was guilty and punished him with thirty days' imprisonment which both the houses of the legislature commuted to a warning on April 26, 1989.

The episode is indicative of the decay of the institutions of parliamentary democracy in India such as the legislatures, the courts, the commissions of inquiry and criminal investigating agencies. The action of the legislature seems to suggest that corruption may not lower the prestige of the legislature, but its disclosure may. The legislature does not appear to be agitated over the substantive issue and to have made an attempt to inquire into the charge of corruption and to have taken remedial measures, but it has censured the one who reported it. This is indeed a strange concept of prestige. Can one demand prestige as a matter of right and enforce it at the pain of punishment?

The members of the Tamil Nadu assembly assaulted and molested each other. If one applies the logic of the Maharashtra legislature, it will mean that the mutual belabouring indulged in by the members did not taint the prestige of the TN legislature while reporting it in public did. Rajiv Gandhi treated the members of the parliament as less than honourable when he misled them by falsely claiming there was an SIT report which exonerated Dhawan of the charge of conspiracy to assassinate Indira Gandhi. But the parliament has not punished him for contempt of the house.

The other institutions of parliamentary democracy do not acquit themselves any better than the legislatures. The Supreme Court was supposed to decide the validity of the interim order in the Bhopal gas disaster case. Instead, the court transferred to itself all the cases, both civil and criminal, and quashed them in terms of an apocryphal settlement. This decision flew in the face of the laws and precedents. The court had struck down its own order in Antulay case whereby the corruption case against him had been transferred to the high court from the sessions court, because it discovered that it had no power to do so. From where did the court acquire the power now to do the same thing, which, it said, it did not have, not so long ago? Does the law vary in accordance with the colour and wealth of the litigant?

The government had assumed power to represent the gas hit under the Bhopal gas leak disaster (Processing of Claims) Act, 1985. Some of the gas hit had challenged in the Supreme Court the constitutional validity of this law. The court acted on the basis of a settlement signed by the government on behalf of the victims, whose power to do so was under legal challenge. The propriety and the judicial wisdom demanded that the court should have first decided the constitutional validity of the Act before it took such a momentous decision which affected thousands of people. A five-judge bench of the Supreme Court had held in the Shriram case: "When an enterprise is engaged in a hazardous or inherently dangerous activity and harm results to anyone on account of an accident in the operation of such hazardous or inherently dangerous activity resulting, for example, in the escape of toxic gas, the enterprise is strictly and absolutely liable to compensate all those who are affected by the accident and such liability is not subject to any of the exceptions *vis-a-vis* the tortuous principle of strict liability. In such a case, the measure of compensation must be correlated to the magnitude and capacity of the enterprise because such compensation must have a deterrent effect. The larger and more prosperous the enterprise, the greater must be the amount of compensation payable by it for the harm caused on account of an accident in the carrying on of the hazardous or inherently dangerous activity by the enterprise." This was not a very revolutionary doctrine enunciated by the Supreme Court for the first time in its history. The privy council had said so about a hundred years ago. The absolute liability meant in the instant context that Union Carbide had to compensate fully for the damages incurred by the victims, irrespective of whether the gas escaped because of its fault or not. But the court evaded, in the case of Carbide, a decision on this issue. Besides, there was the question of punitive damages for negligence which is an accepted principle in the US while it is in a nascent stage in India. The Carbide case gave the highest court an opportunity to take definitive decisions on all such vital issues which would have had a tremendous impact in the future.

The reason given for the court's refusal to determine such issues on the basis of principles was two-fold: (1) the case would have taken several years because of back-log of cases in Indian courts, and (2) there was no guarantee that the American judiciary would have accepted and implemented the decision of the Indian courts. Neither argument will stand the test of reason. Regarding the first argument, there was nothing to prevent the court from constituting a special bench to deal exclusively with the Carbide case. Anyway, the court has already spent about three months on this case now. And it may take several months more. If the court had decided to spend this much time at the first instance itself, it could have done so without getting involved in unseemly controversies and legal wrangles which may provide the US courts with a reason to say that the Indian courts have not complied with the due process of law. The second argument is equally untenable. The comity of nations would have entailed that the US courts enforced the Indian decisions.

When the highest court bungles such an important issue so badly, how can the courts command the respect of the people—how can they maintain and enhance their own

prestige? Now, who has lowered the prestige of the courts and who has interfered with the course of justice—the people or the course themselves? In the history of independent India there is no other single incident which has mangled the Indian judicial edifice as badly as the performance of the Supreme Court in the Bhopal case. The cuts and tears are entirely self-inflicted. Rightly or wrongly, people today believe that the judges of the Supreme Court indulged in wheeling and dealing behind the curtain along with the officials of the Indian union and Union Carbide.

There are several instances in which the Indian courts have not crowned themselves with glory. E M S Namboodiripad was charged with contempt of court for a statement made when he was the chief minister of Kerala. Upholding the charge of contempt against Namboodiripad, the Supreme Court said in 1970: "When, therefore, a person charged the judiciary as 'an instrument of oppression' and the judges as 'guided and dominated by class hatred, class interests and class prejudices, instinctively favouring the rich against the poor', it is clearly an attack upon judges calculated to raise a sense of disrespect and distrust of all judicial decisions. It weakens the authority of law and law courts and the person is guilty of contempt of court. That the person did not intend any such result cannot serve as justification."

It is illuminating to contrast the judgment in Namboodiripad's case with the judgment in the Shivshankar's case delivered by the Supreme Court in 1988. P Shivshankar, the then minister for law and justice addressed a meeting of the Bar Council of Hyderabad on November 28, 1987 and said: "The supreme court composed of the elements from the elite class had their unconcealed sympathy for the haves, i e, the zamindars. As a result, they interpreted the word 'compensation' in Art 31 contrary to the spirit and the intendment of the constitution and ruled the compensation must represent the price which a willing seller is prepared to accept from a willing buyer. The entire programme of zamindari abolition suffered a setback..." He further stated: "The Maharajas and the Rajas were anachronistic in independent India. They had to be removed and yet the conservative elements in the ruling party gave them privy purses. When the privy purses were abolished, the Supreme Court, contrary to the whole national upsurge, held in favour of the Maharajas." The minister also said: "Madhadhipatis like Keshavananda and zamindars like Golaknath evoked a sympathetic cord nowhere in the whole country except the Supreme Court of India. And the bank magnates, the representatives of the elitist culture of this country ably supported by industrialists, the beneficiaries of independence, got higher compensation by the intervention of the Supreme Court in the Cooper case. Anti-social elements, i e, FERA violators, bride burners and a whole horde of reactionaries have found their haven in the Supreme Court."

Namboodiripad's critique of the judiciary was theoretical and ideological. It was only a reiteration of some of the basics of Marxism. And Marxist ideology has not been prescribed in India. But Shivshankar concretely charged the Supreme Court with bias and prejudice against the poor and instinctive favour for the rich.

Disposing of contempt proceedings against Shivshankar, the Supreme Court said: "While respectfully accepting the ratio and the observations of the learned chief justice made in that decision (Namboodiripad's case), we must recognise that times and clime have changed in the last two decades. There have been tremendous erosion of many values..." Strange logic indeed. The values have eroded, so Shivshankar could denigrate the judiciary with impunity! The court added: "After all in cannot be denied that the pre-disposition or subtle prejudice or what in Indian language is called *sanskar* are inarticulate major premises in decision-making process. That element in the decision-making process cannot be denied, it should be taken note of." And the court concluded: "If any one draws attention to this danger and aspect and measures an institution by the class content, he does not minimise its dignity or denigrate its authority... The minister's statement does not interfere with the administration of justice..." The retreat was complete.

The only difference between Namboodiripad and Shivshankar is that the former meant what he said about the class content and its bias whereas the latter only simulated. Can anyone blame people now, if they conclude that the courts have two measures in their shop of justice?

The commissions of enquiry were meant to deal with complex situations in which unlawful acts have been committed and the executive is not, or does not seem to be, fair and impartial. But this institution has been abused for mala fide and extraneous reasons, one need not dwell upon the past performance of such commissions as Bhargava commission to drive the point home. The recent examples will clinch the issue. The Misra commission came in handy to whitewash the crime of those who committed pogrom in the first week of November, 1984. One instance will suffice to make the point clear. An affidavit filed before the commission had two lists attached to it—one consisted of the names of very prominent Congressmen who are said to have instigated and mobilised the assailants and the other the names of some minor Congress functionaries. The commission totally ignored the first list as if it did not exist while it recommended action against the minor workers! The Thakkar Commission broke all the norms and did a command performance. It is widely believed that Thakkar pointed 'the needle of suspicion' at Dhawan to suit the political requirements of a particular clique in the Congress Party. The Thakkar-Natarajan commission is another instance. It went on a witch-hunting to censure the political opponents of the regime. Very often a commission of enquiry is appointed as an agency of political expediency to defuse the situation and thereby to sweep the ugly incidents under the carpet rather than to investigate and punish the guilty. In late 1982, there were widespread communal riots in Meerut, in which over a hundred and fifty people lost their lives. The Provincial Armed Constabulary of UP actively participated in the riots, it was alleged. The government appointed Justice C D Parikh as a one-person judicial commission to enquire into the riots. The commission was ultimately wound up in late 1988. It is not known what the outcome of the commission was.

Criminal investigating agencies are the bed-rock of criminal justice. They are meant to be scrupulously impartial and fair. But to-day we see an alarming spectacle of misuse of the investigating agencies. It is said that the murder of Syed Modi was used to 'fix' Sanjay Singh. Justice Thakkar pointed out R K Dhawan as the principal suspect on the basis of material produced by a special investigating team of the Delhi police. The same team had no compunction in 'exonerating' Dhawan when political expediency demanded it.

The institutions of parliamentary democracy in India have degenerated to such an extent that they are no longer effective instruments through which people can articulate their grievances and demands. The situation is comparable with that in China in a crucial aspect where the all-encompassing Communist Party became moribund and the people had to find new avenues outside the frame-work of the party. Probably the situation is ripe in India for a people's movement to break out of the existing framework, as is being witnessed in China today.

CALCUTTA

Public Health Services in a Mess

Ashim Mukhopadhyay

The appalling state of public health services in Calcutta has been highlighted once again, this time by the mass deaths of new-born babies at the Calcutta Medical College and Hospital because of, according to the official explanation, "overcrowding".

THE death of nineteen new-born babies at the Calcutta Medical College and Hospital (CMCH) and the consequent mudslinging between the state health minister, Prasanta Sur, and the health department on one side and the West Bengal Health Service Association and the so-called medical cell of the Congress(I)'s student front on the other during the last week of July reveal the callousness of those whom the people had entrusted with the responsibility of looking after public health. According to Sur, this unprecedented spate of infant deaths was caused by the overcrowding of the hospital's maternity wards following temporary closure of admission of expectant mothers to the NRS, another major hospital in the city, where a tetanus case had been recently detected. The situation deteriorated so much in the CMCH that at one time three or four mothers were found sharing the same bed with their babies. The overcrowding also made the existing staff shortage more acute with a single nurse looking after scores of women and infants, besides turning the entire surroundings extremely unhygienic. While taking measures to tackle the problem, Sur also constituted an eight-member committee to probe into the infant deaths and fix the responsibility.

However, Sur was practically mobbed by a group of women, reported to be Congress(I) supporters, and a few representatives of the medical cell of the Chhatra Parishad while opening a new nursery at the CMCH on July 28. Next came a strong protest from the Health Service Association, West Bengal, that straightaway held the state health department responsible for the tragedy and labelled the setting up of the inquiry committee as eyewash.

The truth that emerges from these claims and counter-claims is that the state health ministry and the state government as a whole have failed in the sphere of public health. Two horrendous events were reported last year of new-born babies being actually carried away by stray dogs from inside hospital wards in broad daylight and devoured. Mothers wept, relatives demonstrated and the authorities promised compensation and inquiries. Nothing was heard thereafter. Meanwhile stray animals still roam freely in the hospitals. The callousness of the health ministry was again revealed when about one thousand bottles of blood, donated by volunteers for the setting up of the Bakreswar Thermal Power Plant, had to be destroyed due to inadequacy of storage facilities. Sur and his men had tried to suppress the incident.

Almost a year ago, the people of Calcutta witnessed a macabre tragedy. Hundreds of men, women and children at Behala in the south-eastern part of the city fell sick after eating food cooked in rapeseed oil and doctors diagnosed their ailment as paralysis. According to information with the ministry of health, a very poisonous chemical called TC Phosphate, normally used in making aero fuel, had been mixed with the cooking medium at a local ration shop. In the past there had been complaints of similar malpractices against the same shop. As happens in such cases involving a large number of people, the exact figure of persons affected is still a matter of debate. Nevertheless it can be said that more than two hundred people were permanently crippled. While anarchic conditions prevailed in the local hospitals, ministers and senior officials of the health, food and municipal affairs departments issued contradictory statements about the case. Sur and food minister Nirmal Bose started an unseemly debate on whose was the ultimate responsibility and at one stage an attempt was even made to pass the buck to Buddhadeb Bhattacharya, the municipal affairs minister.

As far back as in 1972, about 400 people at Dum Dum, a northern suburb of Calcutta, had fallen sick after consuming adulterated mustard oil and had become physically crippled in course of time. During these 17 years, the victims have neither been fully rehabilitated nor given any adequate compensation. Though the present state government is not responsible for the incident, it is evident that it cared little to learn from the past. Distribution of the adulterated rapeseed oil started on June 24, 1988 and there were complaints since then about its ill-effects. But the local rationing authorities and the food department officials paid no heed. Why did not the government stop the supply of the adulterated oil? Was there a mustard oil lobby in action to sabotage the rationing system and create a fear psychosis? And why was the matter not probed right in time?

The urban agglomeration of Calcutta with a population of over 11 million provides ideal opportunities for food adulteration. The steady rise in the population is not matched by increase in the supply of food. As a result, almost every food item is being adulterated, quite often with dangerous substances. The state government has not had any definite policy to deal effectively with the offenders who are doing brisk business under the very noses of the health department officials and the police.

Even if there were no overcrowding in the city hospitals and no adulteration of food items and medicines, the very atmosphere of the city claims hundreds of lives. As the streets get increasingly chocked with the ever-growing number of vehicles and as industrial units, even those handling hazardous chemicals, keep sprouting all over, the atmosphere is getting increasingly clogged with every conceivable type of pollutant. The problem is aggravated by the heaps of uncleared garbage strewn everywhere. The government is now getting ready for the tercentenary celebrations of Calcutta on which it will spend lot of money through seminars, exhibitions, fetes and fairs. But all this will hardly ameliorate the conditions of the common people who will continue to be haunted by disease and death—as was poignantly brought out by the mass deaths of new-born babies in the Calcutta Medical College and Hospital.

KARNATAKA STATE FINANCIAL CORPORATION
25, M.G. Road, Bangalore-560 001

EXCERPTS FROM THE CHAIRMAN'S STATEMENT AT THE 30TH ANNUAL GENERAL MEETING HELD ON 25TH JULY 1989

Mr. M. Sankaranarayanan, IAS
Chairman

Ladies and Gentlemen,

Another year is over. It is now my privilege to welcome you to the 30th Annual General Meeting of the shareholders of the Corporation.

In my statement at the last general meeting I had indulged in purple prose and had almost become ecstatic in describing the growth of the Corporation and its achievements. I do not propose to do this again though there is ample justification to do so. Suffice it to mention that the momentum which the Corporation has acquired in the last few years has enabled it to grow further in many directions. It retains its pride of place among the term lending institutions and has diversified its operations even more. Its acknowledged primacy has made it the leader in many areas and one can say with pride that it continues to function upto our great expectations of it.

OPERATIONAL HIGHLIGHTS:

The Corporation has an impressive track record with a continuous and marked degree of improvement in its operations, year after year over the past six years. 1988-89 was another year of record performance in all its key operations viz., Sanctions, Disbursements, Recovery, Rehabilitation of Sick units and Assistance to Backward areas.

The overall performance of the Corporation against the targets set for 1988-89 is as follows:

(Amount: Rs. in crores)

Sl. No.	Particulars	Target	Achievements	% achievements	% growth over the previous year
1.	Sanctions	140.00	148.32*	105.94	18.09
2.	Disbursements	118.00	124.60	105.59	18.90
3.	Recovery	87.00	92.88	106.76	23.05

* Includes bridge loan of Rs. 3.66 crores

COMMENDATION BY THE GOVERNMENT:

The Government of Karnataka have conveyed their appreciation to the Corporation for exceeding all its targets. Government of India have also conveyed their appreciation that the Corporation has been one among the top ten companies which have returned the maximum income for the assessment year 1987-88.

REHABILITATION OF SICK UNITS:

During the year the Corporation extended a total Rehabilitation Assistance of Rs. 9.15 crores to 314 units under the scheme of IDBI, as against a total assistance of Rs. 7.90 crores to 174 sick units in the previous year.

FLOW OF ASSISTANCE:

1. ASSISTANCE TO BACKWARD AREAS:

During the year under report, the Corporation has sanctioned loans of Rs. 68.55 crores to 3,951 cases in backward districts as compared with Rs. 57.28 crores sanctioned to 2,823 cases during the previous year registering an increase of 40% in terms of number and 19.67% in terms of amount.

2. ASSISTANCE TO SMALL SCALE SECTOR:

During the year, 5,078 cases amounting to Rs. 106.72 crores were assisted in the small scale sector as against Rs. 94.93 crores to 4,232 cases during the previous year. This represents an increase of 12.4% in terms of amount and 20% in terms of number over the previous year.

3. ASSISTANCE TO SC/ST/BACKWARD CLASSES:

During the year under report, 1,366 entrepreneurs belonging to SC/ST/BC category availed an assistance of Rs. 10.63 crores as against 1,241 entrepreneurs assisted to the tune of Rs. 7.66 crores in the previous year, registering a growth of 39% in terms of amount.

4. WOMEN ENTREPRENEURS:

During the year under report 1,067 women entrepreneurs were assisted to the tune of Rs. 4.67 crores as against 527 women entrepreneurs availing assistance of Rs. 2.08 crores in the previous

year, resulting in an increase of 102.46% in terms of number and 125% in terms of amount.

5. DEVELOPMENT OF LOCAL ENTREPRENEURS:

During the year 6,155 local entrepreneurs were assisted to the tune of Rs. 138.87 crores. This represents 99.62% in terms of number and 96% in terms of amount of the total sanctions during the year.

HIGHLIGHTS OF THE YEAR 1988-89:

SINGLE WINDOW SCHEME:

The newly introduced Single Window Scheme in August 1988, came as a sigh of relief to the new entrepreneurs as this novel scheme provides both term loan and working capital assistance.

RURAL INDUSTRIALISATION PROGRAMME:

This scheme was introduced with an objective to motivate rural entrepreneurs to take up industries, taking advantage of the locally available resources such as raw materials, skills and market.

ASSISTANCE TO MINING ACTIVITY:

A special scheme was launched in the month of February '89 to extend assistance on liberal terms to those engaged in mining activity under licence from MMTC.

FINANCIAL PERFORMANCE:

During the year under review, the Corporation generated a gross revenue of Rs. 43.70 crores on cash basis as against Rs. 34.26 crores during 1987-88.

TARGETS FOR 1989-90:

The Corporation has set the following targets for the year 1989-90:

SANCTIONS	...	Rs. 168.00 crores
DISBURSEMENTS	...	Rs. 141.00 crores

SUGGESTIONS:

CREATION OF FUNDS AT SFCs TO SUPPORT R&D ACTIVITIES:

Research and Development activities need venture capital type of support, involving the loss of capital in the event of a failure of the development of a commercially viable technology, process or product. The Central Government or IDBI may consider creating a venture capital fund at the SFCs, to support R&D in the small scale sector.

GRANT TO SFCs FOR OFFERING FREE MANAGEMENT CONSULTANCY SERVICES TO SSIs:

The availability of management and technical consultancy services with little or no cost to the small entrepreneurs is important to build a healthy small scale industrial sector and to minimise the incidence of sickness and organisational deficiencies.

KSFC has been operating its own Free Management Consultancy Services Scheme since 1985, thanks to the initial support of the IDBI. There is however, a need to broaden the scope of this scheme. As this requires larger and continued financial support, the IDBI may consider sanctioning an annual grant to SFCs for arranging Free Management Consultancy Services to SSIs (including the ones graduating into MSIs)

A few suggestions made by me last year have not evoked favourable response from the IDBI. I am repeating them here.

(i) In view of the increase in the authorised share capital of the SFCs to Rs. 50 crores, the ceiling on guaranteed dividend so foregone by the State Government and IDBI should be proportionately enhanced to Rs. 12.50 crores to enable SFCs to strengthen their financial base more effectively for another 3-4 years.

(ii) As per the amended SFCs Act, there will be a five fold increase in the paid-up capital of many SFCs. Indubitably, the SFCs will find it difficult to meet the obligation of the guaranteed dividend on the enlarged capital which will progressively increase in accordance with the programme for conversion suggested by the IDBI. I would once again request IDBI to retain the outstanding amount of loan in lieu of capital, as loan portfolio only for another 15-20 years so that SFCs can have the advantage of paying interest as a charge on its profits before tax, in order to consolidate their financial position.

(iii) SFCs are functioning as Regional Development Banks. On the same principle on which the IDBI is granted exemption from Income tax, the SFCs should also be exempted from the liability of income tax by treating them also as development banks.

(iv) IDBI was covering the entire overdues including interest of the SFCs under the RSR Scheme when it was introduced in 1984. Subsequently, the interest overdues were made ineligible for refinance. I suggest that IDBI reconsider its policy in this regard and assist the SFCs to adopt a bolder and more pragmatic approach for rehabilitating sick units. Further, I would request IDBI to charge a lower rate of interest on such refinance so as to leave a clear margin of 3-4% to SFCs in order to absorb eventual losses arising from the rehabilitation of sick units.

ACKNOWLEDGEMENTS:

I wish to gratefully acknowledge the valuable assistance, co-operation and support received from the State Government especially the Departments of Finance and Industries and Commerce. My sincere appreciation and thanks also go to IDBI for its beneficial guidance and liberal refinance.

I wish to express my gratitude to institutions like KSIIDC, DIC, KSSIDC, TECSOK, LIC, KIADB, KEB, Scheduled and Commercial Banks and the entrepreneurs assisted by KSFC for their whole-hearted co-operation in our endeavours.

I deeply appreciate the unstinted co-operation received from voluntary organisations like FKCCI, AWAKE, KASSIA, Rotary and Lions Club in the Corporation's developmental activities.

I would like to place on record our appreciation of the invaluable services of Sri S.B. Muddappa, Sri M.S. Husain and Sri P.S. Ramachandran during their tenure as Directors.

Finally, let me take this opportunity to convey my sincere thanks and appreciate the very commendable efforts put in by the Managing Director Sri Y.K. Puttasome Gowda and by the other officers and the officials of the Corporation for the all round progress of the Corporation.

CONCLUSION:

It is not given to many to be at the head of a great organisation like the Karnataka State Financial Corporation. This has been my privilege and honour during the last six years. When, at the dawn of independence Pandit Jawaharlal Nehru called upon every Indian to be a partner in the adventure of building a new and progressive India, he must have had in mind, the creation and development of strong and public spirited institutions like our Corporation. We have humbly tried to reach those empyrean levels of achievement. We shall continue to endeavour towards those heights. Once again may I wish the Corporation even greater successes in its versatile and many splendoured operations

Thank you,

Bangalore
25th July 1989

M. SANKARANARAYANAN

Scuttling Wardha's Steel Plant

Ajit Kumar

The proposal to set up steel plants in Wardha district has pitted the Gandhian Ashramites against the local population. How tenable are the Ashramites' objections?

VIDARBHA, in Maharashtra is known, if at all, for its 'backwardness'. But among its nine districts, one district, viz, Wardha enjoys a special status in contemporary Indian history. Wardha's claim to fame can be traced to Gandhi's decision to stay there during the last phase of the independence movement and particularly after 1936 it became the unofficial capital of India with Bajajwadi, the estate of Jamnalal Bajaj becoming the meeting place of the Congress Working Committee. Nationalist leaders like Nehru, Bose, Azad, etc, used to camp at Bajajwadi frequently to meet Gandhi. Inevitably, in the post-independence period, Wardha lost much of its earlier importance till Vinoba Bhave launched the Bhoodan movement. Even this short-lived importance would have ebbed away had it not been for Indira Gandhi's impromptu visits to Paunar for Vinoba's 'darshan'. The tradition of visits was continued by the present prime minister but the venue shifted from Paunar to Sevagram (in the interregnum Vinoba Bhave had passed away).

Contemporary Indian politics have not been kind to Gandhiates in general and even less so to the Sevagram Gandhiates. The prime minister visited Sevagram on January 30, 1989 for distributing the Jamnalal Bajaj awards, but unfortunately, one of the awardees (Malati Devi Chowdhury of Orissa) refused to accept the award on the ground that the PM was not 'qualified' to give away awards for 'Gandhian' work. This immediately created a furore among the Ashramites with allegations and counter-allegations, with one section commenting on the propriety of inviting the PM and finally ended with the resignation of one of the trustees.

In spite of these troubles, the visits from the highest of the land have paid some dividends to the district in the form of increased official attention. The Planning Commission, on the recommendations of a sub-group, finalised a 'Gandhian' plan for Wardha in 1983. In July 1985, the chief minister of Maharashtra, Shivaji Rao Nilangekar, made the official announcement that Wardha is to be developed into an ideal Gandhian district. While he did not spell out how this was to be done, Rs 150 crore were earmarked for this purpose and industrialisation was to be speeded up. Fortunately for Gandhi's dreams not much action has been taken on the former CM's pronouncements.

The ebb and flow of Wardha's destiny took a better turn with the election of Vasant Sathe from the Wardha Lok Sabha constituency, who in spite of the conventional flaws of the Congress politician, gave considerable thrust to the district's industrialisation. This, no doubt, was actuated by the fact that in the previous election he narrowly escaped defeat at the hands of the CPI(M) contestant. Aided by his aggressive PR approach and proximity to the PM a number of entrepreneurs were persuaded to invest in Wardha. The first one to be enticed was a NRI subsidiary of an American corporation to set up a technology park for producing computers, communication equipment, software, etc, with the bulk of it marked for export. To that extent it appears to be no different from the Export Promotion Zones already in existence and hardly conducive to the fulfilment of Gandhian dreams. More importantly there was no murmur of protest from the Ashramites at this defilement of Gandhi's dreams.

But Sathe's second initiative has stirred up a hornet's nest in Wardha. While the actual potential of these industries to create employment and infrastructure can be debated, the controversies created is a revealing testimony on the concerns and perceptions of the Sevagram Gandhiates *vis a vis* the common problems afflicting the local citizens.

A non-resident Indian S A Agarwal of Steelworks Inc, in Chicago was to set up a Rs 200 crore company called Inland Steels and a UK based NRI, N G Kabra was to set up a Rs 180 crore company, Integrated Steel Plant. The former was to set up at Bhugaon-Selukjhet village 12 km from Sevagram and the second plant was to come up in the Wardha MIDC which is also close by. The plants would provide direct employment to 2,500 people and indirect employment to a large number apart from creating an infrastructure of roads, transport, ancillary industries, etc.

Vasant Sathe has directed his ire at Sushila Nayyar, a noted Gandhian, former union health minister and a member of the committee of the Sevagram Medical College for instigating Nirmalaben Gandhi (daughter-in-law of Mahatma Gandhi) to present to the PM objections against this proposal. On this basis the PM ordered a temporary stoppage of work. This was followed by the union minister for steel and mines, Fotedar's statement in the Rajya Sabha the other day that the proposed steel plants cannot be established in Wardha. In a letter dated February 21, 1981, the additional secretary,

environment informed P Subramaniam, secretary, department of energy, government of Maharashtra that clearance was not being given to Integrated Steels and Indian Steel because of the environmental threat posed to Bapu Kutir. The letter, rubbing salt in the wound also added, that the state government should shift the existing industries in the MIDC further away from the existing location.

Ashramites' Objections

The Ashramites have raised primarily two objections. Firstly the proposed plants will pollute the environment around Bapu Kutir and secondly the peace of the Ashram will be destroyed. Apparently this is not the first campaign launched by the Ashramites. Nearly 15 years ago a steel fish plant had to be shifted to Visakhapatnam under similar circumstances. Similar was the case with a spinning and weaving mill and the Golden Tobacco and Forges Company's projects.

Do the Ashramites have a case? As per their statement they are not opposed to the steel plants *per se* but to its proximity to Bapu Kutir and the concomitant pollution. The Vidarbha Industries Association (VIA) has brought to light in a press conference that according to a government survey the wind flow is from the west to the east and so the pollution will not a effect Bapu Kutir. More important is the fact that the Maharashtra Pollution Control Board had cleared the project in 1985.

The obvious solution would be to relocate the project. Since the present location was selected with specific economic consideration a private entrepreneur may not be willing to change the site. The VIA has pointed out that the present site has been selected because it is close to the MSEB sub-station and the Wardha east railway station. Apart from that the necessary formalities with the irrigation department and the MIDC authorities for supply of water has been cleared. There is now a possibility of the proposal falling through.

Today in Wardha the Merchants' Association has taken a lead in this matter. The Maharashtra Pradesh Youth Congress(I) president Promod Hiwale has threatened to launch an indefinite hunger strike in front of the PM's residence in Delhi if the government does not revoke its earlier decision. The Congress(I), CPI, CPI(M), Shiv Sena and the Maratha Mahasangh organised a bandh followed by a public meeting. The veteran CPI leader A B Bardhan has taken a lead in constituting a 'Wardha Steel Plant Location Action Committee' comprising members from different social groups including VIA in Nagpur.

It is pertinent here to comment on the influence of Gandhian thought in the pre- and post-independence Indian society. During the independence movement Gandhi and his followers played a very influential if not a dominant role. But in the post-independence evolution of Indian polity there has been a complete marginalisation of Gandhian thought. This essentially is a reflection of the success of the Indian state in co-opting the Gandhiates and at various levels of economic, social and political interaction the Gandhiates have extensively collaborated with the old Congress Party and the present ruling party. The last 42 years have seen the complete alienation of Gandhian thought and of his followers from the local society which is a tragedy considering Gandhi's, almost 'magical' understanding of the Indian psyche.

It speaks for the distance the Sevagram Gandhiates have travelled away from the people, that their concern is limited to pollution over Sevagram and not about the residents of the new site if and when the plant is relocated. What do the Ashramites hope to achieve? The preservation of Bapu Kutir as a historically sanctified place of pilgrimage and of tourist interest both for the ordinary Indian and our 'rulers'. That Wardha because of the Gandhian institutions occupies a place in the tourist map is attested by the fact 50,000 people including foreigners visit Sevagram every year. The commercialisation of Gandhian thought has got an impetus with the setting up of various departments of Gandhian thought imparting degrees and diplomas with Sevagram as a landmark in the academic itinerary. The Ashram Gandhiates would do well to ponder on the findings of a government survey which indicated that while in 1901, 45 per cent of the population in Wardha was engaged in non-farm occupation, the number had dwindled to 10 per cent in 1946 and 2 per cent in 1968.

The Gandhiates could have restored a modicum of respectability to Gandhi and his ideas by utilising his views on industrialisation and foreign technology as a plank for attacking Vasant Sathe's NRI-based development instead of harping on pollution. Considering the large investment, the officially-stated figure for employment generated is for a mere 2,500 people which is not going to make any dent on the unemployment situation in Wardha. Moreover considering the nature of technology to be used the local youth or worker is not going to benefit very much. As an alternative they could have pressurised the state and central governments and Vasant Sathe to implement the official Gandhian plan particularly its rural industries component which on paper is employment-intensive. The Ashram Gandhiates by merely paying lip service to Gandhi's greatness and conveniently forgetting or ignoring his thought qualify for Sathe's pejorative for them—'phoney Gandhians'.

MADHYA PRADESH

Press under Pressure

Approval of the state government and the chief minister personally has become a vital consideration in the posting of correspondents of the national newspapers in the Madhya Pradesh capital.

THE public relations outfit of the Madhya Pradesh government is scaling new heights. Till now they could manage only the provincial press, dependent to a large extent on state government advertisements for its existence. But now even the national dailies seem to have started caring for the chief minister's wishes.

The proprietor-editors of most of the regional newspapers, with a few honourable exceptions, have always believed in crawling when asked to bend. They zealously support each successive chief minister. Recalls a local journalist: "Working under these constraints we always looked up to the correspondents of national dailies for taking on the government."

Not any longer. With every change in the political regime in the state, the correspondents of the national dailies are changed or transferred. It is certainly not a coincidence that only those correspondents are shifted who are not on good terms with the new incumbents.

The latest in the series is the transfer of the Bhopal correspondent of *Navbharat Times*, the Hindi daily of the *Times of India* group. He was alleged to have been too close to former chief minister Arjun Singh. Last month he was transferred to Chandigarh in peculiar circumstances. He was asked to move even as his successor, the man in Chandigarh, refused to vacate the post and obtained a court stay against the transfer.

The newspaper's editor denies that it was a politically-motivated transfer. The management explains that it was a routine transfer. And the state government, of course, claims that it is not involved. But the fact remains that the management had in the past indicated to the correspondent who is being transferred that chief

minister Motilal Vora was not very happy with him and that he should mend his ways.

The *Times of India* group is planning to launch new editions from Bhopal. It has already acquired land from the government for the purpose. The company is also putting up a Rs 108 crore acrylic staple fibre unit in Madhya Pradesh. Obviously it needs a lot of goodwill in the corridors of power.

Transfers of newspaper correspondents indeed seem to follow a set pattern. The *Times of India's* Bhopal correspondent had been transferred last year soon after Arjun Singh came to power. The man was thought to be too close to Vora for Singh's liking.

The Hindustan Times correspondent in Bhopal had been transferred in humiliating circumstances two years ago. He was first sent to Hyderabad but there found that his predecessor was still functioning. He was brought back to Bhopal and asked to go on leave. After months of waiting he was given a posting in Jaipur. All this because he had reportedly invited the wrath of a union minister from Madhya Pradesh. The correspondent of the group's Hindi newspaper, *Hindustan*, was also shifted from Bhopal to please the same minister. The present correspondent of *The Hindustan Times* is thought to be not very favourably disposed to Vora. Recently he was conveyed a subtle message by the public relations outfit of the state government that Vora had had an hour-long meeting with the newspaper empire's heiress.

Chief ministers getting annoyed with correspondents who write the unpalatable truth and trying to get them transferred from their states is not new. What is new, and frightening, is that newspaper managements are now more than willing to listen.

Newcomers Below the Poverty Line

Bharat Dogra

Claims are advanced on behalf of the government about the number of people lifted above the poverty line in every five-year plan. But what about the number of those who, above the poverty line to begin with, are pushed below it by a variety of forces, all endemic to the operation of the economic system, such as the destruction of traditional crafts and industries, large-scale displacement on account of development and defence projects, floods and droughts and sickness and closures in organised industry?

POVERTY reduction is claimed to be an important part of development planning in India. A major aspect of every five-year plan is the extent of poverty reduction achieved or, to use the official jargon, the number or percentage of people who have been raised above the poverty line. The claims made in this regard are widely discussed and debated, testifying to the political and socio-economic significance attached to this issue.

Various Planning Commission documents describe what proportion of persons below the poverty line have been raised above the poverty line, and how. To some extent this is supposed to be achieved by the overall economic growth and to some extent by the specific poverty alleviation programmes such as the IRDP, the various employment works, etc. However, this entire exercise ignores one extremely important dimension. It does not consider the number of newcomers below the poverty line, i e, the number of people who have been pushed below the poverty line during the period under consideration. This number has to be subtracted from the number of people who have been raised above the poverty line due to the impact of poverty alleviation programmes and other steps. Only then can we have a proper estimate of the extent of poverty reduction.

It is not difficult to identify the complex of factors due to which more and more people, who were once earning their livelihood in a relatively satisfactory way, are being pushed below the poverty line. Newspapers in recent years have given many instances of projects involving large-scale displacement without proper provisions to ensure satisfactory rehabilitation. These include dam projects, mining projects and several other development and defence projects. A large majority of these people are likely to have suffered a significant deterioration in their income and living standards.

Secondly, there are a large number of artisans who have been fully or partially displaced from their occupations. This may happen because of competition from machines against the government's declared policy of protecting them—for example, the competition handloom weavers face from powerloom weavers or handprinters face from mechanised printing. This may happen also due to the denial to them of the basic raw materials. For example, bamboo artisans in many parts of the country have been increasingly deprived of their basic raw material in recent years because of the destruction of bamboo forests as well as the neglect of their needs by officials. Thirdly, there are artisans who suffer because of the vagaries and uncertainties of the market, specially the export market. Lastly, there are a substantial number of small and poor artisans who suffer just because of the criminal neglect and corruption of officials.

Fishermen and miners are two other groups who have lost employment and livelihood on a large-scale in recent years due to mechanisation and related technological change. The same can be said of some categories of industrial workers. Prolonged lock-outs have taken their toll in the form of workers rendered unemployed. The number of sick and closed industries has increased greatly in several parts of the country, forcing workers into long periods of unemployment and uncertainty.

A large number of other people do not face sudden unemployment or loss of livelihood; for them the loss is somewhat gradual but it is very real and painful. For example, a large number of peasants whose yield is steadily going down and livelihood becoming precarious (specially in the hilly areas) due to deforestation, soil-erosion, landslides and related problems. The combined impact of these problems over the years may force entire families to leave their traditional homes and employment and go out in search of an uncertain future.

The growing damage from manmade disasters such as droughts and floods, landslides, gas leaks, severe pollution, communal violence, etc, leaves permanent scars on the lives and livelihood of a large number of people, making it difficult for them to make both ends meet.

The list can no doubt be extended, but the main point has been made. Even if we consider only these categories, the number of the severely affected people in recent years runs into not lakhs but crores. So to know the real magnitude of poverty, it is necessary that estimates of these people pushed below the poverty line during a plan period are also made and the estimates of people raised above the poverty line are then adjusted by subtracting this number. And if in the process we reach a negative figure, we should not be shy of admitting that fact.

An honest exercise of this nature will make us conscious of the distress of the most needy sections of our society and such a realisation will be the first step towards concerted action for their upliftment. On the other hand, by neglecting such an exercise, we merely perpetuate and aggravate the neglect of these sections.

Urban Housing

Sreemay Basu

To make possible the huge increase in housing stock needed to meet the requirements of shelter, there will have to be a radical rethinking of all aspects of the legislative, financial and technological practices that today regulate the construction of buildings in different parts of the country.

THE 'International Year of Shelter for the Homeless', 1987, generated a fair amount of activity, including seminars organised at the state as well as at the national and international (like those at Trivandrum and New Delhi) levels. Academics, bureaucrats and legislators generally concerned themselves with the vast aggregative dimensions of the housing problem. An aspect somewhat overlooked was the qualitative changes occurring in the process of delivery of housing to consumers in urban areas. This is also of immense significance. The housing scene in Calcutta where this change has been occurring over the last decade may serve as an example, typical of urban centres across India.

Housing for the middle class nowadays ranges between Rs 300 and Rs 400 per sq ft. In this range flats are available at Salt Lake, Behala, Jadavpur and similar outlying areas. The cost of construction for the developers, who are organised and able to obtain materials and labour at better rates than individuals, is roughly in the range of Rs 120 to Rs 150. Therefore, the remaining Rs 180 to Rs 250 represents the cost of land and the developers' profit. How much of this is the cost of land? For our rough and ready calculations, let us take Rs 1,00,000 per cottah, which is 720 sq ft. If we assume an average permissible floor area ratio of 1.75, this cost translates to Rs 80 per sq ft. The developers' profit is therefore between Rs 100 and Rs 170 per sq ft, or 33 to 40 per cent of the total expenditure. Since in most cases the prospective owners have to make the payments in advance, according to the stages of completion, there is no cost of capital involved and little difference between 'gross' and 'net' rates of returns. The rate of return is higher in the case of luxury housing, costing Rs 750 per sq ft and above, in areas like Alipore, Southern Avenue, Jodhpur Park and Ballygunge and even higher in the case of commercial property development.

The most fundamental change that such high returns have brought about is that building construction has become a commercial enterprise. It is no longer in the hands of professionals. Thus we find the agencies entrusted with the powers to regulate and oversee construction corrupted to such an extent that obtaining necessary sanctions now ranks as *the* most important step in the construction process. This has also resulted in spectacular abuses of building bye-laws, as in the Alipore high rise case. In general, because immediate return is the prime objective of such enterprise, the net result is diminishing standards of both construction and design. Other manifestations of this change ('For a Roof over the Head', *The Statesman*, 30.12.1987) are the use of 'power of attorney' and other extra legal methods of property transfer, the ouster of the middle class from their ancestral homes, eviction of slum dwellers and the moving in of lower middle class to slum accommodations (a phenomenon noted particularly in Bombay). This state of affairs offers scant hope of addressing the shelter needs of tomorrow even for middle and low income groups. The prospects for the poor, known euphemistically as 'Economically Weaker Section', are no brighter. Their fate rests solely on government agencies whose inefficiency renders housing schemes for this section of society—inherently in need of large subsidies—even less viable economically.

As we go towards the 21st century, the aggregate needs for shelter in only the urban and semi-urban settlements of our country are being estimated in the range of an additional 50 million houses or flats. To make possible this huge increase in housing stock, there will have to be a radical rethinking of all aspects of the legislative, financial and technological practices that regulate the building of buildings in different parts of India today.

There is need for an integrated and innovative shelter programme. There are signs that the government is slowly starting to wake up to the dimensions of the problem. The National Housing Bank has just become a legislative reality. It is to be an apex body, linked with regional institutions like the HDFC in the west and the HPFC in the east. The need for such public and joint sector undertakings is not only to promote finance, but to embark on actual cost effective construction, so that the objective of maximising short-term returns can be replaced by that of providing affordable housing to all the different sections of society.

The shortage of land will obviously exist and get accentuated. Again, the government has to embark on comprehensive planning exercises integrating the different types of land uses in metropolitan, urban and semi-urban settlements. These should be based on computer-aided modelling and analysis for forecasting and for evaluation so that all plans are as accurate and as specific as possible, and allocation of scarce resources can be made optimally. Delicate balances have to be maintained. The wholesale conversion of agricultural land for building purposes cannot continue. Hard choices regarding ownership of land and the limitation of space for habitation have to be made.

An important related issue is that of density of development. Fallacies persist in planners' minds about 'high rise' and 'high density'. The Land Use and Built Form Studies Group at Cambridge have proved mathematically that high densities do not require high rise. In fact they have shown how Manhattan could be rebuilt at existing densities in buildings less than eight storeys high without loss of open spaces and parks. What is required is consolidation of land holdings. Though this may be difficult to achieve presently in already built areas, at least in the new developments planners have to adopt such innovative approaches.

The issue of integration has been mentioned in passing. A case in point is Kalyani. Despite massive outlays in local infrastructure development, the township remains unpopulated because the necessary transportation links to Calcutta have not been developed. Yet, paradoxically, even at Kalyani the property transfer procedures remain so cumbersome that individuals wishing to now buy and settle there feel discouraged. Such procedures will have to be streamlined.

Finally, there is the question of design and of construction technology. There is scope for effecting great economies with organisation and use of new materials and innovative techniques. Today in Kerala Laurie Baker builds successfully with traditional materials for under Rs 100 per sq ft. There is no reason why we cannot also lower our costs substantially.

Construction management has now become a field in its own right. With the use of computers to maintain and monitor schedules and optimise construction procedures, much of the waste and uncertainties of traditional methods can be eliminated. This results in shorter execution times and the reduction of ancillary costs associated with delays.

On the materials side, there has been a worldwide revival of interest in traditional materials like mud for modern urban applications and also in age-old techniques of constructions utilising these traditional materials. Hassan Fathy in Egypt uses mud not only to build the walls but also the roof of his buildings in the ancient

Nubian technique of vaulted construction. These need no other supports—not even during the construction procedure. I have had the opportunity to try this technique in experimental buildings at Sidhi in MP in 1983 and again in 1987 as a students project in my university, the School of Planning and Architecture in Delhi. Nader Khalili of Iran extends Fathy's technique by firing these buildings from inside to obtain pucca buildings. He has shown how this can be cheaper than building with kiln fired bricks. In India Ray Meeker has tried this method in several buildings at Pondicherry. And historic examples include the terracota construction of Bankura and Bishnupur in Bengal.

The French CRA-Terre Group affiliated with the University of Grenoble uses 4 per cent cement to stabilise such mud brick buildings. They have had extensive experience in North Africa. Other stabilising techniques which are less permanent and need renewal every 2-3 years have been developed by CBRI at Roorkee. These may be suitable for semi-urban applications and can bring building costs down to the range of Rs 20 to Rs 25 per sq ft.

Applications of such techniques are not confined to lower income housing. Housing for millionaires in Nevada and for the Mediterranean rich have been built in mud. There are building magazines devoted exclusively to mud construction and special building codes devised for the purpose in America. Isn't it ironic that the world's richest country devotes so much attention to such humble materials while we, who are in dire need of alternative materials and techniques to meet housing shortages of gigantic proportions, continue to turn our back on materials that have been part of our tradition for millennia?

Pakistan: Dilemma of the Left

Babar Ali

The main agenda for the left should be one of left unity. Despite the historical catastrophes—mainly due to petty and subjective factors—whatever remains of the left should organise itself as the third alternative.

PAKISTAN is tending towards a two-party state at the federal level, with numerous nationalist groups existing at the provincial level. Given the predominance of the Pakistan People's Party and the Islami Jamhoori Ittehad, the two main contenders for power, other smaller groups and parties must toe the line of one of these two. One result of this alignment has been the creation of the Combined Opposition Parties, which is a group of seven parliamentary parties with the IJI at the centre, rallying against the People's Party government. The only party of any significance which has not joined either of the two is the Karachi based Mohajir Qaumi Movement, which could decide the balance in the future political game in Pakistan. In this political scene, the left has absolutely no choice but to support the People's Party rather than the more reactionary IJI.

The track record of the left, in the last couple of decades in Pakistan, has been so poor, that it is indeed a miracle that there is a left in the country. History has condemned the left to play a very insignificant role in Pakistan's politics today. At best it must confine itself to supporting (and that too verbally) one or the other of the political parties vying for power. Complete intellectual and ideological bankruptcy, dogmatism and Stalinist sectarianism, imported political programmes and strategies and foolhardy analyses and formulae, by the leadership of what claims to be the left in this country, has resulted in a situation which can in no way be justified. There is no such phenomenon as a left 'force' in Pakistan, and a mere handful of petty-bourgeois intellectuals, all of whom claim to be in the central committee of one of the many Communist Parties, is the identification of the Pakistani left and of the revolutionary movement in this country. In such a situation all that they can do is support the People's Party.

The argument given is that failure to 'support' the People's Party amounts to supporting the reactionary, pro-imperialist, fundamentalist Islami Jamhoori Ittehad which is regarded as a legacy of the martial law regime of general Zia. The People's Party is seen to be the lesser of the two evils and representative of the liberal bourgeois order and thus needs to be 'supported'. At one level of analysis, the left identifies the democratic process and the People's Party government as a brainchild of the US imperialism, where civilian regimes are seen to be more suitable to fulfil the grand designs of imperialist strategy as opposed to the more naked military dictatorships. This analysis understands that since democracy is the preferable option for the US in the present historical epoch, the likes of Cory Aquino and Benazir Bhutto need to be supported by the interests that serve the United States, i e, the US business, the World Bank, IMF, etc. Thus the high profile of the glamorous visit of Benazir to the US and the promise of more arms and more 'aid'. This analysis concludes that despite being pro-imperialist, the anti-imperialist left should support Benazir Bhutto, and democracy, rather than stay neutral or take an anti-Benazir approach, which the left feels will be playing into the more reactionary IJI camp.

So, at one level of analysis, the People's Party is seen as pro-US. At another level, the left cites numerous positive steps taken by the government, prominent amongst them are the freeing of political prisoners and a freer media. Other positive steps include a better approach to the Afghanistan 'problem', i e, seeking a political solution rather than take recourse to a military fanatical holy war. (For the left, a stance on the Afghan question is a barometer which indicates the degree of leftism.) The left also approves of the government policy towards India and considers this another positive measure undertaken. The restoration of bourgeois civil and human liberties is another major step of the government, particularly the lifting of the ban on trade unions and student unions. I really cannot count many more 'positive' steps.

It is indeed unfortunate that the left is condemned to support the People's Party on the basis of a few meagre and measly 'positive' measures. There have been no basic structural steps regarding the economy and corruption is as rampant as ever, with the *goondaism* of the Zia coterie being replaced by the corruption and *goondaism* of the People's representatives. Yet we are told that if we do not 'support' the People's Party, we will be playing into the hands of the reactionary fundamentalists.

I strongly disagree with this approach of the left and feel that it has implications which do not augur well for an already humiliated and almost non-existent left, and which do not favour a possible future where the left can begin to grow. The first point is that the left should realise that given its strength and support in the masses, its 'support' of the People's Party is a waste of time and inconsequential. What difference does it make to the people whether one of the Communist Parties, with its membership of two dozen, supports any government or not? The time and energy consumed in writing statements in defence of a right-liberal regime could be used in more productive ways. Pakistan has been given the opportunity of exercising a few bourgeois freedoms and the left should begin organising itself as the third alternative rather than try to cement a regime which, given half a chance, when the need arises, will squash whatever left there is. The left should begin to build its base in the trade unions and amongst the different working sections of the country. The 'support' for

the present government, given its (the left's) strength is inconsequential. Furthermore, when the left acknowledges the fact that the main reason why the People's Party is in power is due to the patronage of the US, 'support' or otherwise from the left is immaterial. This is the best time to build its own base.

The main agenda for the left should be one of left-unity, despite the historical catastrophes—mainly due to petty and subjective factors—whatever remains of the left should organise itself as the third alternative. This is easier said than done considering the track record, which has been so poor, that it would indeed be a substantial achievement if the left did get its act together. In this regard, the newly formed Qaumi Inqilabi Party (which was originally the main section of the Communist Party, also known as the 'minority' group) has taken bold measures in contacting other smaller parties of the left and has given a call for unity. The call has been well received by the other left groups. ı lthough issues are still to be discussed in detail, there is consensus on a few broad issues: a party of the working class and working masses needs to be formed with its own independent programme and its own independent functioning (unlike the past, where the Communist Party of Pakistan always worked within other parties); the name of the Communist Party should be changed if the party is to engage in open mass politics, as this name is inappropriate in the context of a backward Islamic country like Pakistan; the new party to be launched should include, if possible, all Marxist groups and the left should emerge as a united force if they are to play any role in this country.

This move based on these broad points initiated by the Qaumi Inqilabi Party is indeed welcome. One hopes that the QIP does indeed attract the smaller fraternal parties and being the biggest, most organised, and best equipped party does not suffer from chauvinism and has a revolutionary rather than a sectarian attitude towards unity. Only then can one hope for a future of the left in this country.

The problems and constraints towards unity are numerous and entrenched in history and difficult to overcome. But they have to be confronted. The biggest hindrance towards revolutionary strategy in this country is petty-bourgeois thought which passes for revolutionary Marxism-Leninism. If this thought prevails and dominates in the newly proposed left party, all attempts of unity directed towards a revolutionary alternative will fail. Given the constraints of Pakistani intellectuals and of the left movement, this becomes the most difficult, but important factor which may determine the future of the left in this country.

What is 'Socialist Freedom'?

K Balagopal

It makes little sense to use the expression socialist freedom in the same way as one uses the expression bourgeois freedom. There is nothing specifically 'socialist' about the freedom sought by the Chinese students nor about those promised by perestroika and glasnost. If by 'socialist freedom' is meant the right to build a socialist society or the freedom required for building such a society, then one can legitimately ask whether it is this freedom that Lech Walesa or the Chinese students want or Gorbachev desires to institutionalise.

THERE are two reasons for welcoming Manoranjan Mohanty's detailed statement of his position (June 17) on the recent Chinese developments; one, that it lifts the discussion to a meaningful level from the cynical asides and snide remarks that have constituted most of the comments even if left circles; and two, that those who read with a distinct sense of disbelief his brief piece in *Frontier* (June 25) are now assured that it is a seriously held viewpoint. There are, equally, two reasons for hesitating to react to his analysis; one, that very few of us can match Mohanty in his knowledge of Chinese politics; and two, that the spirit behind this reaction can easily be condemned as belonging to that genre of Marxism that 'will never learn anything'. And yet, when the gap in the understanding of persons all of whom equally profess to be Marxists has grown so wide, it is necessary that somebody puts aside all hesitation.

Let us pose the issue in the form of a few questions: (i) Is the contradiction between the state and the people central to the problems of socialism? And is it right to understand the major issues in the history of the socialist revolutions—Stalinism, the Chinese cultural revolution, Solidarity, perestroika and now Tiananmen Square—in terms of this contradiction? (ii) Granted that the Chinese students are fighting for some kind of freedom within Deng's political system, is that the same thing as fighting for 'socialist freedom'? More generally, do the phenomena such as Solidarity in Poland and perestroika in the Soviet Union represent an aspiration for 'socialist freedom', or do they, on the contrary, signify certain natural consequences of the abdication of the socialist ideal? (iii) Is it not a species of double make-believe to first of all accept the celebration of the market and material incentives, consumption and modernisation, as all part of 'socialism' anyway, and then hail the political and administrative reforms that are either demanded or necessitated as a consequence as a new wind of 'socialist freedom'? (iv) What is 'socialist freedom'? Indeed, what is socialism, and what does freedom mean in the context of socialism? Is socialism merely a system that provides a "greater possibility of the elimination of multilateral domination", and that too for the reason that it is led "by an organisation committed to the cause of the oppressed classes"? What happens if this organisation starts believing—or professes to believe—that socialism can equally be achieved by capitalist instruments?

There can be no two opinions about condemning the June 4 massacre. Killing of unarmed people would be condemnable even if they were counter-revolutionaries, but as it is, Deng being the biggest counter-revolutionary in China, it is ridiculous to call his opponents by the same name. Mohanty will perhaps disagree with this, but we are at least agreed on condemning the massacre. But this agreement makes no material difference to the questions raised above.

There is no point in seeking solutions to the problems of Marxist practice outside the framework of Marxism. Marxism has always viewed socialism as a transitory phase, a historical interregnum, that will work towards the goal of communism, in which all forms of oppression, inequality, bondage and alienation will come to an end. Even if we interpret this seemingly teleological notion as an ideal, a vision that we strive for, the meaning of socialism as a *continuously revolutionising phase of history* is not altered. Indeed, there is no teleology here for the millennium does not come at the end but is built in the course of the interregnum. And it has always been held by Marxists that this transition cannot be effected by the *spontaneous working of any formal structure*, an impossibility that is not remedied by attaching the label 'socialist' to the structure, but only through the leadership and guidance of the revolutionary proletariat.

It is necessary to emphasise the very real difference between this and the liberal political understanding, for it is here that the real problem of democratic rights in a socialist society lies. The idea of a conscious and organised revolutionising process as the vehicle of change is essentially antithetical to the bourgeois notion that change is effected through the working of institutions that reproduce themselves through the actions of free individuals. The 'invisible hand' of an equilibrating rationality is as central to bourgeois political thinking as it is to bourgeois economic theory. The bourgeois notion of freedom is situated in this understanding of history, and its claim to rationality—as distinct from its commendation on moral grounds—stems from this understanding.

This point, to repeat, is central to the concern of rights in a socialist society, and for this reason it appears to make little sense to use the expression socialist freedom in the same way that one uses the expression bourgeois freedom. There is nothing specifically 'socialist' about the freedoms sought by the Chinese students, nor about those promised by perestroika and glasnost. The freedom of association, freedom of conscience, freedom of expression and the freedom of assembly are all good old bourgeois freedoms, and so for that matter is the people's right to have a say in how they are governed. The last of these rights was first guaranteed in the Magna Carta ("scutage or aid shall be levied in our kingdom only by the common counsel of our kingdom" says chapter 12 of the Charter) and the rest of them recur again and again in the history of the English, American and French revolutions. If citizens of the socialist world are further driven by their existence to claim protection against forcible self-incrimination, double jeopardy and arbitrary detention and exile, then those rights do not for that reason become some superior thing called 'socialist freedom', for it was for these guarantees that the English Lords and later the Commoners fought their kings from John to James II, literally ages ago.

On the other hand, if by 'socialist freedom' Mohanty means the right to build a socialist society or the freedoms required for building such a society, then quite apart from the fact that this freedom is quite a different thing from what we mean by freedom in bourgeois society, one can legitimately ask whether it is this freedom that Lech Walesa or the Chinese students want, and whether it is such freedom that Gorbachev desires to institutionalise. Is that true? Do these 'new winds' blowing across the socialist countries seek freedom to do away with in-

equality, oppression and multi-lateral domination? Is this "the message of the contemporary upsurge in the socialist countries"? That seems a tall order. The question is not whether they desire an end to these inequities—most people do, at least when you interview them for a public audience. The question is, when these people use the expression freedom—or its institutionalised equivalent, democracy—are they seeking the freedom and the appropriate structures that will enable the people of those countries to put an end to inequality, oppression, and domination, i e, to build communism? One only has to pose the question this way to realise that the answer is in the negative. They are demanding rights the same way that people in western countries demanded them a few centuries ago. It is not correct to say that one should not describe as bourgeois every effort to win more rights in a socialist country. If it is bourgeois rights that are sought then it is bourgeois that one should call them, and the correct point that one must then make is that everything that is bourgeois in its origin need not be condemned. It can be legitimately held, for instance, that the provision of a writ of habeas corpus is a must in any civilised country, but it nevertheless will remain a right won for civilisation by the bourgeoisie, and will not get transmuted into a socialist right by the mere fact of a Wang Dan or a Xiong Yan demanding it.

But let us pursue further the notion of socialist freedom. The right to build an egalitarian society is perhaps the one absolute right in a socialist society (though how it would translate into the kind of prescriptive and justiciable rights that alone are allowed the title 'rights' by bourgeois jurisprudence is a moot point), but what exactly are the freedoms that are essential for the effective enjoyment of this right, that are part of the "economic, political and cultural conditions of liberation", in Mohanty's words? For instance, is it the freedom *of* religion or the freedom *from* religion that constitutes a condition of liberation? And what happens when there is a conflict between the two? Or—thinking of, say, Salman Rushdie— is it the freedom to pursue the whims of one's splintered and philistine consciousness that is a condition of liberation, or the freedom *from* the splintering and alienation of consciousness? And again, what happens when there is a conflict between these two freedoms? Or—touching upon a much-maligned aspect of the cultural revolution—do we demand the freedom to pursue unhampered one's profession of being a seeker of scientific truth, or do we desire freedom *from* the professionalisation of science? And this time we know what happens when there is a conflict between the two; Deng and the

Chinese student leaders—in agreement on this one point—have been telling us what happens. Indeed, they *are* partly what happens.

Freedom as understood in the socialist sense is much more often 'freedom from' than 'freedom of', which is not the same thing as saying that socialism is inimical to civil liberties. What it does say is that the socialist concept of freedom demands that we look at the question of civil liberties in a socialist society in its own terms and not in liberal terms. And it is essentially a liberal framework that Mohanty employs when he looks at the major issues of the history of the socialist revolutions, from Stalinism to Tiananmen Square, in terms of the contradiction between the state and the people, in terms of democratisation and socialist democracy. It must be emphasised once again that there is no point in seeking solutions to the problems of Marxist practice outside the framework of Marxism. It is slightly irritating to hear otherwise intelligent people say that a repressive state apparatus may be required for a few years after the revolution, until all the enemies are vanquished, but what is its need after so many decades. If the enemies consisted only of a handful of imperialist agents and big landlords, then no repressive state apparatus would be required even for a few years. But there is a class enemy inside each one of us, and the real problem is how to drive that person out without doing too much damage to ourselves. This latter proviso is not a concession to the self-appointed ombudsman called the west but a real part of the problem, for the 'freedoms from' that Marxism seeks include the freedom from torture, forcible confessions, enforced conversion of faith, etc, which were all rights won by the bourgeoisie from feudal rule. Marxism regards the freedom from an unequal, alienated, oppressive and dehumanised existence as primary, but it does not hold other rights in contempt. Nevertheless, there is a very real problem involved here, and it is unlikely that the proceses of revolutionary transformation that constitutes the historical task of socialism will ever be a very pleasant one. It is evidently no longer very fashionable to say that the revolution is not a dinner party, but nevertheless it is *not* a dinner party.

From this perspective, the cultural revolution, whatever else may have been wrong about it, was not wrong because it was a "centrally initiated campaign" nor because it was "launched by one section of the CPC leadership which was engaged in a bitter political struggle with others". Revolutions, as Mohanty does not need to be told, are never conducted exclusively from above or exclusively from below. And a core concern of a revolution is institutionalised power. If the recent history of the socialist countries has any message it is that this struggle for power does not come to an end with the declaration of a workers' state. In the continuous struggle to end all inequality and oppression, forces of resistance, forces of counter-revolution, rear their heads again and again, and the struggle against them quickly turns into a struggle in the arena of power, the arena of politics. This is a much more appropriate understanding of the cultural revolution than Mohanty's reading of it as one attempt to resolve the contradiction between the state and the people. What is the material basis of the forces of counter-revolution remains an unanswered question, despite the vigorous debate that followed the death of Mao and the denunciation first of the Gang of Four, then of the cultural revolution and then of Mao himself, but that such forces exist within revolutionising societies, that *they* do not suffer from illusions about institutionalised power, is revealed in the fact that in all the socialist countries it is they who are now in power. The 'upsurge' that Mohanty speaks of is situated within this restoration, this counter-revolution, and its evaluation must take place within that context and not in an imagined context of socialism. If, under such a dispensation, the people want freedom of expression and assembly, multi-candidate elections, and the right to associate and organise, the demands are entirely defensible, but neither do the demands constitute socialist freedoms, nor do those who are in consequence killed by the state become martyrs in the cause of socialism.

The real question of civil liberties in socialist societies must be debated outside the context of these 'actually existing socialist' countries for the conditions of the problem have been abdicated by them. Let us forget those countries and think of India. Any revolution in India, we all agree, will have to fight the caste system and caste values. Such a revolution will in all probability claim for itself the freedom to force upper caste bureaucrats to work as *chaprasis* to harijan officers at least a couple of days every week; it will further claim for itself the freedom to force all men to wait upon their wives; and also the freedom to force intellectuals to weed crops or carry dung; and the freedom to force managers of factories to work on the shop floor; notice what new meanings the word 'freedom' has started acquiring (perhaps *this* is 'socialist freedom'?). But it will be argued that all this must be done by the harijans, the women, the carriers of dung and the workers, and not by the state. Quite apart from the fact that this still leaves the question of civil liberties open, what happens if the victims of these freedoms organise themselves and resist the change, not in the name of caste and patriarchy (they would not be stupid enough to do so) but in the name of religion, *dharma*, order, progress, science, modernisation or patriotism? These will not be just a handful of class enemies against whom no prolonged repression will be required, and whom the unarmed masses can face and vanquish. The defenders of religion, order, progress and the nation will be from among the masses themselves, frequently from among the very masses whom the revolution is to liberate. While a socialist society cannot set about exterminating all of them, and must concentrate on exposing the illusory nature of the issues raised, it cannot close the option of violence or at least the threat of it except under exceptional conditions of empathy between the revolutionary masses and the state. It is a suicidal brand of idealism to believe that the revolution can ignore the question of state power and leave it to mass initiative to effect social transformation. The revolution can only be effected by a close combination of the masses and their state, of education and compulsion, of mass initiative and centralised leadership. How to ensure that the basic civil rights necessary for a dignified existence are not violated even for those who disagree with the revolution is a real question that cannot be solved by wishing away the dilemma. Till now Marxists have generally believed that unlike capitalism which reproduces itself through formal institutions, socialism with its revolutionary task can only work through a heightened mass consciousness, awareness, participation and political leadership. It has implicitly been held that institutionalisation of the instruments of revolutionary transformation is impossible or undesirable, except in the case of the overarching guiding spirit, the party. This understanding, which puts too much of a premium on the prevalence of the right spirit and attitudes in the party, has been questioned off and on, and perhaps it is time to open a debate on this matter now, for such institutionalisation would create space for civil rights appropriate to socialism, without leaving them to the benevolence of the party. The lack of such an effort is painfully exposed when, in the course of the continuous struggle between revolution and counter-revolution that defines the mode of existence of socialism, the party either ossifies into a dehumanised bureaucracy or, worse still, ceases to be on the side of the revolution and becomes an instrument of counter-revolution.

Indian Oxygen Limited

Chairman's Statement

The following is the Statement made by Mr Bhaskar Mitter, Chairman, Indian Oxygen Limited, at the Fifty-fourth Annual General Meeting of the Company held on 26 July 1989

We have gathered here after a period of almost eighteen months consequent to the change in the Financial Year of the Company, and I have much pleasure in welcoming you all to this Annual General Meeting.

During this period the country's economy as a whole has performed well, thanks mainly to the good monsoon we had last year. According to the economic survey of the Government of India, the GNP grew by 9% in 1988-89, and industrial production by 9.3%, while inflation has been contained at an acceptable level of about 6%. It is now estimated that the average GNP growth during the Seventh Five Year Plan may be around 5.4% as against the original target of 5%. All this goes to show the increasing resilience of the Indian economy, which was able to take even the unprecedented drought of 1987 in its stride.

On the industrial front, while there are indications that during the Eighth Plan the private sector may be called upon to play a more significant role in the industrial development of the country, the overall pace of liberalisation and deregulation of the Indian economy, which had been initiated by the Central Government during the mid eighties, appears to have somewhat slowed down. I trust that this is only a temporary phase, and that the process of decontrolling the economy in selected sectors, which has already yielded significant results in terms of accelerated rate of economic and industrial growth during the Seventh Plan, will be sustained in the coming years.

Performance

The Directors' Report and the Accounts for the 18 month period from October 1987 to March 1989 have already been with you for some time. On a superficial glance at the operations during this period, one may be tempted to conclude that there has been a setback in your Company's performance. It is, therefore, necessary to examine the working in somewhat greater depth and I propose to highlight a few important issues in this regard.

Profit before tax for the period at Rs 495 lakhs has registered a marginal decline of 6% on an annualised basis over the previous year. At first sight this could be a disturbing factor, but this needs to be analysed more closely. Some time ago your Company took a carefully considered decision to embark upon the modernisation projects at Jamshedpur and Tarapur as these were essential for its long term viability. That the Company is already becoming inherently stronger as a result can be seen from the fact that the turnover has grown by 13% on an annualised basis--the highest rate of growth in the last six years. Furthermore,profit before depreciation, interest and tax (PBDIT) at Rs 2605 lakhs has registered an increase of 26%, and internal generation at Rs 1070 lakhs, a striking increase of 47% over the previous year on an annualised basis. However, a price has to be paid in the short run for the heavy capital investments. Between 1986 and the period under review on an annualised basis interest charges have risen from Rs 451 lakhs to Rs 874 lakhs, and depreciation has gone up from Rs 270 lakhs to Rs 533 lakhs. Consequently there has been a decline in profit before tax despite better operational performance.

In regard to dividend, a totally unexpected factor intervened this time. Your Directors have recommended payment of dividend for the period under review of Re 1 per share, which admittedly is not a satisfactory rate of dividend for a Company like ours. Based purely on the distributable surplus generated by the Company a higher dividend could have been recommended by your Board, and I would like to explain the reasons why the Board has made its recommendation for a lower dividend. A recent decision of the Supreme Court in the case of another company has raised some doubts about the manner in which provision for Investment Allowance Reserve is to be made in the Accounts. Hitherto a company could make provision of Investment Allowance Reserve in the year in which it is allowed related tax concessions. In accordance with this recent Supreme Court decision such a Reserve, however, has to be created in the year in which new plant and machinery are put into use to be able to avail of the tax concessions. The profit of the Company during this period is subject to only minimum tax under Section 115J of the Income Tax Act even without taking into account the Investment Allowance. Thus, but for the Supreme Court decision referred to above there would have been no need to make any provision for Investment Allowance Reserve in the Accounts which are before you. However, in view of this decision, your Directors have been advised that it would be prudent to make a suitable provision for the Investment Allowance Reserve. Accordingly, by way of abundant caution, a sum of Rs 425 lakhs has been transferred to Investment Allowance Reserve. This has absorbed the entire distributable surplus and there being no residual surplus for distribution of dividend, the requisite amount has been transferred from the General Reserve Account to pay 10 per cent dividend in terms of the Companies (Declaration of Dividend out of Reserves) Rules, 1975.

Gases

The workings of the operational Divisions have been dealt with in some detail in the Directors' Report. The Gases Division has shown a commendable improvement over the last year, with significant increase in both turnover and profit. Sales of Liquid Oxygen and Liquid Nitrogen have also increased substantially despite adverse business conditions, and the declining trend of Compressed Oxygen sales has been reversed. The Gases Industry, which saw the

emergence of substantial over-capacity due to proliferation of small plants, seems to be progressing towards a more stable market environment. I hope this trend will continue in the coming years.

The Jamshedpur Tonnage Plant has been fully loaded during the period under review, and has been operating satisfactorily. The second Tonnage Plant at Tarapur was commissioned in March this year, and was formally inaugurated by Shri Ramrao Adik, Minister for Industries, Labour, Law and Judiciary, Government of Maharashtra, last May. The plant has been running well since its commissioning, and various steps have been taken to increase volumetric sales of atmospheric gases in the Western Region. It is expected that the plant will be fully loaded during the course of the current year.

I had referred in my last Statement to two other Tonnage Plants, one at Hindupur and the other at Delhi. Unfortunately, the power supply position in Andhra Pradesh remains unstable and is unlikely to improve significantly in the foreseeable future. As you know, air separation units are highly power intensive and cannot be viably operated without adequate and uninterrupted power supply. It has, therefore, not been possible to proceed with the proposal for installation of a Tonnage Plant at Hindupur. As regards the proposal for the Tonnage Plant at Delhi, it was linked to supply of oxygen to the Delhi Water Supply & Sewerage Disposal Undertaking. Since satisfactory arrangements could not be worked out with this authority, this proposal has not been proceeded with.

I had also referred in my Statement last year to the Letter of Intent from the Alloy Steel Plant, Durgapur, for supply of oxygen. I am glad to say that work on the project for installation of two air separation plants, each of 400 cu.m/hr capacity, at Durgapur is expected to be completed in the near future.

Turning now to the other activities of the Gases Division, the Special Gases business has been growing steadily. A contract with the Tata Iron & Steel Company Ltd for supply of pure Argon has been finalised, and the project for installation of an Argon Purification Plant at our Jamshedpur unit at a cost of about Rs 4 crores has been taken up. The Health Care Products Group registered an impressive growth during the period under review. This Group, besides marketing medical gases and equipment manufactured by the Company, has also taken up marketing high-tech medical equipment manufactured by various overseas companies in The BOC Group. The Liquid Oxygen Explosives business also performed satisfactorily.

Welding

The Division performed strongly with the various measures taken during the few years for improving results. After finalisation of a collaboration agreement with Matsushita Industrial Equipment Company Ltd of Japan, work on the project for manufacturing a new generation of Arc Welding and Air Plasma Cutting Equipment using solid state technology has been taken up at the Equipment Factory at Calcutta, and is expected to be completed within the next few months.

Plant

We can legitimately be proud of the fact that it was our own Plant Division which fabricated and erected the second Tonnage Plant at Tarapur according to schedule. IOL's engineers, who also did much of the work on designing this Plant, have incorporated a number of new features in it based on the experience gathered from operating the first Tonnage Plant at Jamshedpur.

Finance

The term loans received from the Financial Institutions for financing the Jamshedpur Plant totalled Rs 1468 lakhs. Amortisation of the loan has already commenced, Rs 177 lakhs having been repaid to the Institutions during the period under review. I am pleased to say that the Institutions have sanctioned a modernisation loan of Rs 1800 lakhs for the Tarapur project out of which Rs 1350 lakhs have been obtained from them during the period under review.

Maharashtra Weldaids Limited

You may remember that Maharashtra Weldaids Ltd (MWL) is a company promoted by us jointly with the State Industrial and Investment Corporation of Maharashtra Ltd. MWL's project near Nagpur for manufacturing Welding Equipment, Welding Wires and Accessories was completed on schedule and the plant commissioned in July last year. MWL has been making regular supplies of Welding Equipment and Consumables to our Welding Division, and in its first nine months ending last March this company has made a modest profit before tax.

Future outlook

With the modernisation and expansion programme undertaken during the last three financial years constituting the bulk of the total capital expenditure of over Rs 67 crores, your Company is well poised to play its part in the expanding opportunities of our growing economy. I have already referred to the growth in turnover during the period under review. This increase in turnover is expected to be sustained during the coming years.

Despite the temporary dip in profit, the basic health of the Company has, in fact, improved, with both PBDIT and internal generation showing healthy growth. With the full loading and optimisation of the Tarapur Tonnage Plant during the current financial year, and the steadily improving performance of the Welding Division, Health Care Products, Special Gases and Liquid Oxygen Explosives business of the Gases Division, the operating profits as well as internal generation should record a progressive improvement. However, the distributable surplus may continue to be under pressure for a little while.

Directors

Mr S B Budhiraja, Managing Director, has expressed his desire to retire from the services of the Company on 30 September 1989 at the completion o[f] his five year term. Your Directors have accepted his decision with deep regret. He has played a leading role in the formulation of the major modernisation and expansion projects undertaken during the last three years and they have been implemented under his stewardship. Durin[g] the five years he has been Managing Direct[or] he has made a significant contribution to th[e] operations of the Company.

Mr S S Prasad, Vice President-Gases, is proposed to be appointed Managing Direc[tor] of the Company with effect from 1 October 1989 and a resolution seeking your approv[al] for this appointment will be proposed later [in] this meeting. Mr Prasad, who joined the Company's services two and a half years ago, brought with him vast knowledge and experience of industry, and he has succes[sfully] piloted the operations of the Gases Division during this period.

On his taking over as Managing Director [he] will be able to deploy his talents over the whole range of the Company's affairs.

Dr Graham Winfield and Mr John Stanley Hedley have resigned from the Board in Ma[y] this year. I take this opportunity to thank Dr Winfield and Mr Hedley for the valuable services rendered by them during their long association with the Company. The vacanc[ies] caused by the resignations of Dr Winfield a[nd] Mr Hedley have been filled by the appointm[ent] of Mr Robert McFarland and Mr David Parr. Both Mr McFarland and Mr Parr have been associated with the Company for a number [of] years in their capacities as senior executive[s] in the Overseas Division of The BOC Group and I am sure their rich experience will be o[f] great benefit to the Company.

In conclusion I would like to thank all thos[e] who work in our Company for their commendable effort during the period we a[re] reviewing today. As I have already said, the Company is poised to make steady progres[s] and I am sure that they will all unitedly be ab[le] to ensure that our hopes are fulfilled.

Bhaskar Mit[ter]
Chairm[an]

Note: This does not purport to be a record [of] the proceedings of the meeting.

The Son, the Father, and the Holy Ghosts

Susantha Goonatilake

Black Athena: The Afroasiatic Roots of Classical Civilisation, by Martin Bernal, Vol 1: **The Fabrication of Ancient Greece 1785-1985**; Free Association Books, London, 1987.

> After the rise of black slavery and racism, European thinkers were concerned to keep black Africans as far as possible from European civilisation.
>
> —Martin Bernal (1987) in *Black Athena: The Afroasiatic Roots of Classical Civilisation.*

> The track science has followed—from Egypt and Mesopotamia to Greece, from Islamic Spain to Renaissance Italy, thence to the Low Countries and France, and then to Scotland and England of the Industrial Revolution—is the same that of commerce and industry.
>
> —J D Bernal (1956) in *Science in History.*

MARTIN and J D Bernal, son and father, have in their respective books dealt with intellectual history from a social perspective. Yet, more than a generation separates their approaches.

J D Bernal was inspired in the 1930s by the Soviet writer Boris Hessen. Bernal senior then developed a largely eurocentric social history of science. Although his book was published in 1956, it was conceived before World War II and was largely written within the broad 19th century perspective "orientalism" (in the phrase of Edward Said).

In *Black Athena*, the son implictly questions the centrality given by the father to classical Greece. The father's generation—and the several generations before him—followed unconsciously a Eurocentric view in describing the intellectual history of the world.

Black Athena is essentially about how in 19th century Europe, the primacy of the Greek experience for later European civilisation and, through the latter, the dominant strands of contemporary "world civilisation" was socially constructed. The book concerns itself primarily with the glossing over in the 19th century of the Greek's own acknowledgements of their debt to other civilisations. This glossing over occurred when social imperatives operating in Europe and associated with 19th century imperialism and racism demanded a special place for Athens. Bernal's tightly aruged, nearly 600-page first volume, is part of a three volume work of reassessing this false history and of reconstructing a truer one.

Bernal describes how the Greeks themselves acknowledged their strong debt to Egypt, an acknowledgement which Bernal calls the "Ancient Model". The Ancient Model was ascribed to by many Greeks, among them being Herodotus, the father figure in Greek history. This Ancient Model was superceded only in the 19th century with the rise of European racism.

Because of racial and imperialist considerations, the Ancient Model had to be overthrown and replaced by something more acceptable. For "18th and 19th century romantics and racists it was simply intolerable for Greece, which was seen not merely as the epitome of Europe but also as its pure childhood, to have been the result of the mixture of native Europeans and colonising Africans and Semites."

A new model was now substituted which emphasised the European and Aryan roots of Greek civilisation over Egyptian and Semitic roots. A broad form of this "Aryan Model" denied even basic, well documented facts such as that of the Egyptian settlements in Greece. A narrower, more extreme form of the Aryan Model even denied any Phoenician influence.

In this first volume Martin Bernal details how the views on ancient Greece were socially fabricated from 1785 to 1985 to deny the Ancient Model. And, in a forthcoming Volume II, he proposes a revised Ancient Model, where Egyptian and Phoenician influences are again emphasised.

Although 19th and 20th century 'Source Critics' took the position that the Ancient Model was concocted only in the 18th century, Martin Bernal shows that this claim itself was a social construct. No one had in fact questioned the Ancient Model before the 18th century historian William Mitford.

Bernal records how aspects of the Egyptian heritage of Europe was transmitted through the centuries without a break. This thread can be traced from the times of the ancient Greeks through the Roman period, the Renaissance and the Rosicrusians of the 17th century to the Free Masons of the 18th century.

With the emergence of the paradigm of progress in the 18th century, a number of Christian apologists now promoted the Greeks at the expense of the Egyptians. This trend combined itself with two other dominant themes of the time, namely racism and romanticism. With the onset of slavery and the emergence of colonial empires, dark skinned, African people as originators of Greek civilisation were now considered incompatible with creativity and civilisation.

The fall of Egypt from intellectual grace was also accompanied by the rise of India in European eyes through the discovery of a connecting link between Sanskrit and European languages. For a short time India rose in prominence through a romantic

'Aryan' linguistic connection.

By the first quarter of the 19th century, the Ancient Model had fallen from grace. By then it was "scientifically proved" that philosophy and civilisation had indeed originated in Greece. This was very convenient for the psychological well-being of the ruling class in Europe. "After the rise of black slavery and racism, European thinkers were concerned to keep black Africans as far as possible from European civilisation." Gradually with the rise of anti- Semitism, a sustained attack was also made on the Phoenician contribution and by the 1930s the anti-Phoenician position had also been "scientifically proved."

After World War II the old geo-political order began to change. The Eurocentric order was being dismantled geographically through decolonisation and this had intellectual repercussions. The resultant post-World War II rethinking gave rise to attempts at revisionism of the handed truths. These efforts were partly under way by the 1950s and the 1960s. Bernal describes how with the help of Israeli scholars and under a new environment, the anti-Semitic elements in the given histories were now being closely re-examined and history was being restructured.

At the same time we should note that other countries in the ex-colonial lands were also re-examining their own histories. Bernal's book is therefore a constituent and important part of these efforts at dismantling the old intellectual order and restructuring a new one.

Bernal has constructed his case drawing carefully from a wide variety of sources. Yet the Aryan Model he demolishes has been hitherto supported by a well entrenched intellectual stratum. Around this model has been implicitly created a total intellectual history and a large number of publications, as well as a host of influential academic positions. This was an implicit establishment which even for Martin Bernal's own father, functioned as the factual bedrock from which to view scientific history. This book is therefore bound to ruffle several feathers in this entrenched academia.

Yet it comes at a time forty years after decolonisation when Eurocentric histories are being freshly re-examined. It is a time when winds of intellectual change are blowing from the new historical research on North Africa, West Asia, South Asia and East Asia. This research is questioning the facts on which the largely European trajectory for science and knowledge had been built. Martin therefore writes amidst a major reorienting process, at a time when a new brand of scholars from the Afro-Asian lands are rewriting their intellectual history and forging new intellectual visions.

To the latter Martin Bernal's book is both a partial liberation as well as a partial prison. It is a liberation in the sense that it dismantles a racialist and imperialist vision which had been constructed on very little evidence. It is a prison because Martin Bernal still holds implicitly to a broad Eurocentric vision. Although *Black Athena* re-examines the relationship of Egypt to Greece, Bernal does so still within a broad and implicit view of the primacy of European civilisation.

Therefore whilst recognising Bernal's book as a liberating act of 'deorientalisation', one should also recognise the limits of this liberation. True liberation of a colonially derived intellectual history can only come when efforts such as *Black Athena* are also supplemented by similar exercises on other regional civilisations. The raw material f[or] such an examination amply exists in une[x]amined manuscripts and undug archaeol[o]gical sites. Already several Afro-Asia[n] writers have laid the ground-work for suc[h] rethinking. In the coming decades, we a[re] bound to see an intensification of this r[e]examination of laying to rest the holy ghos[ts] of colonial intellectual history. When th[e] truer history is eventually written, Marti[n] Bernal's painstaking efforts will stand as a[n] important contribution to the liberation o[f] the human spirit.

Regional Planning for Employment

Jeemol Unni

Bringing Jobs to People: Employment Promotion at Regional and Local Levels edited by Jean Mayer: Sterling Publishers, New Delhi, 1989: pp 211, Rs 150.

UNBALANCED growth between regions in countries at all levels of development occurs as economic growth proceeds and significant changes take place in the structure of the economy. This becomes a source of social injustice, tensions and instability. The present volume emphasises that a balanced regional development can "bring jobs to people" at the local level through regional planning and help mitigate social and economic tensions. Broadly regional planning becomes necessary for the following reasons:

(a) Inter-regional disparities cannot always be tackled by a national plan. Regional planning helps to fill the gap between the national plan at the aggregate level and the physical plan at the local level to meet some of the demands of the people like employment, incomes or infrastructural facilities.

(b) Regional planning to create employment opportunities and infrastructural facilities is necessary to prevent large scale labour migration.

(c) In federal and unitary countries there is some form of local government closer to the people. Some devolution of power to the regional government is necessary to meet the aspirations of the people.

The book under review is an edited volume consisting of eleven articles which originally appeared in the *International Labour Review*. In the introductory chapter, the editor provides an overview of the papers and highlights the need for a solid regional development theory conducive to employment promotion at the local level. The eleven papers have been grouped into four parts according to the aspects of regional employment development discussed by them. The two articles in part I by the editor review the theory and practice of regional employment policy and planning; the experiences of various countries in this regard are also discussed.

Articles in part II focus on the urban and rural approaches to regional employment development. Paul Bairoch pleads for a policy to limit the size of cities to medium sized agglomerations of 3-4 lakh population. This is ideal from the viewpoint of employment and conditions of life; with an increase in size beyond this, the disadvantages outweigh the advantages.

The lack of a national-regional planning system is clearly reflected in the rural areas in countries like India. Most employment generating schemes may have some effect in the short run, but do not constitute a solution to the problem in the long-run, since the main obstacle in less developed countries is the land-tenure and land-use systems.

A S Oberoi reviews land settlement programmes and reasons for their failure in many countries. Settling population in new lands is often undertaken as a substitute for land reform which is politically difficult. For such a programme to be successful a well planned long-term settlement policy has to be devised which considers the problems of second generation settlers as well. This needs to be integrated within a regional framework that includes development of an agro-industrial and services sector. He argues for the alternative of a rigorous land reform in already well-settled regions where there is scope for increasing agricultural productivity through the introduction of irrigation. There is an urgent need to review settlement policy in the light of ever-increasing real costs of new settlements in more marginal lands. The alternative of increasing agricultural output and achieving a more equitable distribution of land and incomes through intensifying cultivation along with comprehensive land reforms has to be considered. That is, settlement of increasing populations within the regional context through an employment programme included within the regional plan is desirable.

The two articles in part III are clubbed together on the ground that they consider two innovative methods of data collection and analysis applicable to developing and developed economies respectively (Lothar Richter and Denis Maillat). Denis Maillat's paper is however more than just a strategy for data collection. He devises a method to

study the labour market, its structure and functioning in a well developed market economy. The study points to the need to strengthen the mobility channels in a region. What is important for a region is not just employment but a combination of jobs and scope for vertical mobility which is the decisive factor in a high quality labour market structure. Regional planning is necessary to make the most of the development potential of a region to create jobs and preserve attractive and diversified employment structures at the regional level.

The last part of the volume presents some case studies at the country level. The first two papers emphasise the need for regional development to stimulate employment creation taking the case of Madagascar (C Rabevazaha) and North-East Brazil (Jorge Jatoba) respectively. Gaude, Guichaoua, Marteus and Miller's paper evaluates five special public works programmes implemented in Burkina Faso, Burundi, Nepal, Rwanda and the United Republic of Tanzania. And finally Peter Kuenstler reviews some local employment initiatives in western Europe.

Overall, the usefulness of the volume lies in focusing attention on the need for regional planning to tackle the problem of employment at the local level. In the Indian context, the growth process in the economy has failed to absorb labour productively in agriculture or industry. There is a growing tendency to treat the unemployed rural population as a residual and tackle their problems on an *ad hoc* basis through government-sponsored relief works and programmes. This amounts to treating the question of the distribution of income separately from that of production. The problem of rural unemployment and poverty cannot be disassociated from the overall strategies of industrialisation and planning. The employment situation of rural labour and their conditions of living can be improved only if the country plans for absorbing them productively in agriculture or industry. These aspects need to be considered within a framework of an integrated development plan, both at the regional and national level, and not merely through stop-gap actions and programmes. As emphasised in this volume, given proper perspective and planning, the removal of regional economic dualism of the country can go a long way in helping to solve the problem of unemployment both in rural and urban areas.

Women and Ecology

Sharad Kulkarni

Tribal Women and Forest Economy: Deforestation, Exploitation and Status by Walter Fernandes and Geeta Menon; Indian Social Institute, New Delhi, 1987: pp 178, Rs 35.

AT last the gender issue has invaded the field of ecology and that too very effectively. In 1986, Bina Agarwal came forward with a very good work on the effect of wood-fuel crisis in the third world and particularly on rural and tribal women.[1] Agarwal tackled the issue in a very general way covering a number of countries in Asia and Africa.

The book under review is a study of a micro-region in Orissa. The object of the study is to analyse the role of tribal women in the informal forest dweller economy. Several examples in the book illustrate that though the negative consequences of deforestation, namely, reduced food supplies, increased distance from forest and deprival of medicinal herbs without access to modern alternatives, are felt by all the forest dwellers, they are felt more by women than by men. This is mainly because of the present division of labour in the family. Women collect fuel and fodder and the workload relating to these activities is increasing day by day.

Because of deforestation, employment opportunities in forestry are gradually declining and men have to migrate to other areas seasonally in search of jobs. This results in further increase of workload on women. Thus, environmental deterioration has resulted in the deterioration of women's social, physical and economic status. It has weakened tribal communities in general and the social organisation of their women in particular. One of the findings of the study is that though the status of tribal women is much better than that of Indian women in general, the discriminatory values are being slowly but definitely extended also to forest dwellers in Orissa. This is true of all the tribal communities in the country. The authors plead for a very active involvement of women in all the programmes of afforestation. They have recommended community plantations with women's involvement. An example of plantation schemes implemented mainly by women in the Vishakhapatnam district of Andhra Pradesh under the guidance of the Bhagavatulla Charitable Trust is cited, alongwith schemes run by Sewa Mandir in Rajasthan and Gram Vikas and Prem in Orissa. The authors also recommend the popularisation of fuel-saving and smokeless chullahs. The findings are the result not of a formal survey but of observation and discussion by an active participant.

It is pointed out that deforestation leads to immiserisation and pauperisation of the tribal communities and it is necessary to effectively implement all the available poverty alleviation programmes, health schemes and programmes for women. The authors rightly complain that though women contribute more than men in terms of the amount spent in cultivation, collection and processing of forest produce, their role is often ignored or at the most given insufficient importance in the formulation of forest development projects. They plead for a change in the official attitude.

Recently, Vandana Shiva has come up with a very comprehensive study of the effect of ecological deterioration on women.[2] She forcefully argues that there is an intimate link between the degradation of women and the degradation of nature in contemporary society. The masculine arrogance of technology and the concept of man as the conquerer of nature lies at the root of modern economic development which is the main cause of ecological destruction. The fight for ecological stability is basically a fight against the mania for accumulation, more and more production and modernisation. The book under review is a good supplement to these general studies by Bina Agarwal and Vandana Shiva. The findings are supported by plenty of data.

Notes

1 Agarwal Bina, *Cold Hearths and Barren Slopes: The Woodfuel Crisis in The Third World*, Institute of Economic Growth, Allied Publications, Bombay, 1986.

2 Vandana Shiva, *Staying Alive: Women, Ecology and Survival in India*, Kali for Women, New Delhi, 1988.

Unemployment, Technological Dynamism and Need for Government Intervention

A Closer Look at 1989-90 Budget

Arun Kumar

Government needs to be viewed not in isolation but as the totality of the interests it represents. Its policies are the outcome of the pressures from the ruling interest groups—whether the organised sectors, agriculturists or foreign interests trying to enter the economy and sections of Indian business trying to keep them at bay. Government policies are constrained by these political realities and its capacity to utilise the economy's resources more rationally is limited in the process. The result is a vicious circle. Resources are wastefully utilised which increases social tensions and demands on the government and then feeds into more waste.

The 1989-90 budget reflects the incapacity of the government (and the ruling classes it represents) to take the steps necessary to break out of the low growth trap the economy finds itself in. The fiscal crisis facing the government and limiting its capacity to intervene in the economy remains unchecked. Efforts at creating employment are too small in comparison to the needs. Little dent is likely to be made on raising resources through the taxation of services. Technology is unlikely to 'take off' to raise 'efficiency' or reduce costs to make Indian goods export competitive. The capital goods sector is likely to face greater difficulties.

I

Is There a Resource Crunch?

THE budget for 1989-90 is being described as pro-poor or anti-rich or as an election year budget. It is being applauded for its attempt at fiscal discipline and for setting greater stress on employment creation, specially for the poor. It has also been noted for making a beginning at taxing services and introducing greater competition in the economy by deregulating prices of aluminium and cement.

In his budget speech, the finance minister noted that under RLEGP and NREP, "67 crore mandays of employment were generated during 1987-88 as against the target of 50 crore mandays". Not satisfied, he added, "a direct attack on the problem of *unemployment* is essential" and stressed the need to "allow fuller employment opportunities to at least one member of each family living below the poverty line... The provision of this new programme will be Rs 500 crore in 1989-90. Including this, the provision for employment programmes will be Rs 1,711 crore in 1989-90" (pp 8-9). "Agriculture and fertiliser subsidy... provision is being stepped up and will reach a level of Rs 5,173 crore" (p 11). These are the specific pro-poor steps in the budget.

The anti-rich features of the budget are taken to be the increased burden of taxation on the rich. These are to provide the required resources for employment generation. The income tax surcharge is being raised by 3 per cent for this purpose. The finance minister is also increasing the taxes on the consumption of the rich. This last step is also to "discourage low priority imports which go towards the consumption of upper income groups" (p 7).

The attempt to narrow the revenue account deficit in the budget is taken to be the first step towards greater fiscal discipline. The defence burden, the second largest item in the revenue account, is being held in check. In real terms the defence budget would be lower than in the preceding year. The contribution from the public sector units to the budget is slated to rise. The finance minister notes with obvious satisfaction that "...their net profit rose to Rs 694.19 crore from Rs 69.79 crore in the corresponding period of 1987-88" (p 3). This trend is expected to continue in the coming year as well.

In the pre-budget *Economic Survey* and in the budget speech, the government suggests and most analysts agree (a) that the economy has done well in 1988-89 and (b) that it is likely to continue to do so in 1989-90. Everyone also agrees that government is facing a fiscal crisis, a resource crunch. In other words, *the economy is doing well but that is not reflected in the state of health of the government's finances.*

Agriculture having recovered from the 1987 drought would grow at 20 per cent.[1] This is not due to policy. However, the finance minister says, "For four years in succession, manufacturing output has grown by over 8 per cent per year which is a clear vindication of the industrial policy of the government... the plant load factor of thermal plants has gone up from 50.1 per cent in 1984-85 to 56.5 per cent in 1987-88" (p 2). In his opinion, the problem areas are "the stimulation of savings and the containment of the budget deficit... measures to restrain luxury consumption... prudent management of public expenditures" (pp 4-5).

These reflect the government's concern at the growing fiscal crisis. This is not simply a result of the growing expenditures by government but the past catching up. The better performance of the economy implies that more resources are being generated in the economy. However, the government is unable to tap them to improve its financial viability.

Today, the budgets of governments (at all levels) in India affect over 40 per cent of the national income. The manner of mobilising and spending these resources affects the actions of other economic agents. *The fiscal policies of government affect the direction of use of the nation's entire resources* and are critical for making their best possible use.

Government needs to be viewed not in isolation but as a totality of the interests it represents. Its policies are a resultant of the pressures from the ruling interest groups whether the organised sectors, agriculturists or foreign interests trying to enter the economy and sections of Indian business trying to keep them at bay, etc. Government policies are constrained by these political realities.

Government's capacity to utilise the economy's resources more rationally—rational both in the sense of fuller utilisation and the direction of utilisation—is limited in the process. The result is a vicious circle. Resources are wastefully utilised which increases social tensions and demands on the government and then feeds into more waste.

Wasteful use of resources and the opportunities for development foregone are then at two levels. The waste when resources remain potential and do not become actual, that is, they are left unutilised. The second concerns the misallocation of that which is actually generated. An example of this is the unbridled expansion of the bureaucracy. Expenditure on it is one of the factors for the

growing fiscal crisis in India. The fiscal crisis is a result of both forms of waste.

In a nutshell, concessions demanded and obtained by those represented in the power structure lead to an ever increasing draft on the nation's resources. This is not all. *They also determine the manner in which resources can be mobilised.* This reduces the capacity of the government to set in motion the unutilised resources in the economy. Though obvious, *unemployment is the biggest waste in the economy. It is often unstated and ignored since the unemployed are politically unrepresented.*

It traps the government in a vicious circle of having to mobilise more and more resources for the same economic effort [Kumar, 1988b]. On this, the finance minister says, "...As much as two-thirds of the budget expenditure really take the form of financial transfers to other spending entities by way of interest, subsidies, grants, loans, etc" (pp 4-5).

These trends show up in the budget year after year in the form of the growing fiscal crisis. The growth in the economy remains low and appears as a crisis amidst plenty. This year with rapid growth, there are even more resources in the economy. These need to be mobilised for the growth process.

II

Election Year Gloss on the Budget

Some have argued that many of the features of the 1989-90 budget which are being hailed are mere tricks for putting gloss in an election year. For instance, the reduction of the deficit in the current account is a result of the reduced defence burden resulting from a lower provision for pensions. It is also the result of transferring Rs 2,300 crore from the oil pool. This is not a new item but the borrowing was never so large. It makes the deficit incomparable with the figure for the preceding years.

Capital expenditures are shown to rise little over last year's levels. The budgetary support to the Plan is shrinking while the public sector undertakings are expected to borrow directly from the market. The total deficit in the budget is not comparable across years—the borrowings component is not comparable.[2]

The budget for 1989-90 is not anti-rich by any means. In spite of the increased surcharge and tax on luxury consumption, the overall trend remains one of growing concessions to the rich. The high ratio of direct to indirect taxes remains unchanged. The former falls only on the better off sections. The latter, if it is to contribute significant revenues, cannot only depend on the taxes on luxury goods which have a high elasticity of demand and/or a narrow base of consumption.

Indirect taxes depend for a bulk of the revenue on items of mass consumption or intermediate or capital goods whose price increases work through the economy and fall on the consumption of the non-rich. This year too the increases in indirect taxes and freight will end up falling on the prices of items of consumption of the non-rich.

There are several concessions to the direct tax payers. Deposits under Home Loan Account Scheme will be exempt under 80C and from wealth tax. Capital gains from investment in National Housing Bank will be exempt under 54E. One third of the income from poultry farms would be tax free (p 27).

Beyond all this, the non-removal of the various concessions to the direct tax payers itself is a major concession. The various schemes of concessions, like under 80C, 80CC, 80CCA, 80L, 54E, 54F, etc, allow the tax payers to reduce their tax liability by a substantial amount and earn tax free incomes.

For instance, consider the impact of PPF and PF. Contributions to these schemes are tax free under 80C. The interest from it (around 12 per cent per annum) is also tax free. If the minimum contribution is one month's salary with another month's salary contributed by the employer, within 17 years, the annual accrual to PF or PPF becomes equal to the annual salary and that too tax free.[3] NSC have a similar effect. Salary earners and others in the taxable brackets are becoming rentiers.

The burden of indirect taxes has been raised this year too. The finance minister claims that 70 per cent of the excise duties are specific and need to be adjusted from time to time to bring them in line with their prices. Hence he has proposed an across the board increase of 5 per cent. He has tried to limit the damage by exempting items of mass consumption (p 29).

However, as mentioned earlier, the increases in excises on basic items like iron and steel or aluminium or capital goods would affect prices all round. Each of these items faces a rise in duties this year. If the budget was to be pro-poor, it ought to have raised the additional amount of resources needed through elimination of concessions on direct taxes. This would have also simplified the tax structure.

The 1989-90 budget is hardly anti-rich or pro-poor. Even if it was so, it is not guaranteed that the government may not reverse this year's trends after the elections.

III

Some Features of the Budget for 1989-90

Interest Burden and Risk of Investments

In the economy, the savings rate seems to be declining. The government implicitly claims that this is a result of inadequate incentive to saving. This has become the rationale for increasing interest rates in the economy. The savings in the economy are largely made by the households. Savings from the public sector and the corporate sector (in the form of accumulation of reserves) have been low.

The financial savings are with the commercial banking and the financial institutions of various kinds. There is a large element of tax concessions associated with savings in PF, PPF, LIC, fixed deposits, public sector bonds, NSS, NSC, post office deposits, etc. These are expensive to the government in terms of taxes foregone. The actual cost to the government is much larger than the interest burden.

The tax related savings are by definition relevant to the tax paying public. This implies perhaps 50 lakh individuals, i e, less than 0.7 per cent of the population. Considering that the rich households have more than one tax payer and often 4 or 5, the per centage of households in the tax paying brackets would be even less. This is where the tax-related savings originate and the return flow of the interest incomes from the government received.

Many in this group are turning from predominantly fixed income earners to property income earners with rent, dividends and interest incomes. Such individuals would still save the same if the government gave them a lower rate of return. The tax benefits are substantial. The reason why the interest rates have not been cut lies in the existence of the black economy and the informal credit markets [Kumar, 1988].

These high interest rates create a problem. The average rate of return expected from investment in industry needs to be higher to cover risk. With rising rates of return on government securities, the rate of return in industry also has to be raised through policy. Government has to either give more incentives to industries to make investment in industry attractive or few industries (those with high return) get started. Concessions add to the fiscal crisis.

One of the factors in investment decisions is the high return in black, i e, off the balance sheets. That is why, not only investment keeps on growing in areas showing a loss or low profits but also the control of industries, even if they are making losses, is important. The recent takeover bids (starting with Swraj Paul) need to be seen in this context.

Investment decisions today depend on the ability to manage the political environment. This is not only so for retaining the black incomes but also for getting concessions and licences. Cornering of licences through political manipulation yields monopoly profits. This is an important element of risk of investment. Favourable policies can get reversed under other pressures. For instance, take the case of consumer durables, like cars and electronics, in this budget. The new imposts on these items, by leading to a rise in their prices would reduce the size of their market and lower their profitability.

Policy gets itself into a vicious circle. Instead of dealing with the fiscal crisis directly, more and more concessions are being yielded to the property owners and this then becomes an additional cause for more concessions. The fiscal crisis continues to

deepen. The need is to check the growing black economy, cut interest rates on tax-related savings and to eliminate some of them. This would result in lowering the mounting debt burden, channelising savings into other avenues like industries, simplifying the tax structure and reducing the attractiveness of investments in real estate.

Indirect Taxes on K Goods

The confusion in policy is also reflected in the policy with regard to the capital Goods sector. Imports are sought to be made cheaper by a reduction in their import duties. This may not work if the foreign suppliers simply raise their prices. The foreign supplier may find that the internal price cannot be cut for various reasons, like impact of duties, etc, and that he would remain competitive even if he absorbs most of the benefit of the reduced duties.

An attempt to lower the price of capital goods is a laudable one. However, the high price of capital goods must be seen in the context of the fiscal policies, the scale economies available in the economy and the need to have a viable capital goods sector in the economy. High indirect taxes are a major reason for the high prices of various indigenous products.[4] These duties need to be removed before the indigenous industry can face foreign competition resulting from lowered import duties.

Import duties need to be viewed in the context of protecting the indigenous industry for strategic reasons of self-sufficiency. Even if scale economies are not available to the indigenous industry and, therefore, its product is expensive, it cannot be allowed to fade away. A price higher than the international price may have to be accepted. Import duties have to be pegged at a level consistent with the higher cost of production. Alternatively, production of capital goods could be subsidised to make its price internationally competitive.

Allowing more imports of capital goods where capacity exists (like, in power, cement, textiles) would further lower capacity utilisation and raise costs of manufacture. In the context of lowering costs, concessions to NRIs are being offered to bring in technology. Question arises why not also to indigenous entrepreneurs at the same rate?

Another proposal is to locate production elsewhere where capital costs would be lower. Again, for the sake of employment it would be better to set up the same facilities in India by granting them the same concessions as would be available elsewhere.[5] The free trade zones would be ideal for such a purpose.

The budget proposals on cheapening of capital goods on the grounds of reducing the cost lead of manufacture in the economy represent pressures for more concessions and need notto reduced prices. More specifically, the pressures are from the transnationals and the Indians abroad to allow them to enter the Indian markets. The government is forced to yield to these pressures due to its internal weaknesses on account of the fiscal crisis it faces. The Indian business classes which could be expected to oppose these moves are split on this issue and do not speak on this subject with one voice. There is a group amongst them which hopes to benefit in alliance with the external forces.

Pressures to cheapen capital goods is not stronger since Indian capitalists on the whole are not necessarily hurt by the high prices of capital goods for they are only interested in a return on their investment. With rising levels of interest rates, the capitalists demand and obtain greater concessions. In the process, as prices of capital goods rise they get a higher share of the national income.

The rising prices of capital goods reflect in the index of prices of capital goods rising faster than the general index. This reduces the volume of public investment fixed in financial terms. To step up the level of investment in the economy, to increase the growth rate, then requires greater incentives to the private sector. It has become an instrument for raising the share of surplus in national income. Countering this by imports of capital goods is no solution since that would throw the baby with the bath water. The need is to reorient fiscal policies.

Services Sector Growth and Fiscal Crisis

The share of the services sector in national income has been growing. Since the mid-Eighties, it has become the largest sector of the economy. It is suggested that since this sector lies outside the tax net the buoyancy of taxes is lowered. The argument runs as follows. This sector does not contribute to indirect taxes which are the dominant component of tax revenue. Thus a growing share of the national income is going out of the ambit of the dominant tax component. This analysis has a flaw.

Agriculture, the declining sector, does not pay direct or indirect taxes while the services sector at least pays direct taxes. As such, the base of taxation is growing. The base of indirect taxes has been the secondary sector and its share remains unchanged. As such, the base of taxation should expand and tax revenue must show a buoyancy greater than the rate of price rise plus the real growth rate of the economy.

The buoyancy in indirect taxes is a result of the spreading net and the rise in the rates. Many of these taxes are *ad valorem* (apply on the value of the good). The tax revenue then rises with the value of the goods. The value of the good includes the component of services going into the good. So, indirect taxes are also falling on services.

Imposing special taxes on productive services would raise prices of goods as is the case with indirect taxes. Taxes on consumptive services will have a smaller effect on prices. Since services are difficult to value, imposing an indirect tax on them will pose a major problem. Evasion of taxes in this case could rise unless better compliance ca[n] be enforced.[6] The high price of consump[tive] services may be economically acceptabl[e] in spite of the likely tax evasion since it ma[y] reduce their growth rate.

The purchasers of productive services, th[e] businesses, are largely indifferent to taxes o[n] services since what they pay for service[s] (produced in-house or bought in) are cost[s] to be deducted out of their profits. They d[o] not lower the gross profit of the businesse[s] unless sales are affected. Even then, service[s] are paid for out of pre-tax incomes so tha[t] their cost to the business is only a fraction of the price they pay. If services are to be taxed without affecting prices, direct taxes need to be used. The corporation tax should be levied on the gross profit, gross of the services. But then it would take on the character of an indirect tax—akin to a VAT including bought-in services.

The question then is how to make businesses more sensitive to costs. The threat that could work is a loss of markets, i e, a competitive environment. This is hardly likely in modern industry with the available scale economies. International competition could however be used. This is feasible, as suggested above, only if fiscal policies are modified to remove indirect taxes to lower the cost of production. Adding another indirect tax to capture expenditures on services is not going to force the indigenous industry to become competitive or to force reduction in prices.

In sum, a move to VAT, net of material costs only, may force businesses to economise on the use of services and yield revenue to the government. However, this is like an indirect tax which would put an upward pressure on prices and make the Indian economy less competitive. To counter this, if import duties are reduced to force lower prices, Indian industries would decline. The only way to bring the growing services sector in the tax net without raising prices or making industry less competitive internationally is by shifting from indirect to direct taxes, i e, a reversal of the current trends.

Technology: Constraints and Strategy

Lowering of production costs may be attempted through use of more advanced technology. Indeed, the government uses this as the justification for liberalising imports of technology and inputs. This argument has come in useful to the private sector, specially those who see their interests as tied to the transnationals and the NRIs, to obtain greater concessions, to increase their share of the national income.

Indigenous technology has not developed enough to be able to sustain the drive for new technology, hence the dependence on foreign technology. One of the principal reasons for this weakness lies in the *ad hoc* nature of the science and technology policy pursued in the country [Kumar, 1987]. It has

been pointed out that an important element of risk of investment in R and D is the rapid switches in policy itself.

This view on cost cutting is based on a narrow understanding of cost. The wider view of cost is a social one. For instance, today, the costing for environmental degradation is almost absent. This cost is being shifted to the future generations so as to cheapen goods made available today. On the issue of costs as social, some clarity could have emerged from the experience of the socialist economies. However, they are themselves giving up the concept of cost as being in large measure social. In the emerging view, public sector is seen as inherently inefficient and unable to adapt quickly to a changing situation and unable to lower costs in face of competition.

The concept of cost relates to the value of inputs in a given output. The more output can be obtained out of given inputs, the more is said to be the efficiency of the unit (industry or society), and the cost of production reduced. Lowering the cost of capital, the return on it and the interest rate structure would lower a component of cost of production.

The reduction in material input and services (going into production) per unit of the output lowers costs. This relates to the payments to labour—utilisation of the socialised labour. The less of it is used to produce a given volume of output, the more efficient production is and cheaper are the goods. If utilisation of labour in unproductive uses rises, society becomes less efficient, even if, individual units become more efficient in terms of their input-output.

Examples of such wasteful utilisation of labour are in over-blown administration, services related to taxation, etc. However, the biggest of such waste is underemployment/unemployment. This is socialised labour which needs to be economically supported but is unable to contribute to the output. Thus, in terms of input output, the cost rises. It also leads to missed economic opportunities which cannot be made up later.

Technology can be of the embodied or the disembodied kind. Changes in the system of organisation which allow a higher output per unit of labour like better governance, less of management personnel per unit of output, better organisation of work time as in an assembly line or shorter inventory lines are examples of disembodied technical change. It is in these aspects of technology that the socialist countries have been deficient. They have also been deficient in another area—marketing.

Marketing in the modern context is a means of inter-connecting the production process to demand. When change is rapid, as in a competitive economy with firms trying to capture each other's share through innovation, marketing becomes a critical skill. Socialist countries and public sector in India have ignored this area as being unnecessary, as being in the nature of an overhead and not related to production. However, in the absence of alternative structures to do this task, this skill is a force for dynamism and innovation in a fast changing market structure. Economic entities unable to respond quickly to changes in the market place need to evolve a mechanism corresponding to this skill.

Technical change in recent times has been accompanied by rising output per unit of labour. This is a result of the electronics revolution. With the micro processor based revolution, new products are rapidly becoming available, precision has greatly increased and capital costs have fallen. Output per man has also increased as a result of the changed labour process used in computer based production.

The increased division of labour in production processes was the basis of earlier mechanisation in factories. It involved the worker in repetitive work which could be performed by him at great speed. Output per unit of labour went up. This historical trend seems to be getting reversed now. Machines can perform tasks repetitively much faster and with much greater precision. This displaces large amounts of labour. It is doing so in not only relatively unskilled jobs but also in skilled ones. Employment is being generated at a skill level one step higher, in design and conceptualisation of the production process.

These trends are also raising productivity per unit of labour in the hitherto stagnant area of services. Offices, banking and finance, etc, require far fewer workers for a greatly expanded volume of work. Such large increases in output per unit of labour reduce the component of labour in output. Cheap labour without access to technology and skills then is no more an asset in international competition and in any export drive.

Technological changes are also seeping into the Indian economy. Government is allowing import of advanced technology. The imports are also growing due to the rising demand for consumer durables and luxury items which are import intensive. The growing volume of imports require growth in exports to maintain the balance of payments. International competitiveness has become important for exports.

This requires importing technology for the export sector similar to that available abroad and fuels further imports. Imported modern technology is raising output per unit of labour in the Indian economy. Since this is accompanied by growing imports, the volume of internal production cannot rise commensurate with the growing labour productivity. It leads to a trend of growing unemployment and underemployment and of social waste even if some firms become more efficient in the narrow sense.

In sum, the debate on the liberalisation of the economy and making it more efficient confines itself to the firm level efficiency defined in terms of input and output. Its link with the efficiency at the national level is ignored. At the national level it needs to be measured in terms of various social indicators. For instance, deficiency of demand and the resulting unemployment and the unutilised capacity can make the most efficient plant inefficient in the national context. By raising social tensions, it raises social costs which are seldom counted. Policy needs to face these issues squarely.

Slow Growth and Capacity Utilisation

In a capitalist economy, employment depends on investments. Given the distribution of incomes, if there is spare capacity in the economy, a stepping up of the level of investment leads to a stepping up of employment. However, *in a capitalist economy the private sector does not automatically invest the amount necessary to take the economy to full employment or to the maximum possible rate of growth.*

Investment decisions are known to lead to instabilities in capitalist economies. With its atomistic decision-making, the investment decisions based on the prospects for future profits become either unduly pessimistic or optimistic. This results in fluctuations in economic activity. Government intervention can even out such fluctuations.

In the Indian context, slow growth in some of the major sectors imply that demand is inadequate and on the average, incentive to invest low. The lack of demand in the economy reflects itself in excess capacity in certain sectors and sickness in others. This in turn reflects in low capacity utilisation in say, the capital goods sectors. *The private sector is unable to* significantly *step up growth by increasing the rate of investment even though (as data show) the propertied classes are getting a growing share of the incomes in the economy.*

With slow growth, investment in productive assets does not promise adequate returns. The growing surplus in the economy gets channelled to activities which promise the highest return. Speculating on shortages is one such, typically in commodities or in non-reproducible assets like, land. The more money flows into such activities, the more their prices rise and the more they attract funds. This sets up a vicious circle of price rise and investment in unproductive activities. Trading and real estate have become favourite activities amongst the surplus owners.[7]

The low growth in demand in the economy is manifested, in the short run, in idle production capacity and increasing levels of stocks. Over the medium run, it would manifest itself in declining levels of investment in related areas (so that the level of capacity utilisation does not fall further). Over time, capacity utilisation would rise as demand rises for natural reasons and old machine stock depreciated.

Capacity under-utilisation may remain substantial in industries where the gestation period of investment is long, like in basic industries and for infrastructure. This has been

observed in the Indian context. The main impact of deficiency of demand then is on the rate of growth of the economy. It remains low due to the low rates of investments.

The economy is trapped in a vicious circle of low growth, and worsening distribution. To correct for this, at a minimum, the growth rate must be stepped up keeping in mind employment generation. The Indian industry came out of its low growth phase (starting in mid-sixties) in early eighties. This possibly was a result of an all round decline in excess capacity in the economy and opening up of new investment opportunities. In the infrastructure sectors, due to a lack of adequate investment in the sixties and the seventies, even bottlenecks appeared.

The failure of the public sector to lead the growth in the economy in the seventies led the government to shift emphasis to the private sector. The trends the world over to either denationalise or to open the economy to private sector (in the socialist economies) gave a sanctity to this idea. Public sector is seen to be inefficient. The worker in the public sector is seen to be inefficient. He is supposed to lack incentive to produce in spite of the high emoluments he receives.[8]

A growth area was chosen to encourage private investments. In the eighties, it was the consumer durables industry. The rising incomes of the propertied were to be the source of demand to fuel the growth of the Indian economy.

Government seems to have realised the limitations of this strategy. It had a narrow base. This could conceivably have been supplemented by raising employment for the poor through special employment schemes. However, resources were required to be raised from those who have them, the propertied. But, this went contrary to the idea of allowing higher incomes to the propertied to stimulate their consumption.

The budget for 1989-90 seems to have targeted food processing as the new growth area. It is hoped that it would stimulate the growth of the agricultural sector and employment. Various concessions have been offered to this industry. A new ministry has been set up specifically to oversee the growth of this area. However, the trends are that this area too would be highly capital intensive and foreign technology intensive. Large number of transnational companies are trying to enter this market.

It could no doubt lead to a smoothening out of the fluctuation in agricultural prices. It could, therefore, lead to a shift in the terms of trade to the benefit of those farmers who have the marketable surplus. But, its impact on the rest of the consumers would be negative, specially on those below the poverty line and who depend on the low prices of the seasonal food items for their consumption. If employment and incomes rose this would be countered but the rising output per unit of labour could prevent this from happening and aggravate the crisis.

The growth of a capitalist economy is *helped* by the existence of an external sector which generates additional demand for the national economy. The export market has traditionally played this role. It raises demand beyond what the internal economy is itself capable of generating. The result is more investment, utilisation of idle resources and more growth. However, as argued, this has led to import of technology and to a rise in the output labour ratio which can aggravate the tendency of deficiency of demand in the economy.

IV

Government Intervention, Technology and Investment

There is an interlinkage between, on the one hand, investment, technology, the rising shares of surplus and the services sector in the Indian economy and on the other, the low growth rate of the economy. The linkage with the latter two was discussed in Kumar [1988a].

The link with technology and investment is taken up for discussion here. It is a well known feature of these two that they have a dual nature. Whereas investment leads to a rise in the level of output, it also leads to a rise in the level of capital stock and reduces the opportunities for future profitable investments. This has been exploited in the models of business cycles to explain economic cycles.

Technology can also have a similar impact on an economy. On the one hand, it propels investment in the economy since firms would like to take advantage of the higher levels (than those who do not use it) of profits it allows. This raises the level of output in the economy. On the other hand, if the output per unit of labour rises, it raises the share of the surplus in the economy (and lowers the share of wages) and reduces the level of employment at a given level of output. The wage bill (for a given output) shrinks and leads to deficiency of demand which causes a downturn in economic activity. The net effect depends on several factors.

The consumption out of surplus may rise. However, it is not very sensitive to the rising levels of incomes of the surplus earners.[9] Worse, even the slow rise is lagged. Investment activity is also lagged on profits. Profits, investment decisions, increases in production of investment goods and deliveries of capital are all lagged with each other [Kalecki, 1971]. The immediate effect of a rise in the share of profits would be a decline in overall demand in the economy.

A rising share of profits is likely to be accompanied by a tendency for overall demand to be deficient in relation to the productive capacity of the economy [Machlup, 1960]. An increase in the rate of investment is then needed to prevent slow-down in growth.

This is not automatic since capitalists fear economic obsolescence and the rapid depreciation it requires. Only if technical change brings with it new products and requires newer lines of production to be opened does the level of investment rise and reverse the trend of growing deficiency of demand. Thus, the nature of the technical change is important from the point of view of its net impact on the rate of investment and whether it enables the capitalist economy to correct its own deficiency.

A rise in the level of output per unit of labour brings with it a possibility of reduced prices. This could raise the purchasing power of the employed and raise the level of demand. However, such an outcome does not come about for two reasons. First, there is the productivity inflation. It is based on a rise in productivity in some industries and sectors and not in others. The wage rates in the productivity leading areas rise and spread (as norms) to others. The average prices go up rather than falling [Streeten, 1962].

Second, capitalists with control over technology prefer to expand margins and raise their levels of profits rather than lower prices. New technology usually has a scarcity premium and allows monopoly profits. The existence of the older technology for reasons of incomplete depreciation and niches in the markets and slow junking of old plants prevent the prices from falling. A rapid spread of the new technology can prevent profit margins from rising.[10]

There is another critical reason for why a rising level of labour productivity is not leading to a commensurate decline in the prices. This is a result of a rising concentration and specialisation in production. These tendencies lead to a rising demand for services for final-sale of the product. Till recently, the growth in productivity in the services sector has lagged behind than in the material goods sectors. As a result, the rising share of services in the national economies is leading to a slow-down of the tendency of cheapening of goods. The prices of final products hardly fall, if at all.

Consumer resistance (among the organised sectors) to price rise is weakened in a situation of rising prices. Not only do expectations of price rise and that the price rise can be neutralised by pay increase get entrenched in the economy, but also, any idea of cost of production is absent. With a new product the idea of its cost of manufacture is bound to be even weaker. Product differentiation through advertising and marketing techniques tries to present even old products as new. This is inflationary.

The transnationals enjoy enormous clout in terms of market power due to the financial strength, image and brand names. They are able to charge fancy margins for their products. This is also true for the large indigenous producers in the third world, including in India.

Finally, the consumer resistance is also weak due to individual items of purchase being a tiny fraction of the overall family budgets. The budget constraint does not act on individual items of purchase. Price rise

affects the savings propensity. For the middle classes in India, the budget constraint acts on the purchases of consumer durables.

To sum up, technological change by raising the level of output per unit of labour tends to create a deficiency of demand in the economy. This tendency could be countered by a cheapening of products of new technology. However, this is prevented from happening by the prevailing institutional factors in a capitalist economy. The existence of an external market is a possible way out of such a situation.

A Model of Deficiency of Demand

In a capitalist economy with ongoing investments and an accompanying technical change, the impact of these two on the tendency for deficiency of demand, growth rates and the need for external markets needs analysis. This is attempted here.

Technology is the crucial link in this model. It is represented by output per unit of labour, say, β. β rises with the level of investment in the economy. As newer machines are installed, the average level of output per unit of labour rises. Disembodied technical progress would raise β without any investment. With embodied technical progress, at a given level of investment, as newer machines come into use, β can be expected to rise.

The rise in β at a given level of investment can be expected to be larger or smaller as the pace of technical change varies. For instance, with the electronics and computer revolution, the pace of change has become far more rapid.

A rising β at a given level of output would lead to unemployment and a rising share of the surplus. This would lead to a deficiency of demand in the economy unless counteracted by a rise in investments.

With a rising β, the share of profits rises and would induce a higher level of investment decisions and lead to larger deliveries of equipment. Capitalist consumption would also rise with a time lag. Since the immediate impact of the rise in β is on employment, the deficiency of demand would result from the decline in workers' consumption.

β would then raise the level of investment and increase the deficiency of demand in the economy.

Let investment be expressed as a ratio of the capital stock in the economy, and representd by ϕ.

Then, ϕ per unit of time would rise with β, as noted above.

ϕ would also rise with the level of output in the economy through an accelerator mechanism. But the level of output is dependent on the level of investment in the economy through the multiplier. Thus the rate of rise of ϕ per unit of time also depends on ϕ itself.

The existence of the deficiency of demand would imply the existence of spare capacity and act as a damper to the rise in ϕ. In sum, ϕ per unit of time would rise with β, with ϕ but decline with the deficiency of demand.

Let the deficiency of demand in the economy be expressed in relation to the level of output, and be represented by σ. As argued above, this would be lowered by a rising ϕ but raised by β.

These inter relations between β, ϕ and σ over time may be expressed in the form of the following linear differential equations:

$$d\beta/dt = a\phi.$$
$$d\phi/dt = b\beta + c\phi - e\sigma.$$
$$d\sigma/dt = f\beta - g\phi.$$

The coefficients a, b, c, e, f and g are taken to be constants. The constant parts of the linear functions on the right hand side of the equations are ignored since they would yield a linear time trend.

The characteristic equation for the solution of the coupled equations is
$\Omega^3 - c\Omega^2 - \Omega\,(ab + eg) + aef = 0.$

This is a cubic in Γ with three roots. One of the roots, say Ω_1, would be real and negative. The other roots can be real or imaginary. At least one of them would be positive or having a positive real part, say Ω_2. Thus, as $t \to \infty$, the root Ω_2 would dominate over Ω_1 and possibly Ω_3. If a, e and f are large, the roots $\Omega_{2,3}$ would be imaginary. (See Appendix for the details of the solutions.) The most general solution would be a linear combination of the independent solutions containing exp $(\Omega_i t)$ and the particular solution. e and f are unlikely to be small but 'a' may be small in normal times when technology is not changing rapidly. In normal times with 'a' small and $\Omega_{2,3}$ real and positive but with small values, each of the variables β, ϕ and σ would grow monotonically. Depending on the initial values, the constants can be fixed (in the general solution). One possibility that emerges is $\beta, \phi \to \infty$ while $\sigma \to -\infty$ as $t \to \infty$.

With 'a' large, the roots $\Omega_{2,3}$ are likely to be imaginary. β, ϕ and σ would oscillate with increasing amplitude.

The role of the external market is precisely to fill the deflationary gap σ. This would determine the size of government investment in the economy or of the export market or the extent of destruction of the pre-capitalist sector. Clearly, the last is a limited amount and would be soon exhausted. The other two also have to be rising shares of the level of output since σ is a share of the output.

One of the implications of the case of real roots (aef small) is that the deflationary gap rises but in spite of its rise, the investment process and the technical change representing increasing labour productivity show an exponential rise. This is the result of the self excitement of investment and the mutual impact of β and ϕ on each other. The impact is on the lowered growth rate in the economy.

The full employment rate of growth would correspond to the situation where $\sigma = 0$ and $d\sigma/dt = 0$. Thus, $d\phi/dt = \phi.\ (c + bg/f)$. That is an exponential growth at the rate $(c + bg/f)$. This would be higher than the growth rate in the case when the deficiency of demand is present because the negative feed back on investment from the deficiency of demand has been eliminated.

The implication of an exponentially rising ϕ is that investment as a ratio of capital stock is growing and will become greater than the capital stock itself. An exponential rise in the output per unit of labour β would imply a reduction in employment.

The level of output would be given by the multiplier times the investment. As the share of profit rises and corresponding to the rise in β the wage rates also rise, the savings propensities of the capitalists and the workers would rise. They would approach unity. Thus, output would rise at the same rate as investment and output would equal investment.

The model points to the instability of the growth process accompanying a rapid change in technology. The large 'a' case with imaginary roots is a result of the impact of rising level of labour productivity leading to the creation of a deflationary gap which reduces investment and economic activity.[11] But as profits rise and investment increases, the gap would be narrowed and in turn would lead to a further rise in investment. The economy would undergo fluctuations.

To overcome this instability, the value of 'a' or 'f' could be lowered and 'g' raised. The effect of lowering 'e' is ambiguous. The roots $\Omega_{2,3}$ would become real and positive with these changes. Low 'a' and 'f' imply a choice of technology which create a small rise in output per unit of labour and a small effect of technology on creation of the deflationary gap. 'g' increases the impact of investment on the deflationary gap.

'a' and 'g' can be changed by policy. Inefficiency and corruption in government lower the size of 'a' and 'g'. A large part of investment decisions in the economy are in the control of the public sector and depend not only on the technological input-output coefficients but also on the political decisions. Where plants are to be located, with what technology, etc, is politically determined. These are subject to corruption.

These factors reduce the impact of investment on the rise in β. A given investment decision has a lower actual investment component when there is corruption. This makes 'g' smaller and makes the closing of the deflationary gap more difficult. Then, while waste lowers 'a' and reduces the crisis of demand deficiency in a capitalist economy, through 'g' it has the opposite effect.

Ceiling and Floor

The above model suggests an increase in ϕ, without a limit. However, investment can at most be the entire output of the capital goods sector. If only capital goods are produced in the economy, then the upper limit of ϕ is the output-capital ratio, Γ. This would provide *a ceiling rate of growth of the economy*. On the upswing, once $\phi = \Gamma$ (actually even before this is reached since a part of the output would be of consumption goods), the equation for ϕ would not hold.

Then, $d\phi/dt = 0$, $d\beta/dt = a\Gamma$ and $d\sigma/dt = (f\beta - g\Gamma)$ with Γ = constant.

β would then be a linear function of time and σ would be a linear and a quadratic function of time. σ would fall to begin with and then rise. Thus, the deflationary gap would grow due to the rise in β which a constant ϕ is unable to counter. The rate of growth of the economy would fall below the ceiling rate.

There is also a *floor* since capital stock cannot decline faster than the rate of depreciation. The equation for ϕ once again gets modified to $d\phi/dt$ = constant (with a negative coefficient). β would rise with time due to the autonomous technical change (constant term on the right hand of the equation which was ignored) but there would also be a quadratic term with a negative coefficient. β would initially rise and then fall.

σ would consist of a linear and a quadratic term in time both with positive coefficients and a cubic term with a negative coefficient. σ would initially rise and then fall sharply. This would provide the lower turning point. Therefore, even if an economy experiencing technical change can choose the coefficients appropriately such as to be in a regime of monotonic growth, the existence of the ceiling forces it to oscillate.

To grow at the maximum steady rate along the ceiling, the capitalist economy needs an external market to fill the deflationary gap that has a constant tendency to reappear and grow. This ceiling rate of growth need not be the full employment rate since σ is not zero. Exports do not easily respond to policy. So, the policy variable available to the government is direct demand creation. For this, the instruments available are deficit financing, borrowing or covering expenditures through direct taxes.

The tendency for the persistence of deficiency of demand even during the upswing should enable the government to intervene in the economy to eliminate the gap. Continued slow growth in the economy is an indication of the government not doing so. It has been argued that this is so by design since government is averse to rising levels of intervention which rise the potential rate of inflation in the economy (Patnaik, 1986).

The inflationary tendency has been attributed to the form of government intervention. Unsold stocks resulting from higher growth have to be bought by the government which then releases liquidity in the economy which is potentially inflationary. Further, labour militancy is supposed to rise as the economy approaches full employment. Money wages rise faster and so do prices. *These arguments are set within a conflict model of inflation.*

Government is supposed to slow down the demand generation process by cutting back its level of intervention in the economy. Since most current account expenditures are precommitted, the tax necessarily has to fall on the capital account expenditures and planned investments.

Data indicate that there is rising government intervention in the Indian economy. This is whether one looks at the tax revenue, expenditures less transfers, or total expenditures (including transfers) of all levels of government [see Kumar, 1987c]. In spite of this, the trend rate of growth of the economy has changed little[12] and it may be inferred that there is a tendency for the persistence of a deficiency of demand.

In the Indian context, the rising government intervention in the economy may be interpreted to lower 'f' and the economy grows monotonically at a slow rate. However, this is accompanied by a rising level of technological unemployment. Such labour goes into the unorganised services sector. The economy experiences a growing economic differentiation.

In Kumar (1983) and (1986) the arguments were theoretically analysed. In an India-type economy, there is a vast unorganised sector which bears the brunt of the inflationary adjustment and accommodates (is forced to do so) the rising shares of the organised sectors (Holzman, 1950 raised similar possibilities). Continuous inflation would continuously squeeze the share of the unorganised sectors. Question is why is the process not stronger? Are there limits to this process?

V

Growing Fiscal Crisis and Conflict

Conflict Model of Society

That there is a link between economic disparities and the level of social tensions is generally accepted. However, this is not a simple relationship. Disparities of different kinds have existed for a long time in most societies but have produced different levels of social tension.

A social structure with a given incomes ladder (which has historically prevailed) seems to be a source of social stability. Income relativities amongst different social groups in society seems to be important. A historical pattern of relativities (even when it is unequal) seems to carry with it a sense of economic justice and makes it acceptable to people.

In a rapidly changing social structure, as in India, where the income relativities also start changing, the growing social tensions aggravate. This happens with the creation of new possibilities for some groups and the elimination or the declining importance of (the work of) other groups. The ruling ideology in society at times reinforces such trends. In a capitalist society, the fixed income groups do not blame the business community for their declining standards (due to inflation) or act against it in spite of the latter's obviously rising standard of living.

Instead, they blame each other for trying to obtain a higher share of the national pie. These are the relativities they are directly concerned with in the social ladder even if these are not related to their economic decline. The pull of ideology is such that business practices have not only become acceptable to the middle classes but they even adopt them by abandoning their own practices.[13]

In recent times, with consumerism emerging as a dominant value, the income relativities are even more important than earlier. Status is not dependent on the individual's work but his show of consumption. The changes in income relativities become immediately apparent and the feeling of relative deprivation heightened. This hurts specially those who till recently thought themselves as equals and now are no more equal in their consumption pattern. The hurt is even greater when those who were taken to be lower in the ladder, move up.

These and the growing expectations of various segments of society are the links betweer the growing economic disparities and the level of social tension in a society. *In analysing the growing social tensions and nature of conflict in the Indian economy, it is, therefore, necessary to recognise the existence of sections which are getting marginalised and of those which are appropriating the gains from the growth process.*

In the typical model of a capitalist economy, the basic conflict in society is taken to be that between capital and labour. These classes are taken to be undifferentiated. This has been utilised by Kalecki and more recently by Rowthorn (1977) to analyse the phenomenon of inflation and stagflation in a capitalist economy. Patnaik (1986) adopts such a model in the Indian context.

In Kumar (1983), it was suggested that in the case of the Indian economy, it is necessary to separately incorporate the unorganised sectors of the economy even though the basic conflict remains between capital and labour. It was argued that a conflict model of the Rowthorn kind would be inappropriate for analysing inflation in the Indian economy. It has been pointed out that government intervention in the Indian economy is rising when measured either in terms of the share of taxes in the national income or in terms of total expenditures by all levels of government.

The issue is not *that government is* not *intervening in the economy more and more* but *that the problem of accelerating the growth rate in the economy has not been solved by the rising level of government intervention* [Kumar, 1986]. To understand this, it is necessary to closely examine the theoretical premises of the Rowthorn kind of model (which has been used in Patnaik (1986) to suggest limits to government intervention) and see whether they are valid in an India-like economy.

As in short run models, productivity is a given constant. The conflict between capital and labour is taken to be such that their demands on the national cake together add up to more than its size. This leads to inflation. The capitalists have control over prices and raise them to obtain the share they want.

This forces a cut in the real incomes (wages) of the wokers. So they demand a higher money wage which upsets the calculations of the capitalists. In the process, there emerges a vicious cycle of prices and money wages chasing each other.

Clearly, if workers only desire that a given real wage be maintained, conflict could be resolved if productivity rises. The capitalists would be able to get a higher share of their produce (as profit) while conceding the fixed real wage (asked for) to the workers. But Rowthorn rules this out by operating in the short run. However, in the model, repeated wage bargain are allowed so that the model actually addresses the longer run. An ambiguity appears in the model. Productivity *can* rise over the span of the wage bargains.

Further, confining attention only to the short run, if a wage bargain takes place between the workers and the capitalists at the start of the period, then by conceding a given real wage to the workers, the capitalists are also fixing and *accepting* a share for themselves, individually and collectively. This must be in consonance with the share of the national income that they collectively want. Thus, conflict between shares should not arise unless there is an external shock to the system. Such a shock must be continuous for it to produce a continuing inflation. Even here productivity rise may be able to resolve the conflict.

There is a possibility of an endogenous explanation (short run) of the kind Rowthorn has in mind. It would have to be based on some capitalists being dissatisfied with the bargain. These capitalists would expect to raise their prices (unanticipated) in the short period *by more than the average*,[14] after the bargain has occurred at the start of the period. The calculations of other capitalists would then be upset and they would be forced to also raise prices and the wage-price spiral initiated.

Such a scenario would require the incorporation in the model of a pricing rule for the oligopolists and the monopolists which would enable them to raise prices more than the average. Alternatively, they need to be technologically so dynamic (forget the short run for the moment!) that they can raise their profit margins without raising their prices more than the average. But then the unanticipated price rise would not occur and the wage bargains at the start of the short period would be consistent with the expected shares of profit in the national income.

It then appears that for Rowthorn's conflict model, *the model must consist of two groups of capitalists with one having greater market power than the other possibly based on the technological edge and control over markets*. This is missing and there is ambiguity about the short-run nature of the model.

With the mechanism of conflict suggested by Rowthorn (1977) untenable, one could fall back on the model suggested in Kalecki (1971). He suggested that capitalists and workers actually bargain for shares of the produce of a firm. The workers do *not* bargain with a real wage norm. Under the circumstances, it may be argued that conflict over shares in the national cake is not resolvable even by advances in productivity. Unanticipated price changes by firms only aggravate the conflict further.

A requirement of such a model would be that there exist a mechanism by which the individual shares in each industry add to a share at the level of the economy. No doubt, at the end of a short period, after conflict has played itself out, some shares of labour and capital would emerge. But *in a conflict model, the concern ought to be with the share formation mechanism at the beginning of the period*. A conflict over these shares is what initiates adjustments causing inflation.

With mark up pricing at the start of the period as the norm, each firm gets a share of its produce as the gross profit. These when aggregated over all the firms lead to an expected share of profits in the national income. For the *ex ante* mechanism for the formation of share of wages in the national income, it was suggested in Kumar (1983) that the phenomenon of leading sector wage bargaining may be considered. Conflict then becomes very sharp, specially in the technologically lagging industries.[15]

Conflict Model in Indian Context

In the Indian case, a conflict model of the Rowthorn or the Kalecki type will not hold due to the existence of a large section of labour which is unorganised and unable even to bargain for maintaining a fixed real wage. It would certainly not be able to enforce for itself a fixed share of the produce. Thus, the mechanism for wage share formation suggested above would not hold even if it could be taken to hold for the organised sector. The unorganised sector only gets the residual incomes left by the organised sector [Kumar, 1983 and 1986].[16]

In other words, due to the existence of the unorganised sector, a conflict started by any shock can get resolved through adjustments at the expense of the share of incomes of the unorganised sectors. This results in rising disparities and growth is marginalising.

In contrast to this scenario, Lewis's model of development suggested that the expanding modern sector would draw in labour from the backward one without increasing disparities. This vision is not being realised. In the Indian growth context, the unorganised backward sectors are being left farther behind. If employment were to rise in the unorganised sectors it would further depress the wage rates there [Kumar, 1988b].

Today, shares in the national income depend not only on the wage bargaining and the price setting processes but also on government policies. The various economic interests in society have realised this. For example, a tax on wages reduces the share of the workers in the national pie by reducing their post tax incomes. On the other hand, if the expenditures out of the taxes go to improve their welfare, they are no worse off. Thus, *conflict takes place over government policies which effect the shares that different sections of society expect to receive.*

The growing conflict is also a major cause of the wasteful (and inefficient) role the government plays in the economy. It leads to the fiscal crisis of the state which in turn limits the role the state can play in mediating the conflict amongst the major actors by providing them additional benefits. The reason is that conflict generates demands on public resources in ways such as to diminish government's capacity to intervene in the economy in other more resource creating ways.

In a situation of heightened conflict amongst themselves, the individual ruling groups seek other allies and organise and politicise groups which till then were peripheral, including drawing support from some of the groups which face deprivation. In the rural areas, the rich farmer is seeking the middle and the poor peasants as allies and mobilising them against the more prosperous urban elites.

Finally, some of the emerging groups which were outside the ruling circles have found that they need to get organised to gain a share of the national pie. The rapid social change in India is also throwing up new groups which have the capacity to organise themselves. This aggravates conflict further through accentuated intra ruling group conflicts.

The residual groups completely left out are squeezed even more and face growing economic crisis. This adds further to the social tensions, to expenditures by the state and the need of the marginal groups to organise themselves or be organised by others. There is then a coincidence of the need of these groups to get organised and the desire of the dominant groups to gain new allies. Such mobilisation has been on the lines of the traditional divisions in society—caste, community, etc. Partly, this represents the weakness of the Left forces in the country. They have neither been able to mobilise the deprived on secular issues nor prevent their leadership from being taken over by the vested interests.

This intra class conflict amongst the ruling economic interests also manifests itself in the inability of the ruling groups to articulate clear cut goals. They are unable to evolve stable alliances amongst themselves. It shows up in the decline and the fragmentation of the centrist political parties in India and the inability of the ruling groups to work for their long-term interests.

In a nutshell, the sharpening conflict amongst the ruling groups in India and their inability to resove their differences without imposing greater and greater burdens on the state is both a manifestation of the growing crisis and also the cause. Such conflict limits

the opportunities for the ruling groups and heightens the conflict amongst them.[17]

Growing Conflict and Unorganised Sector

Inflation has resulted in an increasing share of the national income accruing to the propertied classes and to organised groups. The adjustment in such a conflict situation has taken place at the expense of the unorganised sectors (also in Holzman, 1950). The question is does this process have a limit?

What prevents the share of the unorganised from falling to zero? The possible floor may be the subsistence requirement. This is not a given fixed basket of goods or its monetary equivalent. It is determined by the social norms and the economic conditions. It can also be squeezed from time to time as conflict aggravates but may recover over time.

With inflation, a rising level of money income would be required for a given subsistence basket of goods. More importantly, to earn a given minimum basket of goods other expenditures are necessary. For instance, to sustain employment more of travel may be necessary. This is a result of the changing job markets. Large numbers of people are being displaced from traditional jobs and homes. Free gifts of nature have disappeared. Thus, even to earn the income to obtain 2,200 K Cal more has to be earned. New jobs pose new challenges like, changing lifestyle, health hazards and entertainment. These require more money incomes.

In this context income differentials between the urban and the rural poor do not necessarily reflect differences in standards of living. The former need a higher income for the same subsistence. *The unorganised are faced with a squeeze from above (organised sectors) and a squeeze from below (the rising consumption basket for a given consumption basket).* They need a rising share of the national income and not just a given real income obtained through an inflation linked rising money wage. This is raising the level of social tensions and conflict.

Limitations on Manoeuvrability of State Activity

Inflation as the reason for a limit on state activity is not a convincing explanation since, government in the conflict models of the above kind is not a neutral agent. It is seen to act in the interest of the dominant ruling classes, like, creating a growing market for the capitalist classes by desiring to raise its intervention in the economy.

Then, why shoud the government be sensitive to the process of inflation which would raise the share of the propertied classes even further? Inflation does more of the same that the government is not averse to—acquiescing in a rising share of surplus in national income. In a conflict model of the Rowthorn kind, government ought not to be averse to inflation? The money illusion argument is not convincing. As has been pointed out, a rising share of the propertied classes is consistent with a given real wage rate of the organised sector workers. If productivity changes are allowed in the model, the task is even more easy.

An alternative reason for the persistence of the deficiency of demand and government's inability to intervene even more in the economy has been explored and presented in [Kumar, 1988a]. It is based on the rising share of the propertied incomes (surplus) in the national income due to the rising share of the black economy and the services sector.

The share of surplus in the economy is rising faster than government intervention in the economy. It has also been argued that forms of intervention available to the government given the structure of the ruling classes and its dispensation also raise the share of surplus in the economy. Thus, the deficiency of demand persists in spite of (and because of) the rising level of government intervention. The rising share of the surplus also depends on the changes in technology, as discussed earlier.

The increasing fiscal crisis leads to a reduced manoeuvrability of the state. As discussed in the earlier sections, it leads to granting of more and more concessions to vested interests (both in the country and outside). The state is involved in gathering resources only to recirculate them to the propertied. This *reduces the net resources with the state to step up its rate of intervention in the economy.*

In conclusion, it is not the fear of impending inflation which limits state intervention. The limit is a result of the forms of intervention the government is willing to use and the conflict it is mediating.

VI
Changing Role of State and Economy

The discussion above suggests that there is a need for a growing state intervention in the Indian economy. The deficiency of demand in the economy needs an external market. The possible solution internal to the dynamics of the capitalist sector, based on an expanding export market, is infeasible given the present weak technological base in the country. Imitation of the 'late late industrialisers' requires strong state intervention and the curbing of the democratic structures in the economy. The process then is not internal to the dynamics of capitalist sector (if that is what is implied by the 'free market' solutions) and requires strong state intervention.

For the reasons discussed earlier (also see Kumar, forthcoming) to be able to be export competitive, India needs access to technology. But this invariably implies political and economic costs. If India is to pursue its democratic structure and political independence, then these costs may not always be acceptable.[18] As such, exports as an option for expanding the markets in a major way is not viable.

The capitalist sector can also grow by eating into the precapitalist sectors. This has limitations in the current context since it leads to growing social tensions and increasing oppression by the state (resulting in rising consumption expenditures of the government). In turn, this limits the government's capacity to intervene in the economy.

In other words, for accelerating growth, *both the routes that are, at least theoretically, considered to be endogenous to the dynamics of the capitalist sector, not only require strong government intervention in the economy but would also (and are doing so to the extent they are being attempted in India) not prevent a growing crisis. They also require the state to turn more authoritarian.*

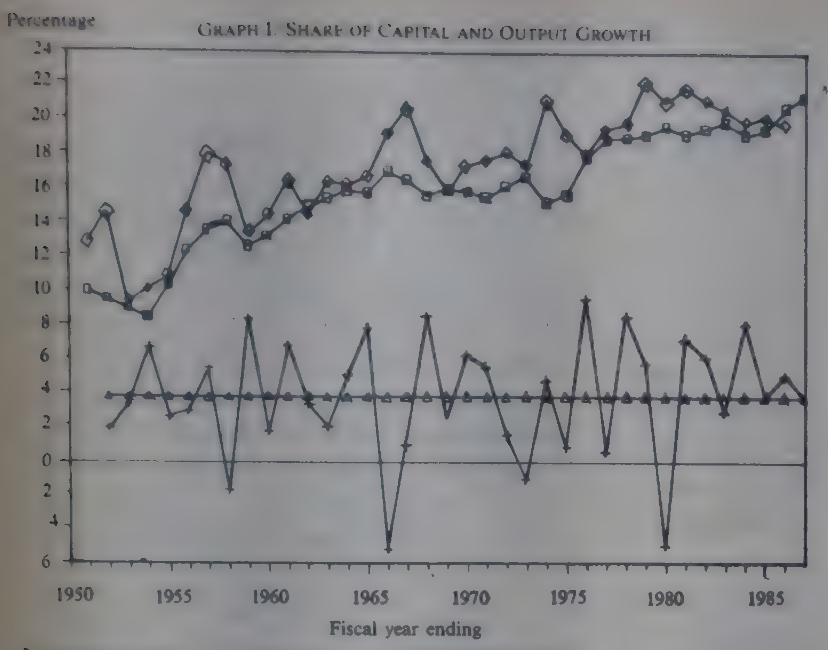
State intervention then appears necessary. The third option of direct and open intervention in expanding the markets for the private sector seems to offer the best possibility. However, this is also hemmed in by some of the consequences already discussed and observed in India. Government intervention accompanied by growing economic disparities has its limits. *It must not simply do more of that which the private sector does.* Its policies must be differently structured.

Greater government intervention in directions hitherto unexplored is needed. Capitalists would have to give up their fear of full employment.[19] The fiscal crisis which limits the state's capacity to work for the long-term interest of the ruling groups needs to be overcome. The model suggested that in the short run, the increased state expenditures reduce the extent of the deficiency of demand. But, the inability to raise investments consistent with the requirements of technology produce low rates of growth. This realisation amongst the ruling groups is necessary for changing the focus of government intervention.

The discrediting of government intervention in the economy as being inefficient is also responsible for its inability to step up the rate of intervention to eliminate the deficiency of demand. An ideological climate against state intervention in the economy has been created. However, the alternatives also depend on state intervention in the economy. Thus, *the question is not whether there should be state intervention but in what form and how much?*

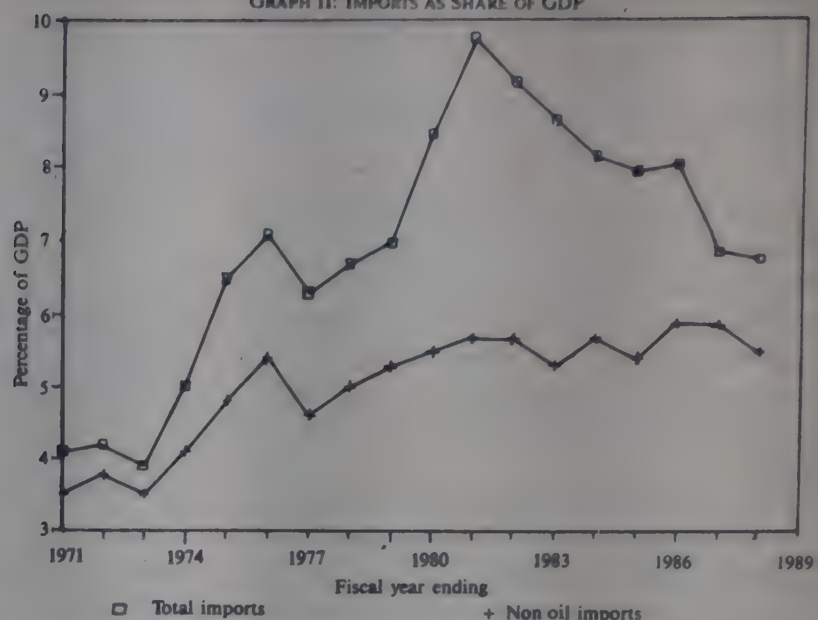
Import of technology for the purpose of utilising scale economies in production which lead to a rising output per unit of labour and an expansion in the share of surplus, need to be regulated such that the resulting surplus is ploughed back into the economy. This requires state control of the import of such technology. The resulting surpluses couid be invested. The high output per unit of labour in the advanced sector can then be used to generate employment to absorb the labour being displaced from the more backward sectors. In the model, 'a' which is inevitably raised by imports of technology is lowered by the government intervention.

GRAPH I: SHARE OF CAPITAL AND OUTPUT GROWTH



Source: National Account Statistics.

GRAPH II: IMPORTS AS SHARE OF GDP



Source: DGCIS, Calcutta and National Account Statistics.

For a larger investment programme of the government, to close the deflationary gap, the growing surplus in the private sector would have to be tapped through forcing tax compliance, i e, curbing the growing black economy. Thus, the resources for employment creation can be obtained through tax effort, reducing wasteful state expenditures in unproductive activities and generation of surplus through use of advanced technology.

The state with control over technology and the resources released by the above strategy could also embark on an export drive. Technology could become available to the state cheaper than to the private sector. It would have greater bargaining power *vis-a-vis* the owners of technology than the individual capitalists can have.

Technology which under the present market system is a source of increasing disparities can be used to reverse the trend. The key questions are who would control the surplus emerging from the advanced technology and how it is utilised? It is on these that the results hinge.

All this goes against the grain of the present trends of liberalisation and restricting the role of the state. A more explicit policy of state intervention is being advocated here. This would help enlarge the market directly through government investments, through enlargement of the export market and the expansion through the absorption (and not just destruction) of the precapitalist sectors. These would promote greater growth, reduced disparities in the economy and reduced social tensions.

VII

Conclusions: Growing Confusion and Crisis

The overall thrust of the 1989-90 budget is populist. Actually, it indicates an incapacity on the part of the government (and the ruling classes it represents) to take the steps necessary to break out of the low growth trap the economy finds itself in (see Graph I). The fiscal crisis facing the government and limiting its capacity to intervene in the economy remains unchecked.

Efforts at creating employment are too little in comparison to the needs. Little dent is likely to be made on raising resources through the taxation of services. Technology is unlikely to 'take off' to raise 'efficiency' or reduce costs to make Indian goods export competitive. The capital goods sector is likely to face greater difficulties.

The fiscal crisis which is at the back of the growing budgetary constraints in spite of an improved economic situation is not recognised for what it is. The conflict between the groups represented in the power structure is becoming sharper. It limits the forms in which revenue can be raised while increasing the draft on the state's resources. Attempts at taxing services rather than attacking the situation head on by raising direct taxes is in line with this analysis. Shift of borrowing from the budget to the much more expensive (from the point of view of taxes foregone and the interest to be paid) device of direct borrowings by the public sector undertakings is another example.

Similar confusion in policy is also manifest on the critical front of technology. Liberal imports of inessential goods is being allowed in newer areas (food processing and packaging) while the screw driver technology already operating in the country is sought to be curbed. Investments already made would be adversely affected. The view that in India, investments in development and absorption of new technology is risky is reinforced. The new technology being introduced in food processing would raise prices of food items and affect the poorest the most. A tightening of screws on the indigenous capital goods sector by lowering import duties while raising the excise duties on inputs for capital goods is going to have a similar impact on indigenous technology.[20]

The reaction to the growing fiscal crisis has been to suggest limiting the role of state by cutting back on the areas of state intervention. The private sector has been expected to step in to fill the gap. The growth was initially expected to come from consumer durables and luxury goods. The demand growth for these items has been high given the trend for the shift of national incomes in favour of the propertied classes. This demand has been further stimulated by the availability of lease financing. High value added food items are now being added to the list.

A rapid adoption of this strategy has necessitated import of technology. The indigenous industry which could have developed much of this technology was neither allowed the time nor was it inclined to invest in such technology given the past experience of uncertain returns due to rapid shifts in policy and the small indigenous demand base for many of these products. In the model, this would raise 'a' and 'f' and lower 'b' and aggravate the instability in the economy.

The build up of imports has necessitated both external commercial borrowing and step up in exports. This has deepened the fiscal crisis as well as brought in the argument of 'efficiency' and cost cutting for exports. This necessitated more import of technology. Imports as a share of GDP has risen since the sixties (Graph II). It had fallen till the end of the Sixties. The impact of fiscal policy on costs and efficiency as judged by border prices in relation to internal prices has been ignored.

In this context, for a step up in private investments, in spite of stagnant public investments, the need for more incentives to the private sector becomes necessary. Arguments for liberalisation of policies, internal and external have followed. What has not been appreciated is that the move for more incentives accentuates the shift in national income in favour of the propertied classes. In the model, 'f' rises. The need for state intervention to keep demand growing then rises rather than falls.

The import of technology which today has a high output to labour ratio aggravates the situation further. As the model presented indicates the need for government intervention to overcome instabilities and to maintain high growth rates would rise even further. Much of the new electronics and computer based technology in production has a high output to labour coefficient. The labour processes are being reversed. Instead of subdivi-

sion of tasks to more specialised ones which could be performed repetitively by labour, a reverse process is taking place.[21]

With the rise in the output labour ratio and private control over such technology, the tendency for control of surplus in fewer hands and growth in deficiency of demand is likely to get aggravated. This is where the role of the state in countering this tendency by enlarging the internal market is growing.

The role of the state in providing the requisite environment for R and D needs to be recognised. As argued in Kumar (1987a), India has to accept that on its own it will not be able to compete with the advanced nations in high technology. Yet, for maintaining its political independence, it has no option but to maintain presence in these areas while accepting a growing technological lag *vis-a-vis* the advanced nations.

The nature of the public sector in this environment must also undergo a transformation. It must actually take hold of the commanding heights of the economy. Since with changes in technology, the heights are not given for all times, it must also shift the areas it commands. Lower levels of technology may be left to the private sector. The objective should be to see that the surplus in the economy is recirculated in the economy to maintain exployment and demand. Another area for the public sector could be the provision of support to the small scale sector, specially in marketing and finance. The small scale sector may then be the source of dispersed employment in those areas of production which do not show scale economies.

This policy needs to be supplemented by fiscal policy and administered price policy. A shift in favour of direct taxes is called for. Indirect taxes and borrowing at rising interest rates need to be curtailed. Administered prices need to be fixed such that the surplus does not slip out of the public domain to private hands. The budget proposals for 1989-90 do not make the required break from the past pattern in spite of the initiatives (which are cosmetic) which are being praised by many.

Appendix

The model presented in the text, to study the interlinkage between technology, investment and the deficiency of demand consists of three linear, first order coupled differential equations. The particular form used is dependent on the assumptions incorporated. These were briefly spelt out in the text.

The form of the equations determines the results and is explored in greater detail. First, in Domar (1946) it is suggested that the rate of change of full employment productive capacity depends on the level of investment. The productive capacity depends on the rate of growth of supply of labour and the output per unit of labour (β).

For a given rate of growth of labour supply, the rate of change of β then depends on the level of investment, ϕ. Even at a given ϕ, β rises as new technology is incorporated in machines. Disembodied technical change would show up as a rise in β independent of ϕ. Hence, $d\beta/dt$ may be taken to be a linear function of ϕ. However, ϕ itself depends on β. This is not incorporated in Domar (1946).

Kalecki (1971) suggested that investment decisions per unit of time depend on the level of savings, the change in the rate of profit and on technology (as a long-term factor). Investment decisions result in deliveries of equipment after a time lag which depends on the construction period of equipment. If this time lag is assumed to be a constant and taken to be zero for simplicity then the rate of change of investment (deliveries) depends on the factors listed above.

The level of savings depend on the level of incomes which depend on the level of investment itself, ϕ in the model. This term may be thought of as an accelerator or self excitement of investments. The rising capital stock tends to lower the level of capacity utilisation in the economy and that is sought to be captured in this model through the effect of σ on lowering ϕ. Lower capacity utilisation also reflects itself in the decline in profits. The long-term dependence of ϕ on technology is captured through β. In effect, change in the investment (relative to the capital stock) is a function of ϕ, β and σ. Investment goes on in spite of possible excess capacity in the system due to technical change. This would be ruled out if the accelerator mechanism alone determined ϕ.

In this model, the variable ϕ is defined as investment/capital stock since the absolute amount of investment is in relation to the size of the economy or the existing capital stock. So a bigger economy for the same values of β and σ would have a larger investment than a smaller one. It needs to be noted that ϕ is the rate of growth of capital stock.

Thus, $d(I/K)/dt = (I/K).\ (dI/dt)\text{-}\ I^2/K^2$.

The deflationary gap in this model is taken to be a ratio of the level of output 'O' in the economy. The gap 'G' is the amount by which the actual output falls short of the full employment level of output. That is,

σ = Deflationary gap (G)/Output level (O).
σ [β. L_f − O]/O, where L_f is the available labour supply.

Using the multiplier, $O(t) = I(t)/s(t)$, where $s(t)$ is the savings propensity at a point of time.

$d\sigma/dt$ is then a function of $d\beta/dt$, dI/dt, ds/dt and the rate of growth of labour supply, say a constant, n. As argued earlier, the savings propensity changes with the rising share of the property incomes and would follow the changes in ϕ. Substituting for $d\beta/dt$ and $d\phi/dt$ in terms of β, ϕ and σ, and ignoring the non linear terms, $d\sigma/dt$ becomes a function of β, σ and ϕ. The coefficient of ϕ is likely to be small and is taken to be zero. This term appeared in the equation from the $d\phi/dt$ term. It may then be best left as exerting an influence on ϕ through the term containing ϕ. On *a priori* grounds, σ must decline with ϕ and rise with β. This is the form of $d\sigma/dt$ used in the model.

These are the assumptions behind the form of the equations used in the text.

The solution to the equations is obtained by solving the characteristic equation which is a cubic in Ω. However, it is simpler to look at the solutions graphically by rewriting the equation as $F(\Omega) - G(\Omega)$, where $F(\Omega) = \Omega^3$ and $G(\Omega) = c.\ \Omega^2 + \Omega.\ (ab + eg) - aef$.

The intersections of F and G give the required roots.

$F(\Omega) - G(\Omega)$ has a maximum for $\Omega < 0$ a
a minimum for $\Omega > 0$. At $\Omega = 0$, it equals
> 0. It also rises $-\infty$ to $+\infty$ as Ω goes fr
$-\infty$ to $+\infty$. Thus, $F(\Omega) - G(\Omega)$ crosses
x-axis once in the negative region. That is th
is one negative root.

Alternatively, the intercept of G on the y-a
is negative, while F passes through the orig
As Ω goes from $-\infty$ to $+\infty$, F goes from −
to $+\infty$ while G goes from $+\infty$ to $+\infty$. Th
there will be one negative root say, Ω_1.
$\Sigma\,\Omega_i = c \geqslant 0$. Thus, $\Omega_2 + \Omega_3 = c - \Omega_1 \geqslant$
Also, $\Omega_2 \cdot \Omega_3 \cdot \Omega_1 = -\,aef < 0$. Thus, Ω_2
$= aef/\Omega_1 \geqslant 0$.
Thus, if Ω_2 and Ω_3 are real, they must be
the same sign, in this case, positive. If they a
imaginary, then the real part must be positiv
Whether the roots will be real or imagina
would depend on whether aef, the intercept
the function G is near the origin or far fro
it. If aef is small, then there is a chance th
the intersection of F and G would occur in t
region $\Omega > 0$. This would correspond to the re
root case. Otherwise, the roots would
imaginary.

The constant terms which should have o
curred in the equations and which have bee
ignored make the equations non homogeneou
The particular solution corresponding to the
would give a linear time trend in the solution
This can be ignored in relation to the exponen
tial trends obtained from the homogeneou
part.

The negative root makes β, ϕ and σ decay t
zero as $t \to \infty$. With all the roots real, the solu
tion for β, σ and ϕ would asymptotically go a
the exponential of the largest root. In this cas
since they occur for aef small, the intersectio
of $F(\Omega)$ and $G(\Omega)$ occurs near the origin. Th
roots are then all of small magnitude. Large
are 'c', 'b' and 'g' for a given 'a' and 'e' large
is the absolute value of the roots. Hence highe
would be the exponential rate of growth of th
economy.

With imaginary roots case, the solution
would set up oscillations with growin
amplitude. This is the instability around th
growing linear time trend (from the particula
solution). To overcome this oscillatory tren
there is a need for an external market. This, b
lowering aef reduces the case to the real root
one and the economy can experience stead
growth.

The best policy would be to hold $\sigma = 0$ a
all times. That is, $\sigma = 0$ and $d\sigma/dt = 0$. No
deflationary gap appears and the economy ex-
periences its maximum possible growth rate.
This requires policy to make $\phi = f\beta/g$. Then,
$\phi m = \exp\{t(c + bg/f)\}$ and β also grows a
the same exponential rate. This rate of growth
is certainly larger than the linear trend in the
oscillatory case. The extent of intervention re-
quired is the gap between ϕ as obtained without
intervention and the value of ϕm obtained
above. Intervention is then required to grow
exponentially.

However, an exponential growth in ϕ implies
that the rate of growth of the capital stock is
rising and tending to ∞. Whereas, β and σ can
grow without limit, to ∞, as suggested in the
text, ϕ has an upper limit. At best the entire
output of the economy can be the investment
goods. If Γ is the output capital ratio in the
economy, this is the maximum value that ϕ can
take. This is also not feasible since some pro-

uction of consumption goods is always re-uired so $\phi \leqslant \Gamma$.

An upper limit to ϕ needs to be accepted in he model. this is referred to as the ceiling. This eiling is not the same as in the business cycle nodels, say, of Hicks. There it is the maximum ate of growth of output and is not a result of he shortage of capital but related to the supp-y of labour. Here it is a result of shortage of apital to produce more and more of investment goods.

To grow along the ceiling, $\phi = \hat{\Gamma}$, i e, a con-tant less than Γ. Then, capital stock grows at he exponential rate of $\hat{\Gamma}$ and so does invest-nent and, through the multiplier, the level of output. This is not the same rate as the growth of labour supply, n. Full employment output grows at the rate of growth of $\beta + n$. So the savings propensity in the economy must adjust at the rate $\hat{\Gamma} - d\beta/dt - n$.

As the rise in ϕ forces a larger and larger pro-duction of investment goods in relation to the output, the savings propensity in the economy must rise. If the growth of the share of invest-ment is at the expense of wages, i e, forced sav-ings, then, the model has inflationary implica-tions. This would be true even below full employment.

The implication is that if the government holds the economy at the ceiling by raising in-vestments there has to be a shift in national in-come in favour of profits. In a conflict situa-tion, this raises the level of conflict. However, if the government holds down the rise in level of employment to below n, then the rise in the savings propensity has to be even larger $\hat{\Gamma} - d\beta/dt - n$ to maintain the economy at the ceil-ing rate. Unemployment aggravates inflation and conflict. The economy would manifest a tendency for stagflation. The least inflationary situation would be the one with full employment.

This is the kind of fear that may impel the government to hold back its intervention in the economy to keep it growing at less than the ceil-ing rate. A lowering of the ceiling below $\hat{\Gamma}$ is needed such that it equals $d\beta/dt + n$. There would be full employment without inflation.

Excess capacity in the capital goods sector would *tend* to appear. This would exert a downward pressure on ϕ and would require growing intervention. No capitalist economy may then be observed to be growing at the ceil-ing rate since it involves a rapid build up of con-flict between wage and profit shares. Different levels of government intervention do not lead to different ceiling rates of growth, they need to be obtained through structural re-adjustments. Then the ceiling rate of growth may be maintained through constantly rising intervention. Thus, two forms of intervention are required for steady growth without inflation.

Any let up in employment, at the ceiling, would immediately kick off inflation. If an unorganised sector exists in the economy, as in India, the adjustment would be at its expense. The extent of rise in he savings propensity re-quired would give the amount of loss of share that the unorganised sector would have to accept.

Finally, the model allows one to draw im-plications of rising imports or a growing small scale sector. These can be obtained by doing comparative statics. Rising share of imports would raise σ and $d\beta/dt$ for a given ϕ. It would raise 'a' and lower 'g'. The economy would move towards the oscillatory case or oscillations would become larger.

The existence of a small scale sector lower 'a' and raises 'g' the effect of ϕ on σ. The wage share being higher, the gap σ reduces faster with a rise in ϕ. These reduce the oscillations in the economy and is the exact opposite of the case of rising share of imports. In the Indian economy, the share of the small scale sector is falling [Kumar, 1982c] and the share of imports is rising (Graph II). Thus, instability without a step up in the growth rate persists in spite of a larger share of GDCF and GFCF in the economy (Graph I).

To conclude, the implications of the model are that questions relating to technology, invest-ment and employment need to be studied together. In the past, they have often been in-dependently studied as in Kalecki (1971) or Rowthorn (1977). Of course, the form of equa-tions used may be different from the ones used in the model above. Different kinds of results may then be generated.

The institutional details of the eocnomic rela-tionships would determine the exact form. For instance, the investment function used here makes sense in an economy where the investors and the savers are different people. The extent of existence of the precapitalist sectors may change the sensitivity of the coefficients used. Incorporation of the black economy may also change the equations. The nature of the state whether it is sensitive to inflation or to employ-ment is another factor which would influence the form of the equations and the coefficients. These are not explicitly incorporated in the model but are there.

Notes

[I would like to thank Deepak Nayyar for pro-viding me with data on imports.]

1 Agricultural prices have been rising through 1988-89, in spite of the excellent monsoon and the expected bumper harvest. Policy-makers need to be wary of this. This rise may be a result of the depletion of private food stocks last year and their replenish-ment this year. Incomes in rural areas have grown this year and so must have demand for food. These two factors could have reduced the surpluses for the urban areas. Government's stocks are also depleted and unable to exercise a restraining influence on food prices, as they did last year.

2 Some other items also do not seem to lie on the trend of the past budgets and show unusual departures and may have been used to dress up the budget to make it read bet-ter. For instance, under disbursements, items Capital Account of Industry and Minerals and Fiscal Services are lower than even the revised estimates for 1988-89. In the Public Accounts, the Deposits and Advances have sharply declined. Supplementary demands at a later date can be used to accommodate larger expenditures where they have now been underestimated.

3 If the current salary is X, the annual incre-ment, a, the rate of interest on PF, r, then the number of years at the end of which the PF income is the same as the current income is given by:

$$N = [\ln\{6X + X(1 + r) - a(1 + r)^2\} - \ln(1 + r) - \ln(X - aN)]/\ln(1 + r).$$

For someone at the top of his grade in government, getting Rs 7,000 per month, at the end of 30 years of service and hav-ing an annual increment of Rs 1,200 throughout the income from PF would turn out to be Rs 2,53,011 per annum in the 31st year. *This is indicative.* A more qcomplicated calculation is possible by in-troducing inflation, etc.

Such concessions are the reason for the sluggish growth of tax revenue. It does not even add up to the rise in prices plus the real growth rate of the economy. In prac-tice, due to the progressivity of the tax struc-ture, the rise should have been greater (Kumar, 1988b).

4 Kalecki (1971) suggested a tax on capital as an ideal form of raising resources (see Kumar, 1988b). This falls on the gross pro-fits of the capitalists and does not raise prices. Capital costs are also high in the Indian context due to the existence of the black economy. Over invoicing of machi-nery purchases, etc, is practised in setting up projects. These costs are also raised by the political nature of the investment deci-sions, specially, in the case of the public sec-tor. Location, source of technology and availability of finance are all influenced by political decisions.

5 In the case of fertiliser industry, it is being suggested that Indian fertiliser production is inherently inefficient and high cost, so it be allowed to relocate in the Middle East. This proposition has not been demonstrated with the cost of gas and other inputs scaled to international prices. Capital costs also need to be comparable. Import duties and imposts and costs of delays need to be fac-tored out. If this is done and costs found competitive and the country found to have the requisite amount of gas, there is no reason not to create employment in India. Today, gas is being flared, fertilisers im-ported and its shortage expected to grow in the coming years. For strategic reasons also, location of production at home may be better.

6 Even in the case of the manufacturing sec-tor, black incomes are generated through trade channels, etc, (Kumar, 1988a).

7 Investments in real estate do not represent real additions to investment. Fund owners waiting for the right opportunity outside this nexus only lower the velocity of circula-tion of money in relation to the output. The consequence is a slow down in private investment.

8 Public sector employees' rising per capita emoluments is not a reflection of the rising real incomes. In fact, income indexation to inflation has only been partial, specially, if rent paid is taken into account. The observ-ed facts can be due to changes in producti-vity and age profile of employment. Employ-ment in the public sector has grown at higher levels of skills. Also, after their rapid expansion, the age profile of employment must have shifted in favour of the older and better paid groups. Both these reasons would raise the per capita emoluments and partly explain the rising contribution of government to the services sector.

It is interesting that in the case of the private sector it is the lack of incentive to make high profits that is seen to hold back its growth while in the case of the public sector it is the high emoluments that are seen to be the culprits in not spurring the workers to produce. The logic of incentive is faulty since in monetary terms, there is always a higher level of income that could be sought. If not available, it could be a disincentive. One has to run to stay still. Income disparities are themselves a source of dissatisfaction with one's income level and a cause for seeking a monetary incentive.

9 The expenditures out of surplus may also be on overheads. This could rise with changing technology and higher payments to managers, etc. However, these are unlikely to absorb a higher proportion of the surplus generated since this technological change would then not be desirable for the capitalists.

10 In the case of electronics industry, a rapid technological change has led to a cheapening of goods in real terms. However, in general, much of the new technology is in the control of the transnationals who use it to expand their margins rather than to cheapen products. For example, in the case of pharmaceuticals and drugs. In some cases, they may allow a temporary cheapening to capture a market. Where increased competition amongst the transnationals exists, it has taken the shape not of price reductions but of increased expenditures on advertisement, etc. That is, of a rise of the services component per unit of material goods production.

11 Technology does not benefit all sections uniformly. It can harm some, like those it forces into unemployment. It may make the system as a whole more inefficient. This is where the role of the government is important. International trade also has similar effects.

12 See Graph I. It shows that in spite of a rising share of the GDCF, the annual growth rate of GDP has simply fluctuated around an average figure of 3.9 per cent. Some rise in the GDP growth rate in recent times is a result of the rising statistical weight of the services sector. A rise in the rate of growth of secondary sector is unclear (Kumar, 1987c).

13 The obvious examples are of professionals (doctors, lawyers, teachers, etc) giving up their own age old ethics in favour of sharp practices. The resulting contradictions are there to see. For instance, civil rights lawyers can be seen representing the case against the Bhopal gas victims, the result of the worst ever industrial disaster. They also stoutly defend the moneyed in all the white collar crimes without seeing any contradictions. This is justified on the grounds of 'not guilty unless proven so'. Doctors make their patients run around from expert to expert to make money. Teachers teach indifferently to obtain tuition, Chartered Accountants sign on the dotted line and white wash business wrongs.

14 If a firm does not raise prices by more than the average, it would not be able to raise its share in the national income since others (capitalists and workers) would also react and raise prices and wages. A firm which consistently raises prices by more than the average would run into difficulties with regard to maintaining its market shares. As such, this cannot be the manner in which a firm can raise its share in the national income; technological edge becomes critical.

15 In the technologically lagging industries, the leading sector wage bargaining would imply a decline in the share of profits. Another consequence of such a conflict would be that any industry accepting a price reduction would actually lose its share in the national pie if others do not lower their prices too or the workers do not accept a lower share. Thus, technological dynamism would not reflect in price fall and conflict would aggravate.

As production gets more and more concentrated in larger firms with a higher degree of monopoly, the degree of monopoly in the economy would rise. Over time, the expected share of profits in the economy would rise and lead to the accentuation of conflict.

Degree of capacity utilisation in industry would affect the level of conflict. When it is low, overheads per unit of output are high and the capitalists need higher profit margins to cover them. Thus, the capitalists may be satisfied with a lower share of the output as the economy approaches full employment leading to a reduction in conflict.

However, using the Phillips curve kind of argument, some argue that the workers demand higher money wage increases near full employment since their bargaining power rises. This would aggravate conflict as the economy approaches full employment. This does not follow. A higher money wage could result if labour shifts to higher productivity jobs and continues to obtain a given share of the rising output. In other words, the faster increase in money wages near full employment may be due to rising productivity rather than conflict.

16 Thus, any conflict over shares in the national income would be short lived and would peter out. Indeed, inflations in the Indian economy have had a short duration with a sharp rise and then a tapering off.

17 There is another aspect of the growing Fiscal Crisis in the Indian context. Centre-state relations have sharply deteriorated. The centre has concentrated economic, political and social power in its hands. It has used this to play politics by flexing its financial muscle. This provides an opportunity to regional elites to lay the blame for relative deprivation on the centre. Opposition governments in the states have mobilised opinion to fight the manipulations by the centre. In certain states, the centralisation of power was seen to smother local aspirations or hurt regional pride and led to a reinforcement of regionalism. Coming on top of the uneven regional growth which is a part of capitalist dynamics, it diverts attention from the economic dimensions of disparities to political and social factors.

It is worth noting that differentiation also has regional dimensions in addition to what has been already discussed in the context of conflict. Slow growth with some states having done much better than others has led to this.

18 Recent examples of arm twisting are concessions sought on behalf of the transnationals for opening Indian markets to them, change in the stand on intellectual property rights and patents, etc. These have possibly been a *quid pro quo* for supply of some technology in aero space, electronics, computers, etc, to India.

19 Business and consequently government dislike full employment for reasons other than inflation. The private sector tends to lose control over economic policy if the economy operates at full employment. If government intervention is disallowed, the capitalists gain an advantage *vis-a-vis* the rest of the society in the form of demanding and obtaining concessions to keep the economy going at a higher level of economic activity. If the economy is already near full employment, no concessions need be given to the capitalists (Kalecki, 1971).

Another reason why capitalists may not like full employment is their capacity to keep the organised sector workers under check declines. The workers could demand an increase in their share instead of being content with maintaining their share. Capitalists also fear a growing public sector which limits their area of activity and potentially threatens their profits.

State intervention in the economy can take the form of rising administrative expenditures but that aggravates the fiscal crisis. If it takes the form of rising public investment, then the sectors where such investment goes become less profitable for the private sector (Kalecki, 1971). However, in the Indian context, the areas of operation of the two sectors were clearly demarcated. The private sector learnt how to use the situation to its advantage by absorbing a large part of the surplus resulting from the public sector.

20 Policy makers in India need political guidelines to formulate a clear Science and Technology Policy. This is absent since neither the ruling groups have a consensus on what they want nor do they have a clear understanding of the direction that technological development is taking. The latter may be more easily corrected by setting up advisory groups but even in this respect, policy is deficient. Due to absence of consensus, there are rapid shifts in policy, depending on the pressures from the vested interests. It then appears as contradictory and *ad hoc*.

These confusions are also reflected in the nation's inability to accept that it cannot catch up with the advanced nations in the near future and would have to accept technological backwardness. This may require the country to maintain its present low level of economic exposure to the rest of the world. This may help the country to catch up sooner than through the current policy of opening out. Leap frogging has to be controlled and not blind.

Today, lower level technologies may be available without many strings attached and if rapidly absorbed, could lead to the conditions for advancement in high technology as well. A rapid opening out may kill the indigenous capability to absorb and develop technology.

The current debate on patents and in-

tellectual property rights shows India's backwardness even in the lower level technologies. India is not capable of competing in high technology and poses no threat to the advanced nations. It is in the lower level technologies that the advanaced nations are willing to relinquish control to the third world nations that the question of patents assumes importance. The advanced nations would like to get a continuing return even in these areas.

21 These trends of rising output per unit of labour are likely to be further accentuated by two major recent developments. One is the possibility of high temperature superconductivity and the other is the likelihood of room temperature fusion reacton. The first would allow more efficient use of energy while the second would make energy very cheap. Consequently, with new machines, labour substitution would reach qualitatively new levels.

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The Chinese Tragedy: Roots and Offshoots

Ajit Roy

The tragic events in Beijing have given rise in the main to two contradictory tendencies among critics, both having the common characteristic of being totally utopian: one of these looking forward to change of the country's course towards a sort of bourgeois democracy and the other urging a return to Mao Zedong's prescriptions for a historical short-cut to communism. The only correct path is to work for the present course of socialist modernisation, but shorn of its inadequacies and weaknesses. This rectification is possible only through a closer integration of Marxist ideology with day-to-day practice at every level.

THE recent events in China have stirred the conscience of the world as few things have done in the contemporary history. The reasons for this powerful impact may perhaps be sought mainly in two directions: Firstly, a deep sense of unexpected shock as there was little in the Chinese leadership's responses to the long-drawn crisis to indicate such a bloody culmination, notwithstanding its induction of armed forces into the capital following the proclamation of the martial law. Even more because it had permitted the martial law proclamation to be flouted and defied with impunity for full three weeks. Secondly, because of the world people's direct and immediate involvement with the day-by-day developments, thanks to the recent advances in telecommunication facilities. Another reason for the powerful repercussions of the Chinese events may possibly be the sudden shattering of the image of a wise and thoughtful group that the Chinese leadership had come to acquire in the estimation of the world people during the past decade.

Unquestionably, the Chinese leadership seems to have seriously compromised its standing by its conduct during the entire period of the crisis, even if one for the moment leaves out the question of the responsibility for the origin and development of the crisis—specifically for the following reasons:

(i) Despite the experience of the huge scale of the preceding round of student-youth upsurge in China in the winter of 1986-87, the Chinese leadership failed to estimate carefully and correctly the depth of popular involvement in the Beijing demonstrations this time.

(ii) While till literally the eve of the bloodbath, the leadership continued to acknowledge the patriotic and democratic bona fides of the mobilised masses, with occasional hints of counter-revolutionary intrigues of some dark forces, it initiated no programme either to unmask the dark schemes and the schemers or to retrieve the confidence of the alienated masses.

(iii) Ultimately, when the leadership proclaimed martial law and called out the armed forces, it did so apparently without having done any serious homework. For three weeks it did not seem to know what to do with the armed forces it had summoned to the capital. On the one hand, day after day the armed forces were allowed to be subjected to tremendous public pressures for defiance of the government's commands and for openly siding with the rebellious masses. There were reports of even a section of active and retired army personnel making common cause with the demonstrators. On the other hand, the prime minister went on calling for "powerful measures" to "curb turmoil" and "restore peace", but without having any practical repercussions. Indeed, Li Peng's pronouncements demonstrated serious confusion in the government's thinking. He said that "very few people attempt to create turmoil" and to "overthrow the people's government", while the huge mass of the students "are kind-hearted and do not want to create turmoil", but hope " to promote democracy and overcome corruption", which were "in line with the goals the party and the government" strove to achieve. He did not seem to realise that these statements were directly contradictory with the massive mobilisation of the armed forces, already resorted to by the government.

(iv) Li Peng displayed poor judgment when he superciliously refused to talk with the students' representatives on any substantive questions and, further, did not accept the students' proposal for an open TV debate with them. The government and the party should not have shied away from this opportunity for stating their case openly and convincingly before the entire nation, nay, even the entire world, and win moral and political supremacy, if they could thereby, over its challengers.

(v) As admitted by the government subsequently, it did not have at its disposal sufficient stocks of non-lethal ammunition like tear-gas shells and rubber bullets, even though it had three weeks to spare before it actually undertook the punitive steps. This means that neither had it considered with adequate responsibility the question of the best means of meeting the developing situation with the least possible violence, nor did it really seem to care about the scale of violence it would eventually resort to.

(vi) While the exact number of persons killed and injured may not be known for some time, it was ridiculous for the government to come out with the figures it has—300 persons killed, of whom only 23 were students. Because of the patent and palpable falsehood, the Chinese leadership has suffered a tremendous loss of credibility before the world people.

(vii) Even after the bloodbath of June 3 and 4, and after witnessing the extremely unfavourable world reaction, the Chinese leadership did not care to take stock of the situation immediately and to exercise restraints where it could and should have done. As telecasts have revealed, its punitive forces treated the arrested youth with a measure of brutality not permissible for a government professing humanist ideals Moreover, unlike its previous practice, instead of staying the execution of the persons condemned to death, it carried out the sentences immediately.

While the vacillations and hesitations and the lack of clear-cut and confident policies in the first phase of the present crisis may be in part explained by the absence of unity in the topmost leadership, the section which has now acquired the dominant position should not have overlooked the fact that the division in the leadership is itself a reflection of the contradictory aspects in the essence of the developing situation. Hence, its policies and actions will have to be carefully modulated in tune with the complexities of the situation.

Serious Damage

Whether the Chinese leadership realises it or not, whether it cares about it or not, the fact is that the Beijing bloodbath and its aftermath have inflicted very serious damage on the world communist movement as a whole and the cause of world peace and socialism. The progress of glasnost and perestroika in the Soviet Union and the advancing process of humanisation and democratisation of Soviet society associated with them are making great contributions in distinguishing socialism from the Stalinist heritage. The recent events in Beijing on the contrary are helping the reactionary forces the world over to sow doubts again in the minds of the people about the humanist professions of the socialist ideology and the democratic contents of the socialist practice.

The damage to the cause of the ongoing modernisation programmes of the CPC is no less. Its central goal of the socialist modernisation through an updating of science and technology, according to the party's present plans, depends for its success on the willing and enthusiastic involvement of the Chinese intelligentsia and the generous co-operation and collaboration of the advanced capitalist countries. The brutal assaults on the Chinese students and their supporters in Beijing cannot but generate a sullen indifference among the intelligentsia towards the regime and its programmes. The response of China's foreign collaborators, including the Chinese from Hong Kong, also will be less than friendly for quite some time.

The Beijing tragedy had provided a section of Maoists inside China and outside with ammunition to mount attacks on the

CPC leadership's economic plans for socialist modernisation. The Maoists are obviously mistaken. There can be no advance to real socialism without a tremendous development of productive forces in the still quite backward China and for this advance new avenues have to be explored for releasing mass enthusiasm through a certain measure of increase in the opportunities for private gains and personal initiatives. The opening to the outside world also is necessary to gain access to advanced technologies and productive resources. But in pursuing these objectives, the leadership has to be cautious and watchful and has to step up simultaneously measures for keeping the germinating anti-socialist proclivities within strict limits. Hence, the question of the long-term interests of the world communist movement apart, even from the present pragmatic standpoint of the CPC leadership, the recent developments at the Tiananmen Square will surely prove to be exceedingly counter-productive.

The question is: how could the experienced, and so far so cautious, leadership of the CPC land itself in such a pass? To a distant observer, the answer seems to lie in the intellectual and theoretical lethargy that has been marking the Chinese leadership in the recent period. That is, the leadership and more particularly the one who matters most, namely, Deng Xiaoping, while revealing an awareness of the steadily accumulating critical elements as a result of the development process pursued in the country, failed to work out a creative and corrective plan for counteracting them. In one area at least, that is, the issue of mass participation in the decision-making process, Deng clung to an absolutely wrong and even un-Marxist conception. (This we discuss later.) As a result, the negative factors steadily went on gaining ground and ultimately prepared the basis for the catastrophic showdown.

Danger of Capitalist Infiltration

In simpler and concrete terms, Deng always aware of the fact that the socio-economic processes unleashed under the so-called 'socialist modernisation' plans had been generating considerable elements with clearly capitalist orientation in the country's structure and superstructure and that this called for powerful corrective intervention by the leadership. But apart from occasional warnings about the danger of capitalist penetration accompanied by frequent harping on the need for steadfast loyalty to the four so-called cardinal principles which essentially boiled down to submission to the leadership of the CPC, no other meaningful steps were taken to meet the threatened danger of the capitalist infiltration. In other words, apart from the repeated stress on the need for commitment to socialist ideology in the abstract and loyalty to the CPC in practice, nothing was really done to integrate the socialist ideology with the concrete and day-to-day social practice. This position has been quite correctly noted by a Chinese-American academic, David Chang, in his recent book on Deng Xiaoping. He says:

> . . . in China today there exists an ideological void... Nearly every intellectual and moderate politician in China today is reluctant to talk about Marxism or Maoism. People have lost interest in politics and ideology entirely...

Chang then comments with apparent justification:

> Deng's ideological commitment to experimental socialism is unshakable. But he would not allow the need for ideological abstraction to disrupt the need for policy flexibility.

Finally, Chang rightly concludes,

> The current ideological void does not, however, imply an abandonment of Marxism and Mao Zedong Thought. It simply postpones to a proper future time the revision of the ideological front which will be an after-event without failure.

The truth of this commentary may be seen from Deng's own writings and speeches. He was really aware of and worried about the ideological weakening of the party and the people. In his speech to the Second Plenary Session of the 12th Central Committee on October 12, 1983, Deng said:

> Some ...are polluting people's minds with unwholesome ideas, works and performances. In essence, spiritual pollution means the spread of all kinds of corrupt and decadent ideas of the bourgeoisie and other exploiting classes and the spread of distrust of socialism, communism and leadership by the Communist party. The year before last, the

Central Committee convened a forum on problems in the ideological field, at which certain tendencies towards bourgeois liberalisation were criticised. Some results were achieved after that forum, but not all the problems were solved. In some places, leadership remained weak and lax, not all tendencies towards bourgeois liberalisation were overcome and some even grew worse.

In the course of the same speech, Deng said:

> Some of our comrades rush to praise to the skies all trends in philosophy, economics, socio-politics, literature and art of the west, without analysing them, distinguishing the good from the bad or exercising any critical judgment. There has been such confusion in the import of western academic and cultural things that in recent years we have witnessed an influx of books, films, music, dances and audio and video recordings that even in the western countries are regarded as pernicious junk.

Weakened Ideological Moorings

Deng's pontification had little impact on the course of objective development. Three years later he had to admit regretfully:

> With regard to the question of opposing bourgeois liberalisation, I am the one who has talked about it most often and most insistently. Why? First, because there is now a trend of thought—that is, liberalisation—among the masses, especially among the young people. Second, because this trend has found support from the sidelines. For example, there have been some comments from people in Hong Kong and Taiwan, who are all opposed to our Four Cardinal Principles and who think we should introduce the capitalist system lock, stock and barrel...

This was what Deng said on September 28, 1986. Three months later on December 30, 1986, reacting to the large-scale student agitation at the time, Deng said:

> We have to admit that on the ideological and theoretical front both central and local authorities have been weak and have lost ground. They have taken a *laissez-faire* attitude towards bourgeois liberalisation...

With a critical look at the past, Deng bemoaned:

> Originally, I had not intended to say anything at the Sixth Plenary Session of the 12th Central Committee. But later I felt I had to intervene to ask that there be included in the resolution a few words on the necessity of combating bourgeois liberalisation. Apparently my remarks on that occasion had no great effect. I understand they were never disseminated throughout the party.

Indeed, it cannot be denied that Deng always revealed his worries about the weakening of the ideological moorings of the Chinese society. On March 7, 1985, speaking at a conference on Scientific and Technological Work, he said:

> Some people are worried that China might go capitalist. We cannot say that their concern is entirely without reason... At present there are certain phenomena that demand our attention. For example, there is a lack of ideals, as is manifested in the tendency to put money above everything else... During the current economic reform some tricky practices have appeared. There are people who say, 'You have your policies, and I have my ways of getting around them.' Indeed, they have plenty of ways.

While Deng at least revealed an awareness of the possible, if not growing, threat from the right, Zhao Ziyang, and to the extent he represented it, the collective leadership of the CPC tended to underplay this threat. In his report to the 13th Congress of the CPC, held in October 1987, Zhao Ziyang posited an artificial separation between class struggle on the one hand and "the contradiction between the growing material and cultural needs of the people and backward production" on the other. He did not seem to realise that unless consciously and correctly handled, the second contradiction between the growing needs and production could be sought to be resolved in a manner which would not only aggravate the class struggle, but also in the process favour the exploiting classes *vis-a-vis* the exploited.

The barely two-page resolution adopted by the 13th Congress ratifying Zhao Ziyang's report blandly called for "combating interference from the 'left' and 'right', without ever mentioning the fact that the socio-economic programmes pursued by the country will certainly be generating forces favourable to the 'right' orientation.

Most importantly, Zhao's report clearly formulated and supported the unstated premise of Deng Xiaoping's prescriptions, namely, that by merely invoking loyalty to the socialist ideology in the abstract, that is, without a close integration of ideology with social practice, 'right' proclivities could be effectively combated and defeated. Zhao upheld the perspective of "opposing wrong ideology through education, by positive examples and through correct criticism, *instead of through political movements*" (emphasis added).

In the meantime, resentment against the basic, or to use the CPC concept, *cardinal* principle of the people's democratic dictatorship, led by the Communist Party, was steadily building up, particularly among the intelligentsia. The bourgeois liberal Chinese-American academic quoted earlier, David Chang, has noted that the Chinese intelligentsia and average people expected "political equality for all citizens and individuals who shall resist any privileged party seeking to perpetuate class or political power". Reviewing the course of the students' agitation in December 1986, he noted that "The students and a few city workers openly attacked the party dictatorship and held debates and seminars in the streets. The Chinese newspapers abroad echoed the student demands and voiced the 'incompatibility of economic freedom with political dictatorship'..."

Role of Communist Party

Indeed, the most fundamental issue of the present turmoil in China is the role of the Chinese Communist Party. Firstly, there is undoubtedly some truth in the popular perception that elements in the party have developed powerful vested interests in its predominant position in the power- structure which they utilise for their personal aggrandisement. Zhao Ziyang did not mince words in castigating this phenomenon when he said in his report to the 13th Congress of the CPC:

> In the past few years there have been frequent cases of tax evasion, smuggling, trafficking in smuggled goods, bribery, extortion, embezzlement and theft, moral degradation, violation of the law by persons in charge of executing it, divulgence of state secrets and economic information, breach of discipline in dealing with foreigners, favouritism in making appointments and vindictive attacks on others.

These aberrations and the consequent personal stakes of the corrupt cadres of the CPC apart, there are more fundamental and fully justifiable causes of the pre-eminence of the Communist Party in the country's polity. Article 2 of the Constitution of China constitutionally enshrines what may be termed the extra-constitutional position of the party when it lays down that "The Communist Party of China is the core of the leadership of the whole Chinese people".

Deng Xiaoping has been constantly highlighting the supreme importance of preserving the pre-eminent role of the CPC. He has, for instance, said:

> The core of the four cardinal principles is upholding the leadership by the party. We have said many times that without the leadership by the party a big country like China would be torn by strife and incapable of accomplishing anything. Whether inside or outside the party, all tendencies towards weakening, breaking away from, opposing or liquidating the leadership by the party must be criticised... Leadership by the party is the key to the success of the four modernisations and current readjustment.

Further:

> Democracy... without the party's leadership... would only plunge our country once again into anarchy and make it harder to truly democratise the life of the country, develop the economy and raise the people's standard of living.

Some academic experts on China in India have raised the bogey of a possible rise of 'war-lordism' in China out of the Chinese army's role in suppressing the students' struggles. Nothing can be farther from the truth. Firstly, there is nothing so far to contest the fact that in China the party still controls the gun, not the other way round.. Secondly, apart from a *democratically centralised* Communist Party there does not exist today nor can there develop soon any other agency or structure which can hold together, guide and lead the country forward. It is *only* the weakening of the party's leadership that may again lead to the rise of a new war-lordism, fragmentation of the country and the plunging of the society into a new round of civil war.

The fundamental reason for this is the fact, as the CPC leadership so frequently, proclaims, that the entire history of the country since 1911 has proved that there is

no possibility or prospect of the country modernising and developing itself along a capitalist path. It is only the socialist path, or to put it more accurately and in line with the generally correct terminology of the CPC, the path of socialist modernisation, increasingly perfected by constant, cautious and self-critical appraisals that the Chinese people can advance to an enriched human existence.

And, equally fundamentally, in the absence of a numerically adequate and ideologically and politically mature working class in the country, the Chinese Communist Party *has* to play the crucial role of a surrogate leadership, somewhat autonomous of the class for some time. Even if it is not an ideal prospect, there is no escape from it.

It is significant that the Indian academic, V P Dutt, in a newspaper article while denouncing the CPC's actions in Beijing as steps towards "slipping into war-lordism" had to admit at the same time that "There are only two organised groups in China, the Communist Party and the People's Liberation Army. They alone are capable of organised action and of pursuing a co-ordinated programme." Only, Dutt is somewhat wide of the mark in treating the party and the PLA as two independent agencies. They are indeed one, led by the former. If and when they really fall apart and the PLA becomes an independent or autonomous institution, then of course there will emerge the threat of its disintegration into splintered clusters of war-lords.

The real socio-historical setting in China being what it is and the role of the Communist Party being as crucial as it is, there is the highest importance and urgency for its reformation and ideological regeneration. The party has to be sharply criticised for all its weaknesses and lapses, but only with a view to purging it of all its defects, never for weakening or displacing it. It may be remembered that in a similar situation, addressing some critics who had been demanding *drastic* actions against a certain measure of bureaucratic degeneration of the Bolshevik Party in the early post-Revolution years, Lenin had admonished all talk of 'surgical operation'. "Surgery", he had said, "in this case is an absurdity, an impossibility; only a slow cure—all the rest are charlatanry or naivete".

The logic of a frontal opposition to the Chinese Communist Party in the contemporary situation is likely to lead to a practice which will in essence amount to counter-revolution. This is evident from the follow-up to the Beijing events. Some forces in Hong Kong which began with the call for democratisation of the Chinese polity have ended today with the call for armed struggle for the overthrow of the present Chinese regime. A six-point manifesto issued by the Hong Kong Alliance in Support of Patriotic Democratic Movement in China, June 1989, ends with the following call: "All People's Army who retain their sense of integrity and justice to mobilise themselves to protect the people, turn their guns around and join the people in their fight against the fascist Deng-Yang-Li rule".

State of the Working Class

The crux of the problem in contemporary China as well as its basic solution are both intimately connected with the present state of the Chinese working class. Socialism which is essentially the historical form of working class rule in society can be properly ushered in only by the working class itself. But as is well known, the working class is numerically too small compared with the size of the Chinese population. Further, its political weightage is also very low for many historical reasons. According to available information, the total number of workers and employees in China was only 120 million in 1986. This is just about one per cent of the population. Of this, about 80 million, or two-thirds of the total number of workers and employees, were enrolled in the trade unions which are, however, considerably bureaucratised as they were run by 3,20,000 full-time off-production trade union cadres and about 1,00,000 staff members. Despite this huge body of unionised workers and despite the recent promotion of "workers' congresses" in the work-places, the political role of the working class and its organisa-

tions is extremely modest. More, even its living and working conditions have suffered some setbacks in the course of the ongoing economic and administrative reorganisations. A recent study of the working class situation published by a Hong Kong-based independent study group provides much insight into the related problems. It says:

> The history of the Chinese trade union movement, and its limited role in the revolution, did not guarantee its emergence as a powerful force within the party...

About the recent organisational innovation, the workers' congress in the work-place, the study says:

> In one sense, workers' congresses could be viewed as a form of company union, limited in scope to each single enterprise, vulnerable to management manipulation, and stripped of the broad character of a working class political movement...
> Although workers' congresses have the potential to enable direct democratic participation at grassroots level in many aspects of the management of enterprises, the institution can also be interpreted as a political setback for the trade union movement as a whole.

About trade unions proper, the study says: "Democratic control of trade unions by the membership has been limited and is quite indirect by western standards. In many aspects, it has been absent altogether, with leaders appointed from above, and policies decided by state and party directives."

Currently, with a view to alluring foreign investments in Chinese industry, the wages and living conditions of the Chinese workers have been further depressed—even to a level lower than in the neo-colonial pastures like Taiwan, South Korea, Malaysia and the Philippines.

The recent recasting of socio-economic policies has introduced considerable insecurity and instability in the living and working conditions of the Chinese workers. The above study says:

> Dramatic reforms are reaching into most aspects of life in China. For the nation's workers, the reforms are a double-edged sword. The changes may sometimes bring in more cash in hand, the opportunity to change jobs, a wider range of goods in the market. But they have also eaten away at the very basic security which urban workers have become accustomed to over decades and which they have come to expect as a basic human right. Guarantees of a job for life for both men and women, housing, medical benefits, maternity benefits, schooling, and protection in old age and childbirth seem less certain now, as the nation's leaders discuss redundancy, bankruptcy and the hiring of workers on short-term basis.

The condition of the recently recruited rural workers for the multinational enterprises in special economic zones is quite horrible. In March 1988 a China-linked Hong Kong newspaper, *Da Kang Pao*, reported on the 'Worries of the Shenzhen Temporary Women Workers', quoting one complaint:

> "We work more than 13 hours a day, overtime everyday, but have never received any overtime pay. The bosses do not allow us to drink water during work hours, we are body-searched when we go off work. Our living dormitory is crowded beyond imagination—20 to 30 women into an iron-walled room, without toilet or bathroom. How can we bear this life?"
> When this newspaper asked them why they continued working in the factory, they replied that it was because they had to leave a deposit with the management at the beginning of their employment and their wages were paid a month in arrears, so that if they voluntarily left, they forfeited the deposit and a month's wages.

Besides, there are today over seven million contract workers who suffer from various disabilities compared with even not very well-off direct employees. "Most political activities, such as district elections and party cadre selection and promotion, are carried out through the work units. Contract workers, however, do not usually have their citizenship registration with their place of employment, which in turn jeopardises these rights and benefits." Contract workers, it is said, are regarded with such disdain that some of them have difficulty in finding marriage partners.

As a result of all this, there is widespread discontent and even a sense of alienation among sections of industrial workers which is increasingly finding expression in strikes and other forms of collective protests. According to documents of the All-China Federation of Trade Unions (ACFTU) there were 129 strikes throughout China in 1987. This, however, is considered to be a serious underestimate by many China observers; there were over 100 strikes in Shenzhen alone according to these sources.

This in short is the state of the working class supposed to be the leader of the people's democratic leadership which is supposed to be the ruling alliance on People's China. In real life, despite the signboard of working class leadership, the class itself has a very modest role in running the state; even their own life and living is shaped by agencies outside and above the class. As a result there is apathy and inertia within the working class in general, while small segments are increasingly getting ranged against the party and the state leadership and have been raising the demand for the self-determination of the class.

The Workers' Autonomous Federation which was formed in Beijing to take part in the demonstrations along with the students and is still continuing underground activity is a manifestation of this current. "The problems," says a report, "the Federation was addressing focused on the corrupt bureaucracy and the existence of a privileged elite in China. The wide wage discrepancy between the workers and plant managers, the lack of workplace democracy the lack of genuine workers' representation in the policy-making process, poor labour protection and working conditions, and the deterioration of workers' living standard in recent years were among their main grievances."

The students and intelligentsia, a large part of which is today impressed and allured by the glitters of western society, are the victims of the bourgeois blandishments from within and without and a significant segment of these strata have consciously or unconsciously moved over to a position of support to the bourgeois democratic order, and hence, basically of opposition to socialism.

At the moment the peasantry is generally dormant politically. But if the situation in the countryside is allowed to run its present course without checks and balances, then economic polarisation will erode the social base of the people's democratic dictatorship in China from both the ends: the expanding new rich will be seeking unrestricted freedom and all sorts of incentives for capitalist evolution of agriculture and free trade, while the relatively impoverished people at the rural base will be dissatisfied with the regime, because of their sense of deprivation.

Democratic Aspirations Underestimated

Along with this, another factor mentioned at the beginning of this piece, that is, Deng's wrong orientation, that is, his infatuation with administrative efficiency at the expense of democratic participation, which is anti-democratic in essence (and this may indeed be the collective orientation of the CPC leadership as a whole), may complicate the situation further—in the sense that it would hamper the process of deepening the democratic character of the Chinese society. Let us have it directly from Deng himself:

> Ours is the system of the people's congresses and people's democracy under the leadership of the Communist Party. The greatest advantage of the socialist system is that when the central leadership makes a decision it is promptly implemented without interference from any quarters... We don't have to go through a lot of repetitive discussion and consultation, with one branch of government holding up another and decisions being made but not carried out. From this point of view our system is very efficient.

Deng's position in the name of efficiency and smooth functioning belittles the importance of fuller participation of the masses in the decision-making process. It is opting for a paternalistic functioning. If the present pattern is permitted to develop further, then the advertised people's democratic dictatorship may ultimately develop into an autonomous party rule of a Bonapartist character—more appropriately a Caesarian phenomenon of the progressive type, to follow the Gramscian concept.

The CPC leadership as a whole seems to be seriously underestimating the strength of the democratic aspirations of the Chinese people—for securing an increasing role in the decision-making processes. By neglecting these yearnings of the people and even more by trying to suppress them, the CPC leadership can only succeed in antagonising the masses and thus indirectly and objectively aid the counter-revolutionary forces both within the country and outside to strike deeper roots among the people.

While all these dimensions of the Chinese development have to be taken into consideration in assessing the Beijing events, commentators all along the political spectrum have come out with glib declamations on the basis of superficial symptoms. Indian comments so far may be specified into the following three categories: First, the bourgeois-liberal, gloating over the supposed demonstration of the deliberate option of the Chinese masses for the Gandhi-Nehru model of bourgeois-democracy. These commentators are not aware of the judgment of history that this model can neither come into operation in China, nor can it succeed even if it could somehow be introduced. Second, the 'intellectual'-socialist, invoking abstract democracy and abstract humanism to judge the concrete historical phenomenon which is the resultant of, to quote Engels, "innumerable intersecting forces, an infinite series of parallelograms of forces" and therefore cannot be judged by any abstract ideal. Third, the old Maoist, which has learnt nothing and forgotten nothing from the rich, though largely negative, experience of Chinese history from 1956 to 1976 and which does not realise that much of the problems which have today blossomed into a full-blown crisis owe their origin to the setback to the process of China's socialist transformation as a result of Mao's inept 'social engineering' during this period.

Basic Issues

In judging the Chinese developments, one has to take note of the following basic dimensions of the situation:

(i) Whether any section of the Beijing agitationists had a pre-meditated plan for upsetting the present regime or not, and whether the agitation had any foreign counter-revolutionary links or not, further continuation of the movement along the line it had been developing would have seriously threatened the existence and stability of the present order. Since there is no real alternative to the present order at the moment, its collapse would have only led to anarchy, nullifying the gains of the country's liberation and subsequent reconstruction. Since there is no real possibility of a stable bourgeois-democratic alternative order emerging in the country, the fall of the present order could only lead to a disintegration of the unified China into warring parts.

(ii) Even if the bureaucratisation and a certain degeneration of the CPC and its regime be true, there can be no drastic remedy to it. Any bid for a drastic—or 'surgical', to use Lenin's idiom—operation—for the purpose will only seriously jeopardise the process of socialist transformation and may ultimately lead to anarchy, etc.

(iii) The CPC has to review and revise its over-simplified concept of economic development through the incentive of private gains and 'open door' policy (not entirely abandon it) and should keep in mind Lenin's warning that even a controlled 'opening' to capitalism creates a serious challenge to the socialist course of development.

(iv) The CPC should realise that the urge for democratic mass participation in the decision-making process is an extremely powerful, and in the last analysis, helpful, factor in the process of progressive social evolution and has to be accommodated and encouraged.

(v) Finally, the key to real socialist consolidation in China today lies with the working class—how soon and how effectively it can be led and guided into playing its due role as the leader of the party and society.

Unfortunately, the Fourth Plenary Session of the 13th Central Committee of the CPC held on June 23 and 24, that is after the Beijing events, does not, as is seen from the brief Xinhua communique, indicate any basic corrections to the erroneous orientations the party leadership has been suffering from. While it again pays lip service to enhancing 'ideological and political work', it fails to mention in this connection the need to move from the level of demanding abstract loyalty to ideology to that for remoulding the practice by a close integration of the ideology with day-to-day practice. Neither does it care to highlight the fact that its basically correct programme of economic reconstruction carries with it increased scope for capitalist penetration—both in the structural and super-structural regions. More importantly, the resolution makes no mention of the party's grave neglect of the working class. It fails to highlight the key task of creating conditions for developing the Chinese working class for the leading role in society, which is its due and which is essential for the socialist advance of the country.

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Mounting Antagonism towards Big Dams

Ashok K Mitra

B D Dhawan (May 20) has attempted to put the issues relating to large and medium storage route to irrigation development in a proper perspective. While he himself is not convinced with the questions raised by the environmentalists, soil conservationists, social and natural scientists against the role of major irrigation works based on big dams, he has appealed to the irrigation planners to engage in an open dialogue and discussion with their critics. His own defence against the grounds on which the idea of big dams is being questioned, however, does not appear to be too convincing. To begin with, consider first the environmental angle. While he accepts that the forest cover to be lost by a single dam like Narmada Sagar can be unduly high it is no solace to learn from him that damage to forest is much higher on account of illegal felling, unauthorised ploughing of forest lands, authorised allotment of forest land do dam oustees, and increased pressure from the grazier. Besides, for all we know, damage to forest because of all these factors may be the backlash of forest cover lost and people ousted for the construction of big dams. In any case to minimise such losses his suggestion is to decrease the storage height. But, it should not be overlooked that reducing the reservoir size is not merely a technical issue; its economic implications in terms of costs and benefits will have to be worked out in order to examine if the economic feasibility is adversely affected. A more general point, however, is that loss of forest cover cannot be counted only in terms of felled trees, it has to be seen in its entirety in terms of destroying the whole eco-system which in the long run may adversely affect the availability of water in the reservoir through siltation and deficient rainfall in the catchment area. Are all these externalities fully internalised in justifying the projects on economic grounds?

Similarly, the problem of land degradation by waterlogging and soil salinity within the canal commands served by big reservoirs, he suggests, can be effectively checked with adequate provision of drainage or the use of drip or sprinkler modes of water use as the case may be. But, the cost of drainage work is no different from that of the canal network itself and hence because of paucity of investment fund this work is missing from our major canal network. Yet the benefit is estimated on the entire potential created disregarding the fact that owing to lack of drainage gradually in the long run more and more land in the canal command would get degraded. Has this been properly accounted for in cost benefit analysis to justify the project on economic grounds?

Secondly, consider the technical issue related to seismic disturbances owing to impounding huge mass of water as in the case of Tehri dam in Garhwal which may cause an earthquake of severe intensity leading to utter disaster. Again, is the safety factor suggested by Dhawan considered in full, if so, is the increased cost involved in ensuring such safety economically justify constructing such dams? Tehri dam's case in this respect has been very clearly brought out by Paranjpye which merits very serious consideration.*

Thirdly, the sociological angle of rehabilitation of dam oustees, one of the most sensitive issues, cannot be settled by earmarking a lump sum amount as compensation to be paid as suggested by Dhawan. The nature of compensation to be paid, the manner in which it is to be paid, the period over which it is to be paid and whether it covers the annual income earned by the oustees have to be examined in detail. The planners and the officials are most secretive about these details. One wonders, if the compensation is arrived at in this manner how far would the project be viable in terms of benefit-cost ratio.

Fourth is the issues directly related to economic aspects of alternatives to large dams. It is very well known that the returns from investment on big irrigation works is abysmally low, project after project, for various reasons, some of which are rooted in the issues discussed above. It would therefore be irrational to be obsessed with the big dam projects and not to examine threadbare the technical and economic issues related to alternatives, mainly of course, minor irrigation. It would not do to call the assertion of superiority of minor irrigation as 'myths' and 'half truths'; a great deal of homework needs to be done to dispel the myths and half-truths about superiority of minor irrigation, if at all. It is nobody's case that the two are mutually exclusive. To the extent that waterlogging in the canal command could be considerably reduced and that ground water sources could be recharged considerably, under different circumstances, by conjunctive use of surface and canal water there is need for both for a balanced development of irrigated farming.

Lastly, the question of distributive justice is a very relevant consideration in any development project in an underdeveloped country like India. It is because of this consideration that in cost-benefit analysis of irrigation projects one is often confronted with the question of whose benefit at what (whose) cost? Considering the valid accusation that beneficiaries of big dams are mainly the influential and well-to-do farmers and the affected ones are mainly the tribals and other economically weaker sections of the population, a premium ought to be attached to the income distribution effect of a development project which benefits more the weaker sections of the society. Alternatives to big dams like Narmada Sagar and Sardar Sarovar need also to be examined from this point of view.

The controversy regarding big versus small irrigation dams needs to be examined in its entirety in a multidisciplinary approach and not in piecemeal manner as objections raised by environmentalists, ecologists, technicians, economists, sociologists, anthropologists, etc. With the advancement of knowledge and expansion of its frontier it is now possible to analyse and discuss the issues in developmental planning in all its aspects from the long-term perspective so that the social output could be increased by maintaining and preserving the natural re-sources and not at the cost of depleting these. It is against this background that there is an urgent need for an overall long-term national policy for the efficient development and management of land and water resources in the country.

* Vijay Paranjpye, "Evaluating the Tehri Dam", Studies in Ecology and Sustainable Development-I, An Intach Series, New Delhi, 1988.

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BALANCE SHEET OF INDIAN BRANCHES AS AT 31ST MARCH 1989

Previous Year 31.12.1987 Rs.	CAPITAL & LIABILITIES	Rs. P.	31.3.1989 Rs. P.
	1. Capital: Face Value of Securities deposited with Reserve Bank of India under Section 11(2) of the Banking Regulation Act 1949		
6,500,000			7,350,000.00
	2. Reserve Fund and Other Reserves:		
0	a. Head Office Reserve (Amount remitted in DM from H.O.—See Note 2)	27,123,637.41	
0	b. Retained Profits Reserve under section 11(2)(b)(ii) of the Banking Regulation Act, 1949	2,159,364.00	
0			29,283,001.41
	3. Deposits and Other Accounts: Fixed Deposits:		
0	(i) From Banks	0	
406,819,753	(ii) From Others	619,643,009.85	
4,814,964	Savings Bank Deposits:	6,359,170.13	
	Current Accounts, and Contingency Accounts, etc.:		
9,131,515	(i) From Banks	30,973,663.25	
111,990,878	(ii) From Others	316,761,757.57	
532,757,110			973,737,600.80
	4. Borrowings from Other Banking Companies, Agents, etc.		
0	(i) In India	158,917,465.03	
28,649	(ii) Outside India	0.00	
28,649			158,917,465.03
	Particulars: Secured: 1987 0; Secured: 1989 0; Unsecured: 1987 28,649.46; Unsecured:1989 158,917,465.03		
23,339,083	**5. Bills Payable**		83,961,804.52
	6. Bills for Collection being Bills Receivable as Per Contra:		
75,468,812	(i) Payable in India	54,135,632.92	
2,370,910	(ii) Payable outside India	2,387,742.24	
77,839,722			56,523,375.16
	7. Other Liabilities:		
24,676,740	(i) Head Office & Branches Outside India—Net	28,052,045.65	
34,161,422	(ii) Others	78,881,531.59	
58,838,162			106,933,577.24
115,572,099	**8. Acceptances & Endorsements and Other Obligations as Per Contra**		371,291,758.14
808,374,825	Carried Forward		1,780,648,582.30

Previous Year 31.12.1987 Rs.	PROPERTY & ASSETS	Rs. P.	31.3.19 Rs.
20,729,640	**1. Cash:** In hand and with Reserve Bank and with State Bank of India (including Foreign Currency Notes)		82,589,576.
	2. Balances with Other Banks: (A) On Current Account:		
10,031,245	(i) In India	38,230,040.01	
7,363,983	(ii) Outside India	460,094.61	
	(B) On Deposit Account:		
0	(i) In India	0.00	
0	(ii) Outside India	0.00	
17,395,228			38,690,134.
20,000,000	**3. Money at Call and Short Notice**		0.
	4. Investments: At Lower of Cost or Market Value:		
163,474,424	(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments	254,793,603.23	
0	(ii) Shares—Fully paid equity shares	556,000.00	
6,302,600	(iii) Debentures or Bonds	0.00	
0	(iv) Other Investments	0.00	
0	(v) Gold	0.00	
169,777,024			255,349,603.
	5. Advances: (Other than Bad and Doubtful debts for which provision has been made to the satisfaction of the Auditors)		
	(I) Loans, Cash Credits, Overdrafts, etc.		
217,452,346	(i) In India	517,579,932.46	
0	(ii) Outside India	0.00	
	(II) Bills discounted and Purchased (Excluding Treasury Bills of the Central and State Government)		
55,250,255	(i) Payable in India	213,971,061.22	
1,203,523	(ii) Payable outside India	38,708,902.42	
273,906,124			770,259,896.
	6. Bills Receivable being Bills for Collection as Per Contra:		
75,468,812	(i) Payable in India	54,135,632.92	
2,370,910	(ii) Payable outside India	2,387,742.24	
77,839,722			56,523,375
115,572,099	**7. Constituents' Liabilities for Acceptances, Endorsements and Other Obligations as Per Contra**		371,291,758
695,219,837	Carried Forward		1,574,704,343

Deutsche Bank AG

(INCORPORATED IN THE FEDERAL REPUBLIC OF GERMANY WITH LIMITED LIABILITY)

BALANCE SHEET OF INDIAN BRANCHES AS AT 31ST MARCH 1989

Previous Year 31.12.1987 Rs.	CAPITAL & LIABILITIES		Rs. P.	31.3.1989 Rs. P.
808,374,825	Brought Forward			1,780,648,582.30
	9. Profit and Loss Account:			
5,253,650	Balance brought forward	4,150,897.42		
4,150,897	Add: Profit for the period per profit and loss account	10,796,871.90		
9,404,547			14,947,769.32	
5,253,650	Less: Transferred to Head Office	4,150,897.42		
0	Transfer to Retained Profit Reserve under Section 11(2)(b)(ii) of the Banking Regulation Act, 1949	2,159,364.00		
			6,310,261.42	
4,150,897				8,637,507.90
	10. Contingent Liabilities:			
0	(i) Claims against Bank not acknowledged as debts		0.00	
379,324,994	(ii) Liability on account of outstanding Forward Exchange Contracts		866,347,003.00	
408,126,096	(iii) Liability on account of Guarantees and Warranty Contracts given on behalf of Customers (including Guarantees given on behalf of officers—Rs. 161,206. Previous year—Rs. 172,412)		490,634,681.84	
507,793,000	(iv) Liability of Bills of Exchange Rediscounted		1,073,500,000.00	
812,525,722	TOTAL			1,789,286,090.20

Previous Year 31.12.1987 Rs.	PROPERTY & ASSETS	Rs. P.	31.3.1989 Rs. P.
695,219,837	Brought Forward		1,574,704,343.81
	8. Premises Less Depreciation:		
7,138,009	Cost as at 1st January 1988	7,143,009.11	
5,000	Add: Additions during the period	8,307,960.00	
7,143,009		15,450,969.11	
893,758	Less: Depreciation Written Off to date	1,248,941.63	
6,249,251			14,202,027.48
	9. Furniture and Fixtures, Equipment, Vehicles etc. Less Depreciation:		
8,060,295	Cost as at 1st January 1988	8,788,176.44	
745,162	Add: Additions during the period	7,827,412.50	
8,805,457		16,615,588.94	
17,280	Less: Deductions during the period	2,686.76	
8,788,177		16,612,902.18	
5,413,262	Less: Depreciation Written Off to date	7,514,305.21	
3,374,915			9,098,596.97
	10. Other Assets:		
1,920,876	(i) Interest accrued but not due on Government Securities (net)	5,637,125.43	
16,874	(ii) Stamps and Stamped documents	6,580.49	
3,165,961	(iii) Interest Accrued	9,832,716.55	
5,576,391	(iv) Prepaid Expenses	19,159,344.74	
94,948,617	(v) Sundry Advances, Deposits	154,592,354.73	
2,053,000	(vi) Deposits under the Companies Deposits (Surcharge on I.T) Scheme	2,053,000.00	
107,681,719			191,281,121.94
0	**11. Non-Banking Assets Acquired in Satisfaction of Claims**		0.00
0	**12. Profit and Loss Account**		0.00
812,525,722	TOTAL		1,789,286,090.20

Per our attached report
For A. F. FERGUSON & CO
Chartered Accountants

Sd/-
M. S. DHARMADHIKARI
Partner
Bombay, 31st July 1989

(H. FRESE)
Chief Executive Officer (India)

(B. KRISHNAN)
Chief Accountant

Deutsche Bank AG

(INCORPORATED IN THE FEDERAL REPUBLIC OF GERMANY WITH LIMITED LIABILITY)

PROFIT AND LOSS ACCOUNT OF INDIAN BRANCHES FOR THE 15 MONTH PERIOD ENDED 31ST MARCH 1989

Previous Year 31.12.1987 Rs.	EXPENDITURE	Rs. P.	Previous Year 31.12.1987 Rs.	INCOME (Less provision made during the period for Bad and Doubtful debts and other usual or necessary provisions)	Rs. P.
32,726,293	1. Interest paid on Deposits, Borrowings etc.	62,739,270.07	46,448,944	1. Interest and Discount	90,685,256.72
6,404,201	2. Salaries, Allowances, Provident Fund etc.	11,681,131.04	14,444,798	2. Commission, Exchange and Brokerage	28,703,371.24
15,500	3. Directors and Local Committee Members'' Fees Allowances.	16,000.00	0	3. Rents	0.00
5,022,667	4. Rent, Taxes, Insurance, Lighting etc.	9,270,489.84	1,469,640	4. Net profit on Sale of Investments, gold and silver, land, premises and other Assets (not credited to reserves or any particular Fund or Account)	5,492,434.71
1,000	5. Law Charges	0.00	0	5. Net profit on revaluation of Investments, gold and silver, land, premises and other Assets (not credited to reserves or any particular Fund or Account)	0.00
984,711	6. Postages, Telegrams and Stamps	2,306,671.31	0	6. Income from Non-Banking Assets	0.00
40,000	7. Auditors' Fees	75,000.00	29,407	7. Other Receipts	77,729.73
1,675,623	8. Depreciation on and Repairs to the Banking Company's property	2,470,457.16	0	8. Loss	0.00
702,848	9. Stationery, Printing, Advertisement etc.	1,811,183.79			
0	10. Loss from sale of or dealing with non-banking assets	0.00			
10,669,049	11. Other Expenditure (including proportion of Head Office expenses)	23,791,717.29			
4,150,897	12. Balance of Profit	10,796,871.90			
62,392,789		124,958,792.40	62,392,789		124,958,792.40

Remuneration paid to the Chief Executive Officer (India)

	1988/89	1987
— Salary	761,280.00	462,000.00
— Estimated monetary value of benefits or perquisites on Income Tax basis	200,703.00	123,156.00

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE PERIOD JANUARY 1, 1988 TO MARCH 31, 1989

1. Pursuant to a merger during the period of Deutsche Bank (Asia) AG with Deutsche Bank AG, the entire undertaking of Deutsche Bank (Asia) AG in India has been taken over by Deutsche Bank AG.

2. Head Office Reserve Account comprises of:
   (i) Capital amount of Rs. 2 million brought in from Head Office in compliance of Section 11(2)(a) of the Banking Regulation Act 1949 and
   (ii) the funds remitted by Head Office in DM equivalent of Rs. 22.97 million together with a portion of approved remittable surplus for the year 1987 amounting to Rs. 2.15 million retained by the Bank to meet the cost of acquisition of residential premises at Bombay and to meet the Deposits/Advance Rent of Bank Premises at Delhi as per the Reserve Bank of India's guidelines.

3. The provisions for Interest tax for earlier years from 1.1.1982 to 31.3.1985 have been made on the basis of the stand taken by the Bank in the Returns of Chargeable Interest filed by it with the assessing authority in respect of which assessments are in progress. Should the assessing authority take a different view in assessments, there could be an additional charge for Interest tax amounting to Rs. 2.16 million.

4. Previous year's figures have been regrouped wherever necessary and are not comparable with the current period figures which are for a period of fifteen months.

Per our attached report

For A.F. FERGUSON & CO.
Chartered Accountants
Sd/-
M.S. DHARMADHIKARI
Partner
Bombay 31st July, 1989

(H. FRESE)
Chief Executive Officer (India)

(B. KRISHNAN)
Chief Accountant

Deutsche Bank AG

(INCORPORATED IN THE FEDERAL REPUBLIC OF GERMANY WITH LIMITED LIABILITY)

Schedule of Particulars of Advances required by the Banking Regulation Act, 1949 (Act X of 1949) attached to and forming part of the Balance Sheet as at 31st March 1989

Previous Year Rs. P.		31.3.1989 Rs. P.
139,778,304.09	(i) Debts considered good in respect of which the Banking Company is fully secured	368,003,753.20
33,601,491.18	(ii) Debts considered good for which the Banking Company holds no other security than the debtors' personal security	217,752,788.13
100,526,328.19	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	184,503,354.77
—	(iv) Debts considered doubtful or bad, not provided for	—
273,906,123.46		770,259,896.10

Previous Year Rs. P.		31.3.1989 Rs. P.
942,685.20	(v) Debts due by the Directors or Officers of the Banking Company or any of them either severally or jointly with any other persons	956,262.55
—	(vi) Debts due by Companies or firms in which the Directors of the Banking Company are interested as directors, partners or managing agents or in the case of private companies as members.	—
952,265.00	(vii) Maximum total amount of advances including temporary advances made at any time during the period to Directors or Managers or Officers of the Banking Company or any of them either severally or jointly with any other persons	987,759.20
—	(viii) Maximum total amount of advances including temporary advances granted during the period to the companies or firms in which the directors of the Banking Company are interested as directors, partners or managing agents or in the case of private companies, as members.	—
—	(ix) Due from Banking Companies	—

Auditors' Report on the Accounts of the Indian Branches of Deutsche Bank AG Under Section 30 of the Banking Regulation Act, 1949.

have audited the attached Balance Sheet of the Indian branches of Deutsche Bank A G (in- porated in the Federal Republic of Germany with limited liability) as at 31st March, 19 9 and Profit and Loss Account of the Indian branches of the Bank for the period 1st January, 1988 st March, 1989 annexed thereto.

Balance Sheet and Profit and Loss Account have been drawn up in accordance with the pro- ons of section 29 of the Banking Regulation Act, 1949 read with the provisions of section of the Companies Act, 1956.

report that:

we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit and have found them to be satisfactory;

the transactions which have come to our notice have been, in our opinion, within the powers of the Indian branches of the Bank;

(3) in our opinion, proper books of account as required by law have been kept by the Indian branches of the Bank so far as appears from our examination of these books;

(4) the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;

(5) in our opinion and to the best of our information and according to the explanations given to us, subject to note 3 regarding short provision of Rs. 2.16 million for interest tax, the accounts together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required for banking companies and, on such basis, the Balance Sheet gives a true and fair view of the state of affairs of the Indian branches of the Bank as on 31st March, 1989 and the Profit and Loss Account gives a true and fair view of the profit of the Indian branches of the Bank for the 15 months ended on that date.

Bombay: 31st July, 1989

For A.F. FERGUSON & CO.
Chartered Accountants
Sd/-
M.S. DHARMADHIKARI
Partner

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ECONOMIC AND POLITICAL WEEKLY

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CHANGES IN DISCOURSE ON CASTE OVER THIRTY YEARS

- NEO-COLONIALISM AND PROMOTION OF 'MODERN' TECHNOLOGY
- MONETARY APPROACH TO BALANCE OF PAYMENTS: A CRITIQUE
- POLAND'S FOREIGN DEBT
- ESTIMATING DOMESTIC RESOURCE COST: THEORY AND PRACTICE IN INDIA
- MAYHEM IN DEVLIA

AMERICAN FORESTRY PROFESSIONALISM IN THIRD WORLD

ECONOMIC
AND
POLITICAL
WEEKLY

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Caste: Change and Continuity

In the mid-1950s in Khalapur in western UP, about 100 miles north of Delhi, the central issues in the discourse on caste were educational and occupational access for low-caste and untouchable people, and practices of untouchability like using wells, sitting as equals or sitting hierarchically, giving and taking of food and water, sharing waterpipes together, and so on. Has the discourse on caste changed over the past 30 years? If so, in what way? Khalapur revisited. **1831**

Despite many political and administrative changes, in many ways time has stood still in Surendranagar in the Saurashtra region of Gujarat. The continuities were brutally emphasised on May 20, 1989 by the killing in broad daylight of two persons from the backward Gadhvi community in Devlia village for the singular crime of digging a well on their own land. **1812**

Forestry and Ethnocentrism

Ethnocentrism and western biases have long been identified as sources of inappropriate and unsuccessful development efforts. Forestry offers an interesting case study of professional ethnocentrism and its adverse effects. The ideology of renewable resource management is so comprehensive, so explicitly preached, and has for a long period of time been so fervently adhered to that it provides a particularly useful focus for this type of inquiry. A study of American forestry professionalism in the third world. **1839**

Technology Politics

Is the slogan 'leap-frogging into the 21st century' really as apolitical in its approach to development as it is made out to be? Will it spur the young people of India to work towards an environment that encourages innovation, hard work, sacrifice and even dreaming? And where has this new ideology emerged from? **1815**

Policy-makers and scientists in the third world can no longer afford to be naive about the political significance of biotechnology in the next decade and need to pay close attention to the World Bank's initiatives to sow the seeds of a new biorevolution in the third world. **1819**

DRC: A Closer Look

The increased use of domestic resource cost (DRC) in analysis of economic policy changes in India has been welcomed as a step towards efficient resource allocation. It is necessary, however, to be clear about the specific deficiencies of the present DRC estimation practices and to consider alternatives which could be adapted in analyses of DRC-based comparative advantage of Indian industry. **1845**

Paying for the Showpiece

Unlike other towns and cities in the country, Delhi does not have to worry about where the money for its civic amenities comes from. There are, after all, some 800 million Indians to foot the bill for maintaining the nation's capital as a showpiece. **1809**

An American Idea

The rhetoric currently being employed in some socialist countries would suggest that the free inflow of foreign capital is not as dangerous as a free newspaper. No wonder American ideas are dominant everywhere, for that is a typical American idea. **1808**

Paying Peter and Paul

Poland's high indebtedness simultaneously to the developed capitalist countries as well as to the CMEA countries complicates the task of finding a solution to the problem of the country's foreign debt. **1827**

Non-Payment Campaign Pays

The BJP's loan-waiver campaign in Madhya Pradesh has proved to be a striking success. The gimmick has caught the imagination of the rural people and is causing sleepless nights to Congress(I) leaders. **1823**

Civil Liberties: Selective Defence?

IF, as APCLA secretary A P Vittal suggests (July 15), Balagopal has not been able to hide his pro-extremist bias (June 17) neither has Vittal himself been able to conceal his pro-CPI(M) bias.

As a champion of the civil liberties movement, the secretary of APCLA is expected to be above petty party politics. His contention that the situation existing in the state (killing of extremists in the name of encounters) is somewhat "justified" and that "even those who are otherwise democratic do not protest much about it" does not do him any credit. It is indeed, a matter of shame that a civil liberties activist should justify such callous violations of human rights. The International Charter of Human Rights does not restrict civil liberties and democratic rights only to privileged sections but extends them to each and every citizen, irrespective of ideological convictions. Vittal argues that it is impossible to "go on fighting for the civil liberties of those who do not have even an iota of respect for the civil liberties of others". It is ironical that a civil liberties leader has to be told that civil liberties organisations are expected to fight against every instance of civil rights violation, irrespective of the victims' attitude towards civil rights.

If a petty thief is killed in police lock-up, should civil liberties bodies keep silent merely because the thief does not respect the civil liberties of others? Consider the case of Raju, a 20-year old petty thief, who the police allege, escaped from police custody in the first week of July. His body was found just near the Saifabad police station in Hyderabad, where he was being interrogated, a few days after his reported escape. The case was taken up by the APCLC while APCLA did not raise even an eyebrow. Possibly their inaction was a protest against the thief's disrespect for civil liberties and property rights.

Vittal's use of the expression 'fighting' is questionable. Where has the APCLA ever fought? Does it need to fight at all, when the CPI(M) considers the TDP government its own. APCLA voices concern only when CPI(M) workers or sympathisers fall victims to police brutality.

In his effort to cast aspersions on Balagopal's approach and in his enthusiasm to brand the PWG as a bunch of anti-socials, Vittal has resorted to misinformation. He claims that the PWG blackmailed the government to release two of their arrested comrades. Press reports however, say that PWG merely demanded information regarding the whereabouts of their two 'missing' comrades. In fact the government has only instituted a judicial enquiry. The ghastly murder of Malhara Rao is the result of the silence that was maintained until recently by political parties, on the issue of preservation and protection of democratic rights of the people.

Although of late, all political parties, have unequivocally condemned the encounter policy of the TDP government, neither the CPM nor the APCLA have uttered a word against the fake encounters. Even the governor has appealed to the conscience of the police to stop the excesses but the APCLA leader still remains unmoved.

B Jagan

Vijayawada

Left Alternative in Andhra

THE article on the Andhra Pradesh subsidised rice scheme by Wendy K Olsen (*EPW*, July 15) is among the well researched and comprehensive articles to have come out on the subject. No progressive individual, group or party can disagree with the conclusion that the rice rationing scheme helps people but it cannot be said to 'eradicate poverty'.

However, with regard to the points made on the political situation in Andhra Pradesh there were some inaccuracies. The CPI (M) has been described as the left alternative in AP, while there is no mention of CPI anywhere in the article. By no stretch of imagination can the CPI(M) become the left alternative in AP. Firstly with regard to size—at the beginning of 1989 the total membership of the CPI in AP was 75,000 whereas that of the CPI(M) was only 22,000. In Andhra Pradesh the CPI is a mass-based party with a well knit organisational structure in all the districts of the state, while the main strength of the CPI(M) is from the Khammam, Nalgonda, Krishna, West Godavari and Nellore districts (even in these districts it falls behind the CPI). The mass organisations of the CPI(M)—CITU, SFI, DYFI, Kisan Sabha and Agricultural Labour Union are no match for the organisational spread and influence of the CPI's mass organisations AITUC, AISF, AIYF, Kisan Sabha and Khet Mazdoor Union.

The relative strengths can also be assessed from their showing in the various elections. In assembly elections, except in 1978 when CPI(M) won eight seats with the support of the Janata as against six of the CPI (won almost independently though there was a nominal alliance with Congress (S), the CPI's strength has been either more than or equal to CPI(M)'s strength. In the elections to the gram panchayats, panchayat samithis, municipalities and municipal corporations in 1980-81 CPI'S strength was second only to the Congress(I). In the mandal praja parishad elections held in 1987 CPI(M) won 42 mandals (which were gifted by NTR) while CPI on its own won 14. In the gram panchayat elections held later despite alliance with NTR, CPI(M) could win far fewer seats than CPI.

The relative strength apart the CPI formed a left and democratic front comprising of CPI and other smaller parties like MCPI, RPI and AP Lok Dal and gave a call for CPI(M) also to join it. But till date the party refuses to do so and steadfastly toes the line of Telugu Desam. Despite this regime being brutally authoritarian and anti-people and whipping up regional and communal chauvinism as and when it suits, CPI(M) is still clinging to the coat-tails of NTR. Such an opportunist stand has lead to active cadres leaving the party in droves.

The CPI(M)'s Warangal and Hyderabad city units have long since gone over to MCPI. And in districts like Khammam, Nalgonda, Krishna etc, many have joined the CPI. Miriyalguda was once known as a stronghold of the CPI(M) where no CPI cadre could enter. But a number of active members of the CPI(M) disgusted with the policies of the state unit have since crossed over to CPI and early this year the CPI held its Nalgonda district conference there.

The statement in the article on CPI(ML) also is too simplistic "CPI(ML), which is also popular among radicalised youths, is ruining its chances by engaging in terrorist tactics and indulging in revenge murders". CPI(ML) is not a single party. It has since split into several groups, most of which are actively working among the masses and are also making use of the parliamentary forums. One group of CPI(ML) has an MLA from Khammam district. Only one group—the PWG led by Kondapalli Seetharamaiah is indulging in' "terrorist tactics".

The left alternative in Andhra Pradesh should now comprise of the CPI, MCPI and various groups of CPI(ML) who have renounced annihilation methods. In fact the 14th conference of CPI at Calcutta gave a call on such lines. And in view of the pre-eminent position of the CPI among the left parties and groups in AP it is but natural that such an alternative should be lead by it.

P Satish

Mangalore

Not Second

ARUN GHOSH (July 1, p 1430) is wrong. Kanshi Ram did not come second in the Allahabad Lok Sabha by-election, nor did he beat—'hollow' or otherwise—the Congress(I) candidate; he came third.

A Correspondent

Calcutta

ECONOMIC AND POLITICAL WEEKLY

Sri Lankan Misadventure

THE Indian army in Sri Lanka, it has now been established beyond the slightest doubt, carried out a massacre of Sri Lankan Tamil civilians in Velvettithurai town in the Jaffna area in a deliberately planned operation which began on August 2 and went on for three days. The action was the Indian troops' reaction to the ambushing of an Indian army patrol by the LTTE in which six Indian soldiers were killed. The Indian army's murderous retaliation directed at the civilian Tamil population has been described thus by an Indian journalist writing from Jaffna: "Within hours the IPKF ringed the town, mobilising forces from nearby camps, and commenced shelling the area. When the shelling stopped, a search operation was launched as the troops fanned out on a house-to-house search looking for Tigers. The locals charged that the residents huddled inside houses were dragged out and shot in cold blood. The local citizens' committee says that at least 70 civilians, including women, were killed in the three-day operation. The Red Cross figures support this claim." The report quotes a Jaffna Red Cross official as saying: "According to our estimate and that of the UNHCR at least 70 civilians have died. And about 15 are women. We are unable to give the exact figure as at least 58 persons, including many boys, are missing." In the two years that the so-called Indian Peace-Keeping Force has now been in Sri Lanka, this incident, while it may be one of the ghastlier ones, is by no means unique or exceptional. What lent it special political significance was that the killing of the Tamils and the plunder of Velvettithurai occurred at just the time when the Indian government was trying to make out, in its talks in New Delhi with the Sri Lankan delegation headed by that country's foreign minister, that the continued presence of the Indian army in Sri Lanka was essential for the safety and security of the Tamil population of northern Sri Lanka.

The fact is that the Indian army in Sri Lanka has not been engaged in ensuring the safety and security of the Tamil population. Its mission has been an altogether different one: to conduct a war to subdue the LTTE. As part of this effort it is currently supporting and trying to bolster up the EPRLF, a rival Tamil group with little popular support which formed the provincial government after the elections last year were reduced to a sham because of the very effective boycott call by the LTTE. Indian armymen have for some time been engaged in forcibly recruiting, training and arming the so-called Civil Volunteer Force which is effectively the armed squad of the EPRLF. And the Indian government has been financing the whole operation. Clearly, one of the purposes of stretching out the withdrawal of Indian troops from Sri Lanka till February or March next year, as the government of India has proposed in the recent talks with Sri Lanka in New Delhi, is to gain time to complete these efforts. If the government of India is hoping through these manoeuvres to consolidate a quisling Tamil government in northern Sri Lanka, it is most unlikely to succeed. For in the charged atmosphere after two years of military operations by the Indian army, proximity to the Indian authorities and the backing of the Indian troops cannot amount to much less than the kiss of death for the EPRLF and its government as far as the sentiments of the Tamil people are concerned.

The government of India keeps protesting its commitment to the sovereignty and territorial integrity of Sri Lanka. If these protestations have any meaning at all, it should acknowledge that the protection of the Tamils in Sri Lanka and the working out of an acceptable arrangement for devolution of powers to the provincial government in north Sri Lanka are not matters in which India can have any role to play. If the agreement signed with the Jayewardene government suggests anything different, that only reflects president Jayewardene's desperate political position at the time and the government of India's short-sighted readiness to try to capitalise on that situation. As things are today, by insisting on prolonging the Indian troops' military operations in Sri Lanka the Indian government will not help to secure either the safety of the Tamils or satisfactory devolution of powers. What it will achieve is the aggravation of political turmoil in Sri Lanka, pushing the Premadasa government to eventual collapse, for it is clear that president Premadasa can have no hope of controlling the JVP's bloody rebellion in the south so long as the northern part of the country continues to be under the occupation of alien troops. Of course, before he finally goes under, Premadasa will no doubt try some desperate measures of his own, such as perhaps taking the issue of the withdrawal of Indian troops to international forums. The net effect would be to rupture relations between the two countries.

Such then are the consequences of the government of India's insistence on playing the regional gendarme in relation to Sri Lanka. But so mesmerised are the prime minister and his advisers with this role and the populist political dividends it is supposedly yielding them within the country that they will not be persuaded to retrace their steps unless public opinion here is mobilised to bring them back to a saner course. Unfortunately, the organised left parties which should have been expected to take the lead in this effort have remained quiescent so far. Their inactivity, if not tacit support to the rulers' chauvinist and jingoist schemes, is costing the country dear.

POLITICS

In True Colours

THINGS are bad enough with the National Front what with the ongoing tussle between Chandra Sekhar and V P Singh in the Janata Dal, and its uneasy relations with the Left on the one hand and the BJP on the other. Now, to make matters worse, each of the two unpredictable 'satraps' from the north and the south—Devi Lal and NTR—already known for their 'gaucherie', in their respective states has dropped a brick! Davi Lal, we hear, is trying to retract. But the damage has already been done. The saffron-clad actor from the south, we believe, is still intractable.

The Haryana chief minister—a leading light of the National Front—proposed sometime ago to amend the Hindu Succession Act to deny daughters a right to the agricultural property of their parents, and instead to allow them to have a share of the property of their in-laws. The implications are clear. The big farmer-dominated, patriarchal Jat society, which is Devi Lal's vote bank, by denying their daughters any right to parental property can reduce the division of their land-holdings and retain them within their own fold. As for the daughters-in-law, who are supposed to be entitled to a share in the property of their in-laws under Devi Lal's dispension, the male in-laws can see to it that they do not claim the share, or if they really try to assert their claims, things can be arranged in such a way that they can be got rid of. Incidentally, in Devi Lal's own family sometime ago, a daughter-in-law got killed in mysterious circumstances—a case which is still being investigated. In Haryana, and many parts of the Hindi belt, where male oppression of women sanctioned by religious bigotry is the law, one can well imagine the pernicious effects of Devi Lal's proposal. It is reported however Devi Lal is dropping the proposal—presumably faced by the mounting opposition, and the fear that it would be used by the Congress(I) against him in the elections. But the very fact that such a proposal could be mooted by a National Front leader and his government speaks a lot about the moral norms and beliefs of a politician who is expected to provide an alternative at the centre, if voted to power.

The scenario in Andhra Pradesh is even more bizarre. Here is a state—redolent of the communist-led peasant movement of Telengana—where the electorate has decided to vote to power a tin god who spends most of his time on 'Gayatri Maha Yagnas' or tantrik rituals to find solutions to the problems faced by his state, or by himself in the role of 'Vishwamitra' in his latest film. The poor tribal peasants of Andhra Pradesh could not have cared a fig for such buffoonery had they been left to themselves by the state. But now, NTR has decided to repeal Regulation 1 of 1970. This Regulation prohibits the transfer of land owned by non-tribals in the scheduled areas to anyone except to the tribals and to the government. The implications of NTR's decision to reverse this should be obvious.

The historical context of NTR's proposal is important. For years together plainsmen had poured into the tribal areas as merchants, middlemen, moneylenders and had managed to appropriate land from the tribals. The encroachment by these non-tribal people continues. According to official statistics, till December 31, 1987, there were 44,379 cases of unauthorised occupation of 1,89,337 acres of tribal land by non-tribals in the scheduled areas. Unofficial statistics indicate six lakh acres under the possession of non-tribals.

One of the reasons why NTR is keen on the repeal of Regulation 1 could be the pressure from the absentee landlords in the tribal areas, who because of the increasing threat from the People's War Group and other Marxist-Leninist tribal guerillas, want to dispose of their land. One wonders, however, who would want to buy the land in these 'disturbed' areas. The other reason could be the rising land prices in certain tribal areas because of several development projects.

Whether it is a Devi Lal or an NTR, if we scratch them, the old Adam in them comes out—the instinct which in the absence of a yet-to-be discovered better term can still be defined as what Marx described as 'class interests'.

EXTERNAL DEBT

Entering the Big League

THE government persists in the meaningless charade of understating the country's external debt. According to a statement by the minister of state for finance, B K Gadhvi, in answer to a question in the Lok Sabha last month, India's aggregate external debt at the end of March 1989 was no more than Rs 68,831 crore. Converted at current exchange rates this would give a figure of $ 42-43 bn. That this is a gross underestimate should be clear from the fact that the OECD's annual review of external debt titled *External Debt Statistics* had placed India's foreign debt outstanding at the end of 1987—that is, 15 months prior to the date for which the figure given to the Lok Sabha by the minister of state for finance supposedly relates—was already $ 50.36 bn. Clearly, the information provided to parliament by the government is worthless and fully justifies the remark reported to have been made by a former senior official of the Reserve Bank of India at a recent conference on the state of the Indian economy that whereas earlier the government sought to build up 'secret assets' by understating the size of the country's foreign exchange reserves, now it was going to great lengths to conceal the true magnitude of the country's external debt and was thus accumulating 'secret liabilities'. Given the government's refusal to disclose the extent of the country's external debt, there is no alternative but to wait for the next volume of the OECD's *External Debt Statistics* to get an idea of how much deeper the country had sunk into external indebtedness at the end of 1988.

In the meantime the latest issue of the semi-annual report *Statistics on External Indebtedness* put out jointly by the OECD and the Bank of International Settlements, Basle, has just become available. The data presented in this report deal only with bank and trade-related non-bank external claims. The latest report, which claims to incorporate data available up to July 12, 1989, puts outstanding external bank claims on India at $ 12.86 bn at the end of 1988, at which level the figure showed a rise of $ 1.46 bn over that at the end of 1987. The relevant earlier issue of the report had put India's outstanding indebtedness to banks at the end of December 1987 at $ 7.60 bn. In other words, our external debt to banks rose by $ 5.26 bn or by over two-thirds in the two years 1987 and 1988.

In terms of the size of outstanding debt, India is admittedly still only on the fringes of the big league of borrowers from the international commercial banks, though in terms of total external debt it is now said to rank third among the LDCs after Brazil and Mexico. India's outstanding external debt to banks of $ 12.86 bn at the end of 1988 was small beer compared to Brazil's $ 75.89 bn and Mexico's $ 69.41 bn. Argentina ($ 35.09 bn), Korea ($ 26.66 bn), Venezuela ($ 25.56 bn), China ($ 23.80 bn), Indonesia ($ 19.78 bn) and Taiwan ($ 16.29 bn) were all still well ahead of India. However, it is also significant that in 1988 while the erstwhile heavy borrowers from banks made large net repayments, India was the second largest net borrower from banks among the LDCs. India's net borrowings of $ 1.46 bn

in 1988 were second only to those of China which, however, outdistanced us impressively with net borrowings of $ 6.95 bn during the year. China in fact boosted its outstanding external debt to banks by nearly 117 per cent between the end of 1986 and 1988, from $ 10.97 bn to $ 23.80 bn. India's progress towards joining the club of big borrowers from banks has been less spectacular but nevertheless disconcertingly steady.

MINISTEEL PLANTS

Scrap Shortage

THE ministeel plants have been playing a crucial role in bridging the demand-supply gap in respect of finished steel products. However, their performance has been hampered by shortage of melting scrap and its rising prices in the domestic and international markets. Domestic availability of scrap is between 2 and 2.5 million tonnes, while demand is around 6 million tonnes. Thus the ministeel units are required to depend on imports for almost 60 per cent of their requirements of scrap.

Traditionally, the Metal Scrap Trading Corporation (MSTC), the canalising agency, has been importing scrap from the general currency areas against payment in free foreign exchange. However, in view of the acute foreign exchange shortage, it was decided last year to import scrap also from the rupee payment area. Accordingly, a protocol was signed with the Soviet Union for supplying 8 lakh tonnes of melting scrap. Unfortunately, scrap imports from USSR have run into unforeseen difficulties. According to reports, the Russians do not have at their disposal a sufficient number of ships suitable to carry scrap. Bulk carriers of 20,000/25,000 DWT capacity are needed for the purpose. The government of India is also not in a position to make available such ships immediately. The surface transport ministry is now in the market trying to locate suitable vessels on charter. Moreover, port problems at both ends have also created supply bottlenecks. Consequently, though the contract was signed for shipment of 1 lakh tonnes of scrap out of the protocol quantity of 8 lakh tonnes, only 5,000 tonnes have arrived so far. At this rate, according to S K Agarwala, chairman of the Steel Furnace Association of India, total imports from the Soviet Union may not exceed 4 lakh tonnes by March next year. He estimates the current year's shortfall in melting scrap at 3 million tonnes. Firm import commitments so far are only 1.5 million tonnes and Agarwala has appealed to the government for immediate release of foreign exchange to facilitate import of another 1.5 million tonnes.

There is an imperative need to expedite scrap imports so that the working of the ministeel units does not suffer. For the foreign exchange cost of importing finished steel will be much more than that of importing scrap. The country has been importing between 1.3 and 1.4 million tonnes of finished steel every year since 1986-87.

There are now 173 ministeel plants in the country, with a total licensed capacity of 5.4 million tonnes. Of these, 166 are in operation and they produced 27 lakh tonnes of steel products in 1988-89. Letters of intent have been issued for additional 2.78 million tonne capacity. Moreover, a notification was issued in February allowing existing ministeel plants to expand upto 150 per cent of their current capacities. Recently the government has also announced a sharp increase in the minimum economic capacity (MEC) of ministeel plants manufacturing steel through the electric arc furnace route and those engaged in the production of cold rolled steel strips and sheets. The revised MEC for ministeel plants producing steel in arc furnaces has been trebled to 1.5 lakh tonnes per annum from the present level of 50,000 tonnes.

It is evident that the demand for melting scrap would rise substantially once the existing units expand their capacities and the new capacity covered by letters of intent already issued materialises. True, efforts are also being made to increase the availability of sponge iron by licensing new capacities. Even so, since sponge iron is only a partial substitute for melting scrap, there is no escape from augmenting the supplies of scrap through higher imports, at least in the near future.

LABOUR

Laws Ignored

Bharat Dogra writes:

THE imposing roadside mansions, including a luxury restaurant, on the stretch of Delhi's ever-busy Ring Road around the Shalimar Bagh bus stop give the impression of prosperity. Turn to the road towards the railway crossing and you will see shop after shop of glittering steel utensils. This is Wazirpur, a big centre of steel utensil manufacture. Move into one of the roadside lanes, however, and you will come face-to-face with the stark reality of a huge, sprawling industrial slum.

Here there are huge piles of iron and steel scrap (or scrap-like sheets) and cart-pullers carrying these sheets on their ramshackle carts. And there are the sheds where these sheets undergo numerous industrial processes before emerging as the glittering steel utensils that decorate the shops. There are children with their bodies and faces blackened in the process of polishing the utensils. Women inhale toxic fumes as they work with acidic solutions. And if it is one of those bad days which are becoming quite frequent, one may also see a profusely bleeding worker, the victim of an industrial accident, being rushed to one of the medical shops that pass as nursing homes.

The predominant feature of the Wazirpur steel units is the unauthorised or illegal nature of most of the work. Most of the units are unregistered and are functioning in premises which were meant to house some other units. It follows that numerous other transactions, from taxes to electricity connections, are also illegal. But the area where this flouting of laws causes the maximum human suffering is the wholesale violation of labour laws.

The worker here toils for a 12-hour work-day. If one calculates the wage on an 8-hour work-day basis, the overwhelm-

ing majority of the workers do not get the minimum wage, despite the fact that the work is extremely tiring and hazardous. On the one hand, there is the large incidence of accidents caused mainly by flying steel chips, hitting the workers like bullets, piercing and entering their bodies. The risk is most serious for workers employed on the steel-rolling machine, known in local parlance as 'forahi machine'.

The risk depends on which part of the body is hit and how deep the wound is. Several workers have died in such accidents. In the month of October 1988 four deaths and over a dozen serious injuries were reported from these factories. The lack of proper medicare for these victims results in avoidable complications and even deaths. Regularly workers are incapacitated as a result of these accidents. According to a list prepared by the Delhi General Mazdoor Front and the Mazdoor Kalyan Manch, 18 serious accidents causing painful injuries and infirmities were counted during just the 20 days from January 30 to February 18 this year, for which they kept records and prepared lists. The overwhelming majority of accidents were caused by small steel chips released in the course of the work at enormous speed which pierce the workers' bodies. Some accidents were caused by workers' hands getting caught in uncovered machines. The list includes only those cases which come to the notice of the trade unions. In addition, the workers say, there are several cases of accidents which do not come to notice as these are hushed up with the collusion of factory owners and nursing homes.

Alarming as the working conditions are, it is extremely difficult to organise the workers for the redressal of the manifold problems and injustices they face in their daily working lives. In the absence of any initiative from the labour department or any other government agency to help them, the odds are heavily against the workers in any struggle to assert their rights. Past experience tells them that they can expect hardly any help from the labour officials and the police will almost certainly side with the factory owners.

While the poor workers can be easily starved out, the factory owners, most of whom are involved in only one of the numerous processes, and can easily give their work for the time being to other factory owners or can afford to close their factories for some time. This is why it is extremely important for senior labour officials to assert themselves and intervene to check this gross violation not only of labour laws but also of basic human values right in the heart of the capital city.

New Factors

THE latest exhibition of Israeli machismo—officially described as an anti-terrorist operation—has indubitably contributed to magnifying the crisis in West Asia. Moral considerations apart, Israel's kidnapping of the Shia cleric Sheik Abdul Karim Obeid, the Imam of Jibsheet, was certainly an ill-judged move. Equally injudicious was its timing for it came just when post-Khomeini Iran's moderation held out at least some hope for Lebanon.

Israeli commandos abducted Obeid, who belongs to the Hizbollah (Party of God), from South Lebanon on July 28. In retaliation the Organisation of the Oppressed of the World, which is a part of Hizbollah, hanged an American hostage, William Higgins. Higgins was supposedly an officer in the UN peace keeping force, though it is possible that he was engaged in espionage, as his killers claim. The Revolutionary Justice Organisation, another affiliate of the Hizbollah threatened to kill another US hostage, Joseph Cicippio. His killing has since been deferred and Israel, seeing in the stay of the execution a vindication of its act and a confirmation of its tactical wisdom, has not yet stopped congratulating itself.

Israel has offered to release Obeid and other Lebanese Shias held as prisoners at Al Hiam, a prison in the South Lebanon security zone, in exchange for the 17 western hostages and three Israelis currently being held by Shia fundamentalist groups. The Revolutionary Justice Organisation has, on the other hand, offered Cicippio's release on the condition that Israel release Obeid, 150 prisoners belonging to different factions of Islamic resistance organisations in Lebanon and 300 Palestinians arrested during the *intifada*, besides permitting the return of deported Palestinians to occupied territories.

In sharp contrast to Israel's characteristic myopia, the American response has been refreshingly uncharacteristic. The current administration's circumspection is certainly a welcome change from the brash rhetoric and reckless adventurism of the Reagan administration. It has, so far, refrained from military action, despite pressure from jingoistic right-wing elements intent on revenge and 'justice'. Equally promising is the new attitude towards Israeli terrorism. Whereas in the past the west glossed over Israeli crimes in west Asia, reserving its denunciations for the Arabs, the recent crisis has provoked an unprecedented attack on the abduction. How far this phenomenon is linked to the delicate position of the 17 western hostages, whose lives have been endangered by Israeli action remains to be seen. Recidivism most certainly cannot be ruled out.

The Arab world has almost uniformly condemned the hanging of Higgins, with even Syria, which backs the Lebanese Shias, joining in. Iran, whose influence with the Lebanese Muslims is quite powerful, has gone so far as to offer mediation although the interior minister, Ali Akbar Mohtashemi, has adopted a hard-line anti-US stand.

While hostage-taking has been a traditional political pastime in west Asia, being an inseparable part of diplomatic negotiations as an instrument for improving bargaining positions, the recent incidents may have been governed by a new set of factors within an altered environment in the region. The killing of the American hostage may perhaps have been an attempt at sabotaging the improving US-Iran relations under Rafsanjani's regime, for fear that improved relations could imply reduced support for Shia fundamentalist groups. Likewise the timing of the Israeli action points to certain possible motives.

There is no reason to believe that Israel's objective does not go beyond the official claim that the kidnapping was undertaken to secure the release of Israeli prisoners. The three Israelis have been captive in Lebanon for a few years. Besides, the kidnapping was planned at least two months before it was actually carried out. One hypothesis is that the hard-line Hizbollah was losing ground to Nabih Berri's moderate Islamic Amal in South Lebanon and the abduction was a tactical move to circumscribe the Hizbollah's activities even further by removing one of its top leaders. However, the authoritative claim that Obeid is not a powerful force within the Hizbollah militates against such reasoning.

Another possibility is that Israel, whose martyr image in the west has suffered a decline following its brutal handling of the *intifada*, particularly after the Palestine Liberation Organisations' renunciation of violence, may have been motivated by the desire to reverse this tendency. The rationale in this case would be to ignite a resurgence of anti-Arab feelings in the west by provoking the Lebanese into killing one of the hostages. This would dilute anti-Israel criticism besides legitimising Israeli crimes against Palestinians. Defence minister Yitzhak Rabin's statement that all possible responses, including the one that was eventuated, were considered, would seem to confirm this motive. Engineering ethnic mistrust underlies such a play. Such motivations are not beyond a state whose foundation is ethnic fanaticism.

TWENTY YEARS AGO

EPW, August 9, 1969

Concessions under duress have to be made warily, for, the danger is that they might not fetch any returns. Days after the jute mill workers' strike has begun, the Indian Jute Mills Association is in the process of using this paralysis of a major exporting industry to exact those concessions in excise and export duties on which it had been consistently turned down in the past months... Leading financiers who are leading members of IJMA have resources not only to publish pious self-selling ads in Calcutta's newspapers, but also to secure the intervention of none less than the prime minister to obtain their compromise offer of an interim relief... It would be indeed a bitter irony if, in the latest round of give and take between industry and government, afforded by the workers' strike, the workers' case is, by default, sold down the river. Their charter of demands includes a minimum wage of Rs 264 as against Rs 142 per month, redress for the 'badli' workers who are perpetually temporary, and an eight per cent bonus. Since in practice duty concessions will no doubt be linked to wage increases, there is likely to be a tendency to scale down these demands... There may yet be a case, judging by the experience of the more efficient of the mills, to considerably lower the export and/or excise duties on jute goods. But the onus is once again going to be on the central government to ensure, first, that workers' demands are met in relation to the real and potential strength of the industry, and second, that a significant part of duty concessions is spent on modernisation and raw material programming.

* * *

The DMK in Tamil Nadu is trying to give its public image a face-lift. The rift at the top of the party between Karunanidhi and Nedunchezhian, which came into the open in the battle for succession after Annadurai's death, has been seemingly patched up... But no amount of face-lift can cover the major weakness of the DMK which is that it has had nothing to offer by way of new policies over what had been achieved by twenty years of Congress rule. The expectation that as a party of the socially under-privileged it will bring forward some radical programmes has been completely belied. It has failed even to extend its cheap rice scheme—one of its major election promises—beyond Madras and Coimbatore cities because it chickened out of taking the necessary procurement measures. On the non-ideological plane, it has been unable to maintain the momentum of industrial development built up during Congress rule.

STATISTICS

Index Numbers of Wholesale Prices (1981-82 = 100)	Weight	Latest Week (22-7-89)	Variation (per cent) Over Last Month	Over Last Year	Over March 25, 1989	In 88-89++	In 87-88	In 86-87	In 85-86
All Commodities	1000	163.2	1.0	5.6	NA	6.3	5.3	5.7	7.1
Primary Articles	NA	163.7	1.4	0.4	NA	4.8	5.2	2.0	4.8
Food Articles	NA	184.9	1.8	2.9	NA	9.1	6.6	6.8	6.4
Non-food Articles	NA	157.9	0.8	−4.2	NA	−6.7	6.4	−10.2	−2.3
Fuel, Power, Light and Lubricants	NA	155.9	0.2	3.9	NA	5.2	6.8	11.9	2.6
Manufactured Products	NA	164.2	0.9	9.0	NA	7.9	4.9	7.2	6.0

Cost of Living Index	Base	Latest Month	Variation (per cent) Over Last Month	Over Last Year	Over March 1988	In 87-88	In 86-87	In 85-86	In 84-85
For Industrial Workers	1960 = 100	818[3]	0.6	8.6	0.6	9.1	8.8	6.5	6.4
For Urban Non-Manual Employees	1984-85 = 100	138[1]	0.7	7.0	7.0	9.6	7.9	7.9	8.1
For Agricultural Labourers	July 60 to June 61 = 100	739[1]	−0.3	12.5	12.3	9.8	4.8	4.8	0.2

Money and Banking		Latest Week (30-6-89)	Variation (per cent in brackets) Over Last Month	Over Last Year	Over March 24, 1989	In 88-89	In 87-88	In 86-87	In 85-86
Money Supply (M_3)		2,01,183	1,588 (0.8)	25,992 (14.8)	9,951 (5.2)	27,225 (16.7)	22,027 (15.7)	22,295 (18.8)	14,423 (13.9)
Net Bank Credit to Government Sector	Rs crore	1,05,251	1,112	10,723	8,426	12,738	12,811	12,776	6,555
Bank Credit to Commercial Sector	Rs crore	1,29,832	1,221	19,759	3,766	18,752	12,389	11,294	10,963
Net Foreign Exch Assets of Banking Sector	Rs crore	6,171	548	2,172	64	637	673	1,314	13
Deposits of Scheduled Commercial Banks	Rs crore	1,47,143	2,485 (1.7)	19,826 (15.6)	7,713 (5.5)	21,385 (18.1)	15,321 (14.9)	17,320 (20.3)	13,160 (18.2)
Foreign Exchange Assets**	Rs crore	6,075	496 (8.9)	693 (12.9)	−233 (−3.7)	−830	−508	604	+197

Index Numbers of Industrial Production (1980-81 = 100)	Weights	Latest Month (March) 1989	Averages for* 1988-89	1987-88	Variation (per cent) In 1988-89	In 1987-88	In 1986-87	In 1985-86
General Index	100.0	208.1	181.0	166.4	8.8	7.3	9.1	8.6
Basic Industries	39.4					5.6	9.2	6.8
Capital Goods Industries	16.4					16.0	18.2	10.6
Intermediate Goods Industries	20.5					4.7	4.4	7.5
Consumer Goods Industries	23.6					7.4	7.1	12.5
Durable Goods	2.6					7.6	18.9	18.7
Non-Durable Goods	21.0					7.4	4.9	11.5

Note: The index numbers of industrial production by use-based classification are not available beyond March 1987

Foreign Trade	Unit	Latest Month (Feb 89)	Cumulative for* 1988-89	1987-88	1987-88	1986-87	1985-86	1984-85	1983-84
Exports	Rs crore	1,883	17,876	14,033	15,719 (25.1)	12,569 (15.4)	10,895 (−7.2)	11,744 (20.2)	9,771 (11.0)
Imports	Rs crore	2,303	25,366	20,256	22,343 (10.6)	20,201 (2.8)	19,658 (14.7)	17,134 (8.2)	15,831 (10.8)
Balance of Trade	Rs crore	−420	−7,490	−6,223	−6.624	−7,632	− 8,763	−5,390	−6,060

Employment Exchange Statistics	Unit	Latest Month (Jan 89)	Cumulative for* 1989	1988	1988	1987	1986	1985	1984
Number of Applicants on Live Registers (as at end of period)	Thousand	30,195	30,195	30,019	30,050 (−0.7)	30,247 (0.4)	30,131 (0.4)	26,270 (0.4)	24,861 (7.9)
Number of Registrations	Thousand	514	514	469	6,028 (10.3)	5,465 (−0.2)	5,473 (−6.0)	5,824 (−6.4)	6,220 (−8.0)
Number of Vacancies Notified	Thousand	40	40	45	542 (−12.7)	621 (0.8)	616 (−10.0)	683 (−3.4)	707 (−15.5)
Number of Placements	Thousand	26	26	35	340 (−5.6)	360 (1.1)	356 (−8.2)	388 (−4.7)	407 (−16.3)

Income	Unit	1987-88@	1986-87++	1985-86++	1984-85	1983-84	1982-83	1981-82	1980-81
Gross Domestic Product (current prices)	Rs crore	2,93,306	2,60,680	2,33,305	2,06,732	1,86,406	1,58,851	1,42,876	1,22,226
Gross Domestic Product (1980-81 prices)	Rs crore	1,70,363	1,64,441	1,56,083	1,48,955	1,44,391	1,33,830	1,29,776	1,22,226
Per Capita Income (1980-81 prices)	Rupees	1,918	1,892	1,836	1,791	1,781	1,687	1,686	1,627

* For current year upto latest month for which data are available and for corresponding period of last year.
** Excluding gold and SDRs. + Upto latest month for which data are available.
++ Provisional data. @ Quick estimates.

Notes: (1) Superscript numeral denotes month to which figure relates, e g, superscript[1] indicates that the figure is for January and so on.
(2) Figures in brackets denote percentage variation over previous period.

TATA UNISYS

Accent on Software Development

TATA UNISYS has commenced work at NOIDA Export Processing Zone, near New Delhi, where it plans to instal a 2200/400 and a 6000/50 computer system to give an impetus to its plans to broaden its software expertise and offerings. This will also help to widen the company's export base. The computer consultancy division has executed several new turnkey projects at SEEPZ and abroad. The management's emphasis on packaged product marketing (Signbank and Easydeal software packages) and on turnkey projects should yield increased revenues in the near future. The division has also moved into higher value added markets such as CAD/CAM software. A major innovation has been the setting up of centres in India dedicated to software development for customers abroad. A beginning has been made in this area with the centres set up at SEEPZ, Bombay, for rendering software development services to Banque Indo Suez and Unisys CAD/CAM International.

The company has turned in good results for the 15-month period ended March 31 last. Sales have amounted to Rs 41.81 crore against Rs 25.94 crore in the previous 12 months and yielded a gross profit of Rs 5.29 crore against Rs 3.62 crore. Net profit is Rs 2.43 crore against Rs 1.55 crore. The directors have recommended a dividend of 27.5 per cent as against 22 per cent previously. The distribution is covered 2.02 times against 1.62 times.

Sales of B25 Super Micro Computers were made to some prestigious customers such as National Airport Authority, American President Lines, Bennett Coleman and Deutsche Bank, which together with certain smaller accounts resulted in sales of 188 B25s valued at Rs 3.20 crore. A large export order was procured from Yugoslavia for B25 Super Micro Computer Systems. The company is planning to introduce an expanded range of micro processor products to be manufactured at its factory in Goa. It is also widened its imported systems offerings considerably, consequent upon the Sperry-Burroughs merger. The company has arranged direct licensing of microsoft products to several large original equipment manufacturers in the personal computer market, which should yield significant revenues in the future. The company achieved foreign exchange earnings equivalent to Rs 35.75 crore during the period, whereas its imports of raw materials, sub-assemblies and components, capital goods and stores and spare parts were equivalant to Rs 1.30 crore and its expenditure on overseas business expenses, etc, came to Rs 12.08 crore.

DEEPAK FERTILISERS

Expansion Projects on Schedule

DEEPAK FERTILISERS AND PETROCHEMICALS has made satisfactory progress in implementing its projects for the manufacture of amonium nitrophosphate fertiliser, nitric acid, explosive grade ammonium nitrate and methanol. These projects, estimated to cost Rs 346 crore, are expected to be completed between October 1990 and March 1991. The company issued convertible debentures of Rs 218.50 crore to raise a part of the finance required for these projects. It is simultaneously

The Week's Companies *(Rs Lakh)*

		Tata Unisys		Deepak Fertilisers		Finolex Cables		FGP	
		Latest Year 31-6-89*	Last Year 31-12-87	Latest Year 31-3-89	Last Year 31-3-88*	Latest Year 31-3-89**	Last Year 30-11-87	Latest Year 31-3-89	Last Year 31-3-88
Paid-up Capital		438	438	1633	1633	324	180	490	490
Reserves		509	362	1111	706	3080	1516	759	583
Borrowings		806	890	15561	3639	1914	816	480	460
of which Term borrowings		253	251	14969	1153	1452	719	173	174
Gross fixed assets		986	936	6876	6536	3537	1903	1589	1540
Net fixed assets		348	488	5979	4162	2528	1078	492	504
Investments		416	3	4106	220	1803	511	—	—
Current liabilities		1128	929	2145	895	1782	964	358	360
Current assets		2117	2125	10365	2492	2769	1888	1413	1303
Stocks		261	567	806	884	1163	948	702	615
Book debts		1119	959	1504	1414	940	703	455	450
Net sales		4181	2594	4554	4602	10624	5746	2249	2024
Other income		29	73	231	224	593	290	95	78
Raw material costs		367	144	1773	1864	6514	3427	486	426
Wages		737	551	163	180	293	167	499	466
Interest		128	120	475	670	333	228	75	64
Gross profit (+)/loss (−)		529	362	1624	1351	2913	1569	428	417
Depreciation provision		191	177	772	818	341	257	70	78
Tax provision		96	30	158	84	670	465	93	139
Net profit (+)/loss (−)		242	155	694	449	1902	847	265	200
Investment allowance reserve		—	—	200	200	200	15	—	—
Transfer to reserves		122	59	205	—	1508	760	177	122
Dividend									
Amount	P	—	—	22	28	—	—	—	—
	E	120	96	267	249	194	72	88	78
Rate (per cent)	P	—	—	15	15	—	—	—	—
	E	27.50	22	18	18	60	40	18	16
Cover (times)		2.02	1.62	2.51	1.70	9.80	11.76	3.01	2.56
Ratios (per cent)									
Gross profit/sales		12.65	13.95	35.66	29.87	27.42	27.30	19.03	20.60
Net profit/capital employed		25.55	19.37	25.29	19.19	55.87	49.94	21.22	18.64
Inventories/sales		6.24	26.86	17.70	19.21	10.95	16.50	31.21	30.38
Wages/sales		17.63	21.24	3.58	3.91	2.76	2.91	22.19	23.02

* 15 months, ** 16 months.

implementing an energy saving retrofit scheme for its ammonia plant, which is scheduled for completion by end-1990 and is designed to effect a reduction in the overall energy consumption by about 10 per cent. The company's proposal to manufacture polyacetal based on in-house availability of methanol is awaiting clearance. It also proposes to use its in-house carbon dioxide, presently vented to atmosphere, for conversion to 50 TPD liquid carbon dioxide/dry ice. These have many industrial and domestic applications and are currently in an acute short supply.

The company has produced encouraging working results for the year ended March with record production and sale of 95,309 tonnes and 98,666 tonnes of ammonia showing 21 per cent and 24 per cent increases respectively over the previous financial year on annualised basis. The company made a gross profit of Rs 16.24 crore against Rs 13.51 crore in the preceding 15-month period following sales of Rs 45.54 crore against Rs 46.02 crore. Net profit was Rs 6.94 crore against Rs 4.49 crore. The recommended dividend of 18 per cent was covered 2.51 times by earnings as against 1.70 times previously. The company expects to receive a sizeable refund from ONGC on account of the gas price difference between the price already paid at the rate of Rs 1,350 for fertiliser use and Rs 2,400 for non-fertiliser use right from December 1983 till the notification of the uniform gas price of Rs 1,400 by the government as a national policy effective January 30, 1987.

FINOLEX CABLES

Diversification Programme

FINOLEX CABLES has started production at its new plant at Urse, an industrially backward area of Maharashtra. The factory is provided with the latest machinery for producing jelly-filled telephone cable in foam/skin as well as in higher pairage. The company has signed a technical collaboration agreement with Norddeutsche Seekabel Werke, West Germany, for manufacture of high-tech special submersible cables. Equipment for fluoropolymer insulated cables is under installation and production is expected to start shortly. The company has also applied for a licence to manufacture chlorine, caustic soda and soda-ash which products will have a growing market. The objects clause in the company's memorandum has been amended to cover the diversification programme in the area of chemicals and petrochemicals.

Meanwhile, the company has fared very well during the 16-month period ended March 31 last with increase in turnover and profits. Margins have also looked up in spite of steep rise in prices of principal raw materials copper and aluminium. The weakening of the rupee along with its consequent effect on import duty also added to the rising cost burden. Mild price increases, wherever possible, helped to maintain the tempo of progress and profitability. Turnover amounted to Rs 106.24 crore against Rs 57.46 crore in the preceding 12 months and gross profit was Rs 29.13 crore against Rs 15.69 crore. Net profit came to Rs 19.02 crore compared to Rs 8.47 crore of 1986-87. The directors have recommended a final dividend of 40 per cent making a total of 60 per cent for the period on the capital expanded by a four-for-five bonus issue. Last year, the company had paid a dividend of 40 per cent. The distribution is covered 9.80 times by earnings as against 11.76 times previously.

The company's exports went up from about Rs 0.8 million in 1987 to over Rs 3.6 million. New export markets were explored and for the first time shipments were made to the USSR and telecom cables were exported to Zambia. Efforts to explore new markets continue. Expenditure in foreign currencies amounted to Rs 8.4 million.

FGP

Pressure on Margins

FGP has performed satisfactorily during 1988-89 although it had to contend with difficult trading conditions due to the excess capacity of glass wool in the domestic insulation trade. There was continuous pressure on margins of escalation of costs and reduced margins. Production and sales, however, increased in continuous filament product groups, with an optimum utilisation of capacity in the Thane factory. Several steps have been initiated to rationalise products and improve productivity.

The company has earned a gross profit of Rs 4.28 crore against Rs 4.17 crore in the previous year on a turnover of Rs 22.49 crore against Rs 20.24 crore. With both depreciation and taxation requiring lower provisions, net profit is Rs 2.65 crore (Rs 2 crore). Equity dividend has been raised by 2 points to 18 per cent which is covered 3.01 times by earnings as against 2.56 times previously. The company achieved exports of Rs 1.52 crore. Value of company's imports calculated on CIF basis was equivalent to about Rs 84 lakh and amount remitted in foreign exchange on account of dividend was Rs 23 lakh.

The company has signed an agreement with Owners-Corning Fiberglas Corporation, USA, for upgrading technology for continuous filament products under the foreign collaboration scheme. Initial steps have been taken to assimilate the technology package by a planned R and D programme. Continuous progress has been maintained in R and D activities which includes glass reinforced cement components for telecommunications and irrigation.

Pasupati Acrylon

PASUPATI ACRYLON is making a public issue of 108 lakh equity shares of Rs 10 each at par, aggregating Rs 10.80 crore. The company has reserved 5 lakh shares each for preferential allotment to UTI and Canbank Mutual Fund and 22.8 lakh shares for preferential allotment to NRIs. The company is putting up a plant to manufacture 12,000 tpa of acrylic fibre at Thakurdwara in UP in collaboration with SNIA BPD of the Fiat group. Pasupati Acrylon has been promoted by Mukesh Jain and the Pradeshiya Industrial and Investment Corporation of Uttar Pradesh (PICUP) is participating in the project with a share of 11 per cent in the equity capital. The capital outlay on the project is estimated at Rs 100.4 crore and is being financed through promoters' equity of Rs 20.1 crore, public equity of Rs 10.8 crore, term loans of Rs 48.5 crore and supplier's credit of Rs 21.1 crore. The company has estimated a turnover of Rs 73 crore for the first year of operation, at which level it expects a net profit of Rs 17.26 crore giving an earning per share of Rs 5.60. The company has already applied for enhancing its capacity to 20,000 tpa

The public issue opens on August 21 for NRIs and on August 28 for the Indian public.

Western India Industries

WESTERN INDIA INDUSTRIES is entering the capital market with a public issue of 10.75 lakh equity shares of Rs 10 each at a premium of Rs 7.50 per share. Out of the issue 1 lakh shares are reserved for firm allotment to SBI Mutual Fund Trustees, SBI Capital Markets, and 53,750 shares are reserved for preferential allotment to employees (including Indian working directors) of the company. The object of the issue is to finance the acquisition of fixed assets and to augment the company's long-term working capital resources. A sum of Rs 1.95 crore is proposed to be invested in fixed assets. Western India Industries specialises in the execution of turnkey engineering projects in the field of fire protection, water engineering and pollution control. In fire and safety systems, the company is associated with Total Walther of the Krupp group of West Germany. The company currently has orders in hand worth Rs 52 crore, including Rs 29 crore worth of exports/deemed exports. The company's total income for the 18-month period ended March 31, 1989 was Rs 19.11 crore compared to Rs 11.19 crore in the preceding 12-month period. The company declared a dividend of 37.5 per cent for the latest 18-month period compared to 20 per cent for the preceding 12 months. The company's net worth has risen from Rs 102.58 lakh as on September 30, 1985 to Rs 275.11 lakh at the end of March 1989. Earning per share has gone up from Rs 2.53 in the year ended September 30, 1985 to Rs 8.28 in the 18 months to March 31, 1989. BOI Finance and PNB Capital Services are the lead managers of the issue which opens on August 28.

SPCL

SUMITRA PHARMACEUTICALS AND CHEMICALS (SPCL) is making a public issue of 30.80 lakh equity shares of Rs 10 each at par aggregating Rs 3.08 crore. Out of the issue, 12.32 lakh shares are being offered for preferential allotment to NRIs on repatriation basis. Two lakh shares are being offered for preferential allotment to SBI Capital Markets and 2,07,500 shares to employees (including Indian working directors) of the company. SPCL has been licensed to manufacture 2,000 tpa of ibuprofen and 500 tpa of mebendazole. The company is setting up a plant to produce initially 300 tpa of ibuprofen and 50 tpa of mebendazole. The plant is coming up in Medak district in Andhra Pradesh. a notified backward area. SPCL is among the first to have adopted the swing plant concept in the pharmaceuticals industry which will enable it to manufacture not only ibuprofen and mebendazole, but also a whole range of essential drugs.

The project is estimated to cost Rs 6.15 crore and will be financed through promoters' contribution to equity (Rs 1.07 crore), public issue of shares (Rs 3.08 crore) and term loans (Rs 2 crore). Civil construction and erection of machinery are expected to be completed by November 1989 and commercial production to begin by the end of December. The main promoters of the company are Ramesh Jain, who will be the managing director, B D Jain and Suresh Kumar. The public issue is managed by SBI Capital Market, PNB Capital Services, Canbank Financial Services and State Bank of Hyderabad. The issue will open on August 24 for NRIs and on August 28 for the Indian public.

Lakshmi Motor Credit

LAKSHMI MOTOR CREDIT is entering the market with a public issue of 18 lakh equity shares of Rs 10 each at par for a total of Rs 180 lakh. Out of the issue 1 lakh shares have been reserved for preferential allotment to the employees (including Indian working directors) of the company. The proceeds of the issue will be used to finance a major expansion in the company's business, particularly in the field of hire purchase and leasing. The expanded capital base of the company as a result of the public issue will significantly enhance its borrowing power.The company is diversifying into financing of office automation and appliances besides substantial expansion of its existing financing business in regard to two-wheelers. The company belongs to the TVS group. The company's gross stock on hire rose from Rs 610.23 lakh as on April 30, 1988 to Rs 749.23 lakh as on March 31, 1989 and its leased assets from Rs 6.24 lakh to Rs 31.65 lakh. Its profit after tax was Rs 16.13 lakh for the 11-month period ending March 31, 1989 compared to Rs 11.81 lakh for the preceding 12-month period and it proposes to declare a dividend of 15 per cent for the latest 11-month period compared to 12 per cent for the preceding 12-month period. The issue opens on August 21 and is managed by SBI Capital Market and Champaklal Investment and Financial Consultancy.

Kartar Glass Works

KARTAR GLASS WORKS is making a public issue of 11.80 lakh equity shares of Rs 10 each at par for a total of Rs 118 lakh. Out of the issue 1.31 lakh shares have been reserved for preferential allotment to the employees (including Indian working directors) of the company. The company is setting up a project for manufacturing figured and wired glass at Kullewal in Hoshiarpur district in Punjab. The cost of the project has been estimated at Rs 721 lakh and is being financed through promoter's equity (Rs 70.50 lakh), equity participation by Punjab State Industrial Development Corporation (Rs 73.50 lakh), term loans from all-India financial institutions (Rs 444 lakh), central subsidy (Rs 15 lakh) and the proceeds of the proposed public issue (Rs 118 lakh). Construction of the project is complete and plant and machinery are under installation. Demand for figured and wired glass is expanding rapidly for use in commercial, industrial and residential multi-storeyed complexes and in the hotel industry. The project has been promoted by Amar Singh and his associates of the S K Glass group jointly with the PSIDC. Technical know-how is being provided by C V Chalam Consultants, Madras. The company has plans of diversifying into manufacture of sheet glass for which it has secured the government's permission. Industrial Finance Corporation of India and Punjab and Sind Bank are managers to the issue which will open on August 23.

Bourgeois Liberalisation Times

GPD

The rhetoric currently being employed in some socialist states would suggest that the free inflow of capital is not as dangerous as a free newspaper. No wonder American ideas are so dominant everywhere, for that is a typical American idea.

WE live in bourgeois liberalisation times. These are dark times. You open windows, but all kinds of insects make their way in. The trouble with these insects is that some of them are or tend to be counter-revolutionary rebels. One of the curious effects of bourgeois liberalisation is that the distinction between socialism and capitalism disappears. Windows let the insects in. They also let in a whole flood of private capital. Those who know how to tackle this situation have decided that they will let American capital in but will keep 'American' ideas out. The Americans had never achieved the glory that they have today. All ideas of freedom and democracy are supposed to be American. One would have thought bourgeois freedom would not be a dirty word, at least in this year of the bi-centennial of the French Revolution. The older books talked of socialist freedom as a higher term of freedom. Higher and lower forms of freedom can have different scope. A higher form of freedom would make much greater space available for discourse and exercise of freedom. A lower form of freedom would be narrower, constricted. The lower form may appear to be freedom incarnate but in reality it is not so. It may well be a form of repressive tolerance. One has to see its limited, narrow character and move to a higher form of freedom.

But then can you deduce from this that the lower form is antagonistic to the higher? Or that asking for a lower form of freedom makes movement to a higher form impossible? The rhetoric currently being employed in some socialist states would suggest that. Free flow of capital is not as dangerous as a free newspaper. No wonder American ideas are so dominant everywhere. For that is a typical American idea. The 'free world' is where there is free enterprise and free flow of capital. A free press is not necessarily part of the notion of freedom, either high or low. This is the reason South Africa is a part of the 'free world'. So is South Korea and so was Zia's Pakistan and Marcos' Philippines. The only difference is that the argument of those who govern these countries never was that they were building capitalism *because* they wanted to build socialism. Some people are however saying that they are letting a whole lot of insects as also capital come in because they are wanting to build socialism. It is possible to argue that the words are not altogether meaningless. A grammarian of ancient India said *saktam padam*, the word is powerful. The more controlled it is, the more powerful it is. So if any given leadership uses the word 'socialism' it would logically follow that what it is doing is *ipso facto* right and justified. This was the reason why Nehru said that he was building a socialistic pattern of society. This was also the reason why Indira Gandhi said she wanted to fight poverty. This is perhaps the reason why her not-so-illustrious son is talking of socialism, secularism and democracy. Deng Xiaoping is doing the same in China. Once you say that, the path to absolute power is clear.

Yet we live in bourgeois liberalisation times. In these times it is perhaps not very desirable to be banning newspapers. Nevertheless, there was one news item which evoked a mixed reaction in our heart. It is the news that Cuba has banned *Moscow News*. Normally banning anything does not help. More Muslims in India got to know, in summary fashion maybe, the contents of *The Satanic Verses* because the book was banned. Had it not been banned nobody, that is, only a handful, would have actually read the book. Indo-Anglian writing is a craze, but it is usually limited to books on the Raj and on the rather boring world of the NRIs. *The Satanic Verses* did not quite fit the bill. Even Shahabuddin has not read it. So banning a book (or a newspaper) is a way of making the book almost as tempting as a pornographic book. It then becomes a status-symbol to get hold of the book. Pornography does not have that status. Anyway, the Cuban ban on *Moscow News* was, therefore, a bit of a surprise. Yet one felt that here at last was a symbolic act, an act symbolic of protest against whatever has been happening in the socialist world in the name of socialism.

It is possible to look at the Cuban ban on *Moscow News* from two different perspectives. As an act of banning a magazine it is bound to evoke a mixed response. It would be interesting to know how Indian socialists react to a socialist state banning a magazine from another socialist state. It is not going to be easy taking 'a more Stalinist-than-thou' attitude in this regard. Because it would then be incumbent upon our socialists to stop reading *Moscow News* (they cannot obviously ban it). If they do not support Castro in his action it would imply their endorsement of *Moscow News* and its editorial policy. Of course, they can keep quiet on the question. They can ignore the Cuban indictment of perestroika and glasnost as they have done in the past. For some socialists life is indeed a bed of roses. The Soviets, in their view, are building socialism. So are the Chinese. So are the East Germans. And, naturally, the Cubans are not behind in any way. So the orthodoxy in country A and the liberalisation in country B are all contributing to the great socialist community of the future. It is capitalism which is in crisis. Socialism is as hale and hearty as one could imagine. God is in heaven and all is well with the socialist world (till such time as the succeeding leadership disowns its predecessor's view of socialism, but that is another matter!).

Yet the overall feeling one got was one of unhappiness that *Moscow News* had been banned in Havana. *Moscow News* may not be good socialism but it is interesting journalism. Imagine the socialists in China. They are studying Deng Xiaoping's June 8 speech for a few hours everyday. In addition almost every provincial paper is reproducing the speeches of the mayor of Beijing and the like. We are not for one moment suggesting that city mayors in China do not know their classics (whichever ones they are). But they are not necessarily exciting speakers. After all, the principle of *reeti* (style) cannot be brushed aside with contempt. *Moscow News* is evidence that Soviet journalism is coming of age. At any rate present-day Soviet journalists write in better style than mayors in China do. A socialist in China or in Cuba should be forgiven if he felt that *Moscow News* was more readable than the speeches of socialist mayors in China. They would have certainly asked for the removal of the ban (in Cuba) or for non-reprinting of the speeches (in China). If they don't do so it is because they know the hazards of living in bourgeois liberalisation times.

Delhi, the Imperial City

Arun Ghosh

Unlike other towns and cities of this country Delhi does not have to worry about where the money for its civic amenities comes from. There are some 800 million Indians to pay the cost of maintaining the nations show piece.

ALL daily newspapers published from Delhi (dateline, July 12) have a quarter page advertisement announcing that H K L Bhagat, union minister would be inaugurating the third of the twenty new flyovers to be constructed in Delhi to ease the traffic problem. Discussions are also under way about a metro rail system (in part underground) to ease the traffic problem of Delhi; a mega plan for the National capital region, covering areas currently as far away as Najafgarh in the west, Ballabhgarh and Pataudi in the south, Ghaziabad in the east and Sonepat in the north; plans are near final to ensure that the increasing number of citizens of Delhi are assured of every urban amenity and water is hereafter to be conveyed from the Ganga—apparently the waters of the Yamuna and the Hindon have long been fully utilised, and even the deep tubewells have exhausted groundwater availability—and augmented power supply would be made available by UP, Haryana and Punjab.

One cannot deny that the Delhi citizen is pampered. And why not? After all, the parliamentarians spend most of their time in Delhi, and most chief ministers (of Congress-ruled states) and some governors maintain residential bungalows in Delhi at great expense. So, Delhi must have an adequacy of water supply, the supply of subsidised milk, subsidised power, subsidised transport and all other civic amenities. The area served by the New Delhi municipal committee—where the elite live—must get about the cheapest power and water supply in the world, as well as the lowest local property rates (certainly in India, if not throughout the world).

These general advantages of Delhi are well known. And those who have had an opportunity to visit Delhi must have been impressed with its wide (and generally impeccable) streets, beautified pavements and carefully nurtured gardens and lawns, the number of luxury cars driven at great speed, swanky shopping arcades and widely stocked shops, and after sunset, an efficient street lighting system with halogen (or sodium vapour) lamps.

What is not known generally is that to maintain this beautiful face of Delhi, the rest of the country has to foot a hefty bill. After all, if the prosperous citizens of Delhi were to maintain the available civic amenities by paying for them, one would have no quarrel. But herein lies the essence of the problem. Unlike other towns and cities of this country, Delhi does not have to worry about where the money for its civic amenities comes from. There is a famous saying in Bengali: "You need funds? They will be provided by Gouri Sen" (meaning, the government, leastwise, somebody else). So it is with Delhi. You need to beautify Delhi? Why, there are some 800 million Indians to pay the cost; after all, the nation's capital must be a showpiece.

Consider the following figures of the total revenue and expenditure of 24 states during 1988-89, as given in the *Report on Currency and Finance* for 1987-88 (published by the Reserve Bank of India). The RBI does not, for some reason, mention the figures for Tripura; elsewhere in the report, the RBI does indicate that during 1988-89, the approved plan outlay for the state of Tripura was Rs 143 crore (against Rs 710 crore for Delhi). So, one can assume that Tripura's total budgetary expenditure would be considerably less than that of Delhi; and if so, out of 25 states, Delhi would be seen to have a higher total budgetary outlay than as many as nine states.

Admittedly, some of the states are small. But consider the population figures (as given by the 1981 census) and the capital outlay incurred by the different states and by Delhi; for it is through capital expenditure that we would be focusing on future growth (and thereby attracting the movement of workers and their families). Delhi, with a (1981) population of 6.2 million provided Rs 676 crore for capital expenditure in 1988-89. Assam (with an *estimated* population of 19.9 million, by the way, Assam did not have a census count in 1981) could only provide Rs 609 crore; Haryana with a population of 12.9 million, only Rs 471 crore; Jammu and Kashmir with a population of 6.0 million provided Rs 445 crore; Kerala with as many as 25.5 million could manage no more than Rs 477 crore; Orissa with a population of 26.7 million provided only Rs 672 crore. And though large states like Karnataka, Rajasthan, Tamil Nadu and West Bengal—with 1981 population of 37.1 million, 34.3 million, 48.4 million and 54.5 million respectively—provided more than Delhi did

TABLE: BUDGETARY EXPENDITURE OF STATES, 1988-1989
(Budgetary Estimates)

(Rs crore)

	Revenue Expenditure	Capital Expenditure	Total Expenditure	Total (overall) Deficit (−)
1 Andhra Pradesh	4078.5	908.4	4986.9	− 149.7
2 Arunachal Pradesh	215.6	108.8	324.4	(+) 37.2
3 Assam	1402.4	609.3	2011.7	− 41.5
4 Bihar	2964.7	1391.8	4356.5	− 6.5
5 Goa	200.0	116.0	316.0	− 27.3
6 Gujarat	3141.2	986.8	4128.0	− 343.5
7 Haryana	1350.0	471.2	1821.2	− 33.2
8 Himachal Pradesh	608.5	197.1	805.6	− 4.4
9 Jammu & Kashmir	867.7	445.2	1312.9	(+) 2.9
10 Karnataka	3106.3	917.3	4023.6	− 209.0
11 Kerala	1942.6	477.4	2420.0	− 20.5
12 Madhya Pradesh	3361.2	1125.8	4487.0	− 53.1
13 Maharashtra	6239.8	1705.4	7945.2	(+) 14.7
14 Manipur	231.9	107.8	339.7	(+) 16.3
15 Meghalaya	230.3	111.7	342.0	− 6.8
16 Mizoram	237.6	62.6	300.2	(+) 28.4
17 Nagaland	307.5	101.9	409.4	(+) 2.0
18 Orissa	1615.9	671.7	2287.6	(+) 1.0
19 Punjab	1785.2	1094.7	3879.9	− 0.3
20 Rajasthan	2361.1	777.4	3138.5	− 132.2
21 Sikkim	103.5	49.4	152.9	− 3.7
22 Tamil Nadu	3405.3	758.7	4163.0	− 123.0
23 Uttar Pradesh	5733.7	1810.8	7544.5	− 22.5
24 West Bengal	3317.5	804.7	4122.2	(+) 221.2
Delhi (RE)	558.0	676.1	1234.1	

Source: RBI: *Currency and Finance Report* 1987-88, vol I, pp 289-291.
GoI: *Demands for Grants of Central Government*, 1989-90, p 97.

for capital outlay (Rs 917 crore, Rs 777 crore, Rs 759 crore and Rs 805 crore respectively), these provisions were only marginally higher than for Delhi, though each of these large states had a population seven to nine times that of Delhi. Take the last example—West Bengal, with nine times the population of Delhi—and comprising a difficult border state with diverse problems—provided Rs 805 crore for capital outlay against Delhi's Rs 676 crore.

I am not comparing the current expenditure of Delhi with that of the above states because the needs of administration need to take note of diverse needs and facets, including the *area* to be administered. Himachal Pradesh, for instance, has not only a large area, 56,000 square kilometres against 1,500 sq km of Delhi, but covers a most difficult terrain, large parts of which (Lahaul, Spiti and Kinnaur) are totally inaccessible during the winter and monsoon months. And Himachal Pradesh, with a population of 4.2 million (in 1981) managed to provide no more than Rs 197 crore for capital outlay, against Rs 676 crore by Delhi (for a population of 6.2 million).

But let us not confine ourselves to expenditure alone; some states are able to raise the revenue for large expenditures. So, let us see how much of the total outlay of Delhi is paid for by Delhi citizens. Here, the figures are difficult to segregate from central government receipts. Nonetheless, in the *Demand for Grants for Delhi* (Demand No 90) the recoveries—which are treated as a deduction in the budget, for purposes of expenditure approval—are shown to be no more than Rs 54 crore during 1988-89 (RE).

The central taxes collected and reimbursed to states also need to be taken into account. The total share of direct taxes payable to union territories (Delhi, Andaman and Nicobar Islands, Dadra and Nagar Haveli, Lakshadweep, Chandigarh and Daman and Diu) was Rs 58 crore in 1988-89; likewise, the share of central excises payable to union territories was Rs 32 crore. That makes a total of Rs 90 crore of which, let us assume, half was payable to Delhi (which is one out of six UTs, though admittedly the most important and prosperous). So, something like Rs 45 crore would be Delhi's share of central taxes distributed among states.

Between recoveries and the share of central taxes, thus, Delhi's revenue would be Rs 99 crore (or, say, around Rs 100 crore) in 1988-89. In that year Delhi had a total budgetary outlay of Rs 1,234 crore. Admittedly, purely local taxes by way of local sales tax and property taxes would also get collected; but then, it is by no means clear that these revenues are not used up by the Delhi municipal corporation, which has a separate budget of its own. It appears that Demand No 90 pertains to direct expenditures incurred *plus* subventions given by the centre, for Delhi.

It would, therefore, appear that something like Rs 1,034 crore was provided during 1988-89 from the central government budget, towards the current and capital expenditure of the Delhi administration. This appears to be over and above the sales and property taxes raised within Delhi, for otherwise these receipts would have figured under recoveries in the Demand No 90 in the central budget.

But this docs not exhaust the subsidy given to the citizens of Delhi by taxpayers from the rest of the country. The department of energy provides for the subsidy required for running the Badarpur thermal power station (which is one of the sources of power supply for Delhi); and for 1988-89, this subsidy (after taking note of Badarpur's receipts) came to Rs 157 crore. The net subsidy on the Delhi milk scheme (provided by the department of agriculture) was Rs 20 crore. One does not know how much of the outlay on Operation Flood (mother dairy milk supply)—amounting to Rs 99 crore—was for Delhi citizens. The non-plan loan to the Delhi Transport Corporation (to cover its operating losses) came to Rs 50 crore; another Rs 20 crore was provided (by the ministry of surface transport) as plan loan, presumably for the acquisition of new buses. There would be many similar subsidies—tucked away in the budgets of different departments/ministries of the central government—intended for Delhi citizens. Not counting these, that is, counting only the subsidy provided for the Badarpur power station, the DMS and the DTC, central subsidies amounted to Rs 227 crore, with another Rs 20 crore provided to the DTC for capital expenditure, making a total of Rs 247 crore. Thus, the total cost to the rest of the nation, for maintaining and improving Delhi, was a minimum of Rs 1,382 crore. If the subsidies from central departments other than the three specifically mentioned are added, the total would surely exceed Rs 1,500 crore for 1988-89. And this total has been rising.

It has, at any rate, been possible to identify Rs 1,382 crore (comprising Rs 1,234 under Demand No 90 *less* Rs 99 crore as recoveries and share of central taxes, *plus* Rs 247 crore in respect of only three units, the Badarpur power station, the Delhi milk scheme and the Delhi Transport Corporation) which is clearly financed by the rest of India for the convenience, comfort, indeed a high quality of life for Delhi citizens. Assuming the current population of Delhi to be eight million, this works out at some Rs 1,730 per capita per annum. This is considerably more than the total transfer of resources by way of taxes, duties and grants-in-aid—as per the Eighth Finance Commission recommendations—to all states other than Nagaland during the five-year period of the plan (see I S Gulati (ed), *Centre-States Budgetary Transfers*).

Of course, it is necessary to spend money to keep a nation's capital in reasonably good shape. For this purpose, large funds are spent by the CPWD (out of the budget for the ministry of works, as also now the ministry of urban development), as well as other authorities. These outlays have not been reckoned in the calculations given above; I have been concerned only with the transfer of funds to maintain and improve Delhi, and the subsidy provided for Delhi's electricity and milk supply and Delhi's metropolitan road transportation system.

But as a beneficiary of this central munificence, I find perfectly good roads resurfaced annually (in the areas frequented by VIPs), pavements dug up and beautified, dug up again and rebeautified, municipal property taxes brought down—yes, brought *down* rather than raised—when expenditures to maintain civic amenities and services in Delhi are steadily rising. (Incidentally, the electricity, water and property rates in the New Delhi municipal area are significantly lower than in the area administered by the Delhi municipal corporation). This situation is clearly something of an anomaly in a country where poverty alleviation is stated to be the first priority of the government.

But then, who is to question these developments when our honourable members of parliament are themselves anxious to increase the amenities available to Delhi citizens, even though they are supposed to visit Delhi only for purposes of parliamentary deliberations?

A final word. Successive emperors have made Delhi the capital city of their empires; and many have built their own cities and related edifices. There are, so the historian certifies, as many as 18 capital cities of Delhi, built at different stages. Most of them have vanished; the empires have crumbled. Should we not draw a lesson from the past? The rate at which Delhi is expanding, water shortage may, in the not toc distant future, force many to abandon Delhi. In any case, why should the rest of India pay for tapping the waters of the Ganga to meet the needs of the pampered citizens of Delhi?

Telling the World about Human Rights in India

A G Noorani

The Attorney-General's report to the Human Rights Committee was long on the letter of the Constitution and deplorably short on the actual state of human rights in India. The ministry of welfare's new brochure is another such attempt at disinformation.

THE Attorney-General, K Parasaran, had received quite a grilling a few years ago when he tried to fob off the members of the Human Rights Committee set up under the International Covenant on Social and Political Rights with a skimpy report which was long on the letter of the Constitution and deplorably short on the actual state of human rights in India. The members of the committee, to his discomfiture, had been thoroughly briefed and posed questions which reflected their awareness of the realities. Now we have another such attempt at what can only be called disinformation.

To commemorate the 40th anniversary of the Universal Declaration of Human Rights the ministry of welfare of the government of India has published a brochure entitled *India Marches Ahead towards Greater Attainment of Human Rights*. If you read it, you would not suspect that our country's otherwise good record on human rights is gravely tarnished by police torture, which is a norm, by custodial deaths, which are not so rare, by TADA, by preventive detention, by a host of statutes which curb freedom of speech and by rampant abuse of extra-constitutional power to intimidate the press—witness *The Statesman* and *Indian Post* cases.

In his 'message', with which the brochure begins, president R Venkataraman rightly observes that "development and economic growth, improvement in the quality of life and the standard of living can be meaningful *only when they are accompanied by the protection of these human rights*" (emphasis added). The secretary to the ministry, S S Varma, strikes the same note: "India has strongly emphasised that there is no choice between political liberty, economic development and social justice".

There follows, in page after page, a summary of constitutional and statutory provisions with, of course, claims of adherence to them in practice. Sample this prize piece: "The question of cruelty to prisoners is dealt with specifically by the Prisons Act. If any excesses are committed on a prisoner, the prison administration is held responsible for them." How often has this been done, pray. But read on: "Any excesses committed on prisoners by the police or jail authorities not only attract the attention of the legislators but that of the judiciary as well." True, the judiciary has been an enormous help. But not all cases even reach its doors. How many legislators take interest in these matters? And why is the press not mentioned at all? Quite often the judges have acted on the basis of exposures in the press and hauled up the authorities.

Next, have a look at another sample of falsehood—blatant and shameless: "The prisoners in *judicial* (sic) custody are extended humane treatment. *Indian jails provide prisoners with basic amenities and facilities for their rehabilitation*" (emphasis added). The brochure does not mention in the section on "Protection of Life and Personal Liberty" (para 8, pp 6-7) the permissible ambit of the law of preventive detention in Article 22 of the Constitution. Indeed this blot on our democratic system is itself mentioned *only incidentally:* "The scope of Article 21 (the guarantee of personal liberty) is so wide that even the law of preventive detention covered by Article 22 has to be in conformity with it." This is a disgraceful half-truth. For Article 22 permits, so explicitly, departure from the right to personal liberty that the right becomes almost meaningless in the face of the open sanction for imprisonment without trial.

Meanwhile on July 19, 1989 Amnesty International published yet another documented report on India which is entitled *Some Recent Reports of 'Disappearances'*. It has called on the government to clarify reports of seven 'disappearances' that took place during 1987 and 1988. The victims include Puran Singh, Shyam Singh, Veer Singh and Tilak Ram, who were reportedly arrested on April 10, 1987 in Uttar Pradesh as ordinary criminal suspects. Three others were 'political activists' who were arrested in mid-January 1988 on suspicion of involvement in political violence. Amnesty received eye-witness reports of these seven being taken away by police officers, some of them in plain clothes.

The report is a constructive and by no means denunciatory document. It contains this very fair acknowledgement: "It is to be emphasised that 'disappearances' are not frequently reported in India". Its concern is that the few cases that have occurred do not set a trend.

The report contains useful references to international efforts to stamp out the vice of 'disappearances'. It ends with the following suggestions which deserve ready acceptance:

> That the government institute speedy, impartial and independent investigations into cases of 'disappearances', including the seven listed in this report and inform the relatives of the findings without delay. Those carrying out the investigations should have powers to enforce attendance and co-operation of witnesses, to have the means to protect them and to make investigations on the spot and to obtain the records of law enforcement and security agents suspected of involvement in the case. In those cases where an independent inquiry has already been ordered to investigate cases of 'disappearance' —such as the cases which occurred two years ago in Meerut, Uttar Pradesh—the dozens of findings of the inquiry should be published in full and without delay.

This recommendation is in line with the urgent request by the United Nations General Assembly to governments to hold such inquiries in all cases of 'disappearance'. The report further recommends

> That the government ensure that in all cases where there is evidence that police or other members of the security forces were involved in or responsible for 'disappearance', they be prosecuted under the ordinary proceedings of criminal law.
>
> ... ...
>
> That the government order that fair and adequate compensation be paid to the relatives of those whom it can be reasonably assumed 'disappeared' because of abuses committed by the security forces.

In the case of the dozens of muslim men who 'disappeared' from Meerut, the Indian government has already granted compensation to the relatives, although, so far, it has not acknowledged that its security forces were responsible for their 'disappearance' and secret killing. But in the seven other cases described in this report, no such compensation has yet been given.

The report also suggests

> That the government ensure that all arrests and detentions are promptly acknowledged by those carrying out the arrests, who should be obliged to identify themselves. That the government also ensure that the family of an arrested person is immediately informed of an arrest, the reasons for the arrest and the place where the arrested person is held and that they be notified on any subsequent transfer.
>
> ... ...
>
> That the government establish or maintain public and centralised registers in all Indian states of all persons held in police stations, prisons or other detention centres, including the places where they are kept. The lists should be up-to-date and be available to family members, lawyers, magistrates and other interested bodies.

The importance of keeping detailed records of all arrested persons has also been stressed in the Body of Principles for the Protection of all Persons under Any Form of Detention or Imprisonment adopted by the UN General Assembly in 1988.

Mayhem in Devlia

Indranil Chakrabarti

Natabha was stoned to death, a huge boulder smashing his head. His elder brother succumbed to injuries the same day. The principal accused, sheltered by no less a person than the taluka panchayat pramukh, was arrested six days after the mayhem, and, in all probability, will be released soon.

CHOTILA block in the Surendranagar district of Gujarat is locally known as the 'Panchal' area. It is fabled that Draupadi was the princess of this region, which is the origin of her other name, 'Panchali'. Last month, while the nation watched B R Chopra's version of Panchali's 'swayamvar' on Doordarshan, the area of Panchal itself was in the throes of a grisly drama. On May 20, 1989, two brothers from the Gadhvi community were brutalised in broad daylight, in the Devlia village of Chotila for the singular crime of digging a well on their own land.

Studies on Gujarat tend to divide the state into four well marked natural regions: (1) the flat plains of the mainland extending from Daman in the south to Kutch and Abu in the north, (2) the highland region of north-eastern Gujarat, (3) the crescent-shaped Kutch, of mainly desert and waste land, and (4) the rocky, peninsular Saurashtra. With an average altitude between 75-150 metres and alternating with alluvial river basins, Saurashtra consists of coastal land, inland plains and central highland. Surendranagar, the landlocked northern district of Saurashtra, itself manifests considerable variations in its topography. There is the plateau in the north which connects Saurashtra with mainland Gujarat; the low lying, water covered portion in the east, called Nalkantha, the black soil Bhal region in the centre; and the Chotila (Panchal) area, surrounded by hills on all sides, where most of the rivers of Saurashtra originate.

Surendranagar, as indeed all of Saurashtra, was not part of the British India. What today constitutes Surendranagar, then comprised as many as 18 feudatory states, the smallest of which had only three villages, and an area of less than 50 square kilometres. Only in 1948 were these constituted into a district which within the then state of Saurashtra. Subsequently, this district along with the other districts of Saurashtra merged into Bombay state in November, 1956. After the bifurcation of the composite state of Bombay, it finally became part of the Gujarat state in May 1960.

Despite these and other changes, in many ways time has stood still in Surendranagar, as in so many other parts of the country, through the millenniums. It is by appreciating these continuities and changes that one can make sense of the happenings here, such as the ghastly killings in Devlia.

An old Gujarati proverb says that Panchal used to be mainly a grass land and the productivity of the soil was low. This holds true even today. Pastoral cattle raising and dry-land cultivation are still the principal economic activities of Chotila, as indeed of the district of Surendranagar as a whole. No doubt there is some well and canal irrigation and cash crops like cotton and oilseeds are grown; just as there are a few industries, viz, ceramics, and pharmaceuticals. But the gains from these have not reached the common people. Nor have they succeeded in bringing any dynamism to the economy, or the society at large.

The Darbars have been the traditional rulers of this region. In fact even after the British left India, this district was officially called Jhalawad, i e, the domain of the Jhalas, because Jhala is the most prevalent surname amongst the dominant Darbars in the district. Darbars continue to rule the district, though there have been some changes in the form, in keeping with the changes in the larger polity.

One only needs to cast a glance at the list of the key political functionaries of Surendranagar—the MP from the district is a Darbar; majority of the MLAs from the non-reserved constituencies are to be Darbars; the president of the district panchayat is a Darbar; a majority of the taluka panchayats are controlled by Darbars; even the headship of the various institutions in the district, be it the district co-operative bank, or, the district sale and purchase union, are held by the Darbars.

Economic clout is linked with the political. Some of the exploits of the ruling Darbars are legend. One such worthy is Balabhadra Singh Jhala. The local grapevine has it that his total landholdings would be upwards of 1900 bighas. To this one may add another 1000 bighas of 'vid' or pasture land. He himself however lives in Surendranagar town where he is the president of the District Education Committee; this puts him directly in charge of the 500-odd schools in Surendranagar, which include such responsibilities as appointments and transfers of teachers, admission and promotion of students, etc. Even an uneducated peasant in Surendranagar knows how these may be converted into economic and political capital.

Or take Kanubha Parmar who besides other things is also a contractor for public constructions. He holds the rare distinction of building a check dam four times in the last six years. It is said that on one of these occasions, for no fault of his, the dam was built somewhat stronger than the usual. Poor Kanubha Parmar had to actually use explosives to bring the dam down. Of course he was promptly granted the contract to build it again. This same Kanubha lost the last panchayat election of Muli taluka to a Koli. In the panchayat office itself Kanubha got him beaten up so badly that both his legs were broken. Threatened to death, the hapless incumbent resigned the next day. Kanubha since then has been the panchayat pramukh of Muli.

Or take Surubha, the nagar panchayat pramukh of Thangarh: He owns several illegal quarries in the same town, mining coal and fireclay. Besides this he collects a personal levy from every vegetable vendor who might come from the villages. At times this amounts to the poor farmer's entire earning of the day. Were a hapless poor peasant unable to pay, Surbha's men would forcibly empty his 'topla' on the street.

Most of Gujarat reeled under severe drought for several years. Surendranagar, which has traditionally been a low rainfall area, was the worst affected. It was the only district in Gujarat and amongst the only four in the whole of India, which had all its blocks declared as drought-prone. Where rainfed agriculture and cattle grazing still constitute the primary productive activities, the effect of such scourges of nature on the lives of the people need no elaboration. Horrendous stories of suffering of humans and cattle would regularly appear in even the national press, which otherwise remain virtually oblivious to these places.

No doubt there was considerable central and state assistance for relief. But the mighty have a knack of profiteering even more out of a calamity. To cite the instance of the same Balabhadra Singh Jhala, he was in charge of one of the scores of cattle camps set up in this region to save the bovine population from dying for want of water and fodder. The government provided relief at the rate of Rs 3 per cattle per day. While Balabhadra Singh Jhala showed records for upwards of 8,000 cattle, taluka people say that the actual number entertained would never exceed 3,500.

Thus this worthy, on whom the responsibility for the education of the entire district is vested, would have made easily anything between Rs 15,000 to Rs 20,000 per day from one cattle camp alone. Add to this the clout gained through what is wont to be perceived as personal patronage. Of course this is not unique to Balabhadra Singh or for that matter to even Surendranagar. Corruption

in cattle camps and other relief works was for long the favourite stick of the opposition parties, as well as the Congress(I) dissidents, to beat the resilient Amarsingh Choudhury's ministry.

With the ruling Darbars gravitating to the taluka, district and still higher levels, there is a vacuum at the village level which is increasingly being filled by lumpen elements. Indeed lumpenisation is an integral aspect of such a political economy. The economy which has remained static for ages, can hardly accommodate the subsistence needs of the growing population. Leave alone the craving for higher standards, from the exposures to lavish lifestyles through the media and otherwise. Unless more productively harnessed, this is bound to lead the more militant to lumpency, which in fact is patronised and nurtured by the ruling elements, to retain and entrench their political and economic might.

Naturally such a situation would be bloodied with skirmishes and feuds, and indeed that is the case in not only Surendranagar but also other parts of Saurashtra. In many ways, what happened in Devlia is part of this same reality.

Events in Devlia

The Aga Khan Rural Support Programme (AKRSP), a voluntary organisation within the fold of the multinational Aga Khan Foundation under the patronage of the Imam of the Shia Ismaili Muslim sect, has been active in the Chotila block of Surendranagar district for sometime. Headed by the erstwhile secretary to the ministry of agriculture and rural development, Gujarat, Anil C Shah, AKRSP proclaims itself to be a 'catalyst for rural development in India'. Typically it would take up activities like minor irrigation, watersheds, afforestation, etc, in selected villages. In the drought year of 1986, AKRSP initiated the renovation of the existing percolation tank in Rupavati village, adjoining Devlia through the government's drought-prone area programme (DPAP). The objective was to provide immediate employment to the drought-stricken people, as well as to help raise the water level in the wells in these villages. The work was completed by the summer of 1988, and with the good rains that year, possibilities of well irrigation were bright.

From the beginning, the Gadhvis, a peasant caste, which constitute only about half a dozen of the 30-odd families in Devlia, were enthusiastic about AKRSP's activities. But this also incurred the wrath of a section of the Bharwars, a militant caste traditionally engaged in cattle rearing and grazing. One such family was that of Khengar and his father Bhura.

Even during the renovation work, there was some antagonism over the sacking of Khengar from the chowkidar's post because of his alleged pilferages. But the real rub came when their monopoly over the irrigation canal system came to be questioned. Khengar and Bhura would demand and receive an illicit personal tax from the villagers, for every watering from the canal. This was over and above what the users would need to pay to the irrigation department. The Gadhvis refused to pay this extortion sum in 1988.

Then came the panchayat elections in February 1989, where Jaganag, another Bharwar, was the leading candidate, along with his cronies. But the Gadhvis got together with the majority Kolis, another peasant caste, and managed to get four of their candidates elected. Jaganag himself was defeated in the contest. Now Jaganag, 30, is typical of the new power brokers in these villages. He is known to be the henchman of the panchayat president of Chotila taluka, Moti Heera, who is also the chairman of the milk co-operative union of Surendranagar district. Moti Heera is notorious in the area for his illegal quarrying activities and general hooliganism. They say in Chotila that his reach extends up to the chief minister. Jaganag himself had organised a cattle camp in the drought year of 1987, and made good money, though not on the same scale as his patrons at the taluka and district levels. He is also in the other lucrative business of contracting for public construction works.

Meanwhile, AKRSP found that despite the raised ground water level because of the renovated percolation tank and a good monsoon, most villagers were so cash starved that they could not derive any benefits. They had no money to dig wells to tap the ground water table, nor, for good quality seeds and other inputs. Of the 30 village co-operative societies in Chotila, which are supposed to provide credit to farmers, as many as 29 are defunct. This is partly because of the severe drought, owing to which farmers could not pay back any loan, especially, since 1982. But the main reason is that most of the farmers were victims of manipulation by the presidents and secretaries of the societies who took advantage of the illiteracy of the farmers. Being defaulters, banks would not lend them any money either. The only alternative is the private moneylender, who of course charges usurious interest rates as high as 120 per cent.

Therefore AKRSP introduced its credit scheme, whereby, groups of at least five farmers could take loans from them, with the obligation that each one of them should repay before the next season to be eligible for fresh loans. In Devlia village, a group, comprising predominantly the Gadhvis, came forward to dig a well for irrigation.

Jaganag demanded a sum of Rs 5,000 for himself before they dug wells on their lands. He also personally went to AKRSP's local office at Chotila town with the warning that the consequences of their 'development' activities could be serious. Hardly equipped to deal with such threats the local office could only send a detailed note to Anil Shah at the Ahmedabad head office describing the tension that AKRSP's activities could cause in the village, along with personal sketches of Jaganag and a few other 'dadas'. Based on this Anil Shah sent a note to the district collector at Surendranagar. The Gadhvis did not pay Jaganag his personal levy. Instead, they went ahead with their well, and on May 19 actually found water at the nominal depth of 14 metres.

The reprisal was quick to come. The next afternoon as these Gadhvis started for home for food, they were ambushed twice with murderous assault. Nathabha, 24, was thrown inside a well only 200 metres away from the one where they had struck water the previous day. He was then stoned to death by the Bharwars, standing at the top of the well. Jaganag himself delivered the fatal blow with a huge boulder, which smashed Nathabha's head beyond recognition. The killing party included Khengar and Bhura from Rupawati. Nathabha's elder brother Amrabha, 27, died the same day from the kulhari (axe) and lathi (stick) blows in his head and other parts of the body. Their father, Jethabha, is still critical at the Rajkot hospital. The others were recuperating from injuries of various degrees.

The principal accused, Jaganag, sheltered by no less a person than the taluka panchayat pramukh, Moti Heera, could be apprehended only six days after the mayhem. Indeed, when two days after the incident, the district collector, along with Anil Shah, visited Chotila, one of the first persons to meet them was Moti Heera, with Jaganag in tow. The terror in Devlia village, and especially among the six Gadhvi families each one of whom has at least one victim from the assault, can be gauged from the fact that the only person who was prepared to give a statement against the murderers was ten-year old Nanben, a cousin of the two brothers who were killed. Apprehension

NOTICE

LARSEN & TOUBRO LIMITED

It is hereby notified for the information of the public that **M/s. Larsen & Toubro Limited** propose to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the establishment of a new undertaking. Brief particulars of the proposal are as under:

1.	Name and address of the applicant	: **LARSEN & TOUBRO LIMITED** Registered Office: L & T House, Ballard Estate Narottam Morarjee Marg, Bombay 400 038
2.	Capital structure of the applicant organisation	: As on 31.3.89
	Authorised Capital	: Rs. 75,00,00,000
	Issued Capital	: Rs. 60,74,88,440
	Subscribed Capital	: Rs. 60,74,88,440
3.	Management structure of the applicant organisation indicating the names of the directors, including managing/wholetime directors and manager, if any	: The company is managed by the managing and wholetime Directors subject to the supervision and control of the Board of Directors
	Names of directors:	
	1. Mr. D.H. Ambani	– Chairman
	2. Mr. M.D. Ambani	– Vice-Chairman
	3. MR. U.V. Rao	– Managing Director designated as Chief Executive Officer
	4. Mr. S.R.R. Subramaniam	– Managing Director designated as President
	5. Mr. D.L. Pradhan	– Wholetime Director designated as Vice-President
	6. Mr. S.P. Kashyap	– -do-
	7. Mr. C.R. Ramakrishnan	– -do-
	8. Mr. S.D. Kulkarni	– -do-
	9. Mr. M.P. Wagh	– -do-
	10. Mr. Y.H. Malegam	– Director
	11. Mr. R.M. Gandhi	– -do-
	12. Mr. Klaus Henseler	– -do-
	13. Mr. A.S. Gupta	– -do-
	14. Mr. S.E. Dastur	– -do-
	15. Mr. S.S. Marathe	– -do-
	16. Mr. S.N. Shende	– -do-
	17. Mr. M.L. Bhakta	– -do-
	18. Mr. A.D. Ambani	– -do-
	19. Mr. N. Ganga Ram	– -do-
	20. Mr. A. Binder (Alternate to Mr. Klaus Henseler)	– -do-
4.	Indicate whether the proposal relates to the establishment of new undertaking or new unit/division	: The proposal relates to the establishment of a new undertaking which will be a part of Larsen & Toubro Limited
5.	Location of the new undertaking	: Malanpur Growth Centre, Tehsil–Gohad; District–Bhind, Madhya Pradesh
6.	Capital structure of the proposed undertaking	: Same as that of the applicant organisation
7.	In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate:	
	i) Name of goods/articles	: OTS Cans and printed metal containers
	ii) Proposed Licensed Capacity	: 40,000 tonnes
	iii) Estimated Annual Turnover	: Rs. 146 Crores
8.	In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover, etc.	: Not applicable
9.	Cost of the Project	: Rs. 55.5 Crores
10.	Scheme of Finance, indicating the amounts to be raised from each source	: Rs. Crores
	i) Term loans/Debentures/Foreign currency loans	: 37.0
	ii) Internal Generation/Equity Issue	: 18.5
		55.5

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

Sd/-
S.D. KULKARNI
VICE PRESIDENT (FINANCE)

Dated this 7th day of August, 1989.

about her safety was writ large on her parent's face, and even the DSP, Yadav, the chief investigating officer, admitted that this crucial eyewitness was in some danger. Though Jaganag has now been finally put behind bars, perhaps because of the not inconsiderable influence that AKRSP wields with the powers that be, the grapevine has it that he will not remain there for long, especially given that this is also the election year.

How has the media reported this episode? *Phool Chaap*, a Gujarati daily from Rajkot, carried it as a routine occurrence in a small snippet: "In a fight between Charans (gadhvis) and Bharwars two were killed and four injured...." *Jai Hind*, another Gujarati daily from Rajkot, dished out the entire story as a family and caste vendetta against the liaison between Amrabha and Jaganag's sister, giving juicy details of the relationship, and little else. None of the dozen and more dailies from Ahmedabad found this gruesome killings in the land of the "messiah of non-violence", even newsworthy.

Anil Shah, the experienced chief executive of AKRSP, is also an occasional columnist. His latest piece, 'Where Angels Fear to Tread', written some days before this incident, extols his organisation's credit scheme as introduced in Devlia. Contrasting it with the shoddy performance of the government, his previous employer, it concludes, a trifle vainly, "Perhaps AKRSP is rushing in where the wise planners of our country have not ventured to tread". Words, which in retrospect, sound rather prescient, albeit unwitting.

To those familiar with Gujarat's 'development activism', the Devlia killings might remind them of the massacre in Golana, enacted three years ago, on the Republic Day of this sovereign, socialist secular democratic republic. There it was the Behavioural Science Centre, a Jesuit voluntary organisation, which had in all innocuity sought to distribute a little common land to several low caste Wankhars through a government scheme. Four of the Wankhars were gunned down in broad daylight by the dominant Darbars. Of the 21 injured, several have been disabled permanently.

The question, is whether Golana and Devlia might provide any lesson to the poor and the oppressed of Gujarat, and to those genuinely concerned about their upliftment. One perhaps is that Gujarat after all might not be so removed from the social fabric of which Karamchedu or Daltonganj are part. Also perhaps, that the answer to the plight of the people of Gujarat does not lie in mere managerial and technical inputs to the countryside, no matter how efficient and well-intended these efforts might be. Perhaps there is no deliverance for Gujarat until its toiling people heed the clarion call of its most illustrious poet, Jhaverchand Meghani—who, incidentally, was born in Chotila—and strive together to usher in a new democratic society of his dreams.

Promotion of 'Modern' Technology
A New Tool for Neo-Colonialism

Dinesh Mohan

The acceptance of the ideology of technology leads us to two different kinds of simplistic options. One, to move towards recapturing a storied pre-colonial cultural glory shored-up by various obscurantist beliefs. And, two, to participate in the game of catching up with the west. Most nations in the non-communist third world play a schizophrenic game with both these options together.

IS the slogan "leap-frogging into the 21st century" really as apolitical in approach to development as it is made out to be? Will it spur the young people of India into working toward an environment that encourages innovation, hard work, sacrifice and even dreaming? Where has this new ideology emerged from?

In the colonial period, when nations projected their supremacy it was in terms of military might and scientific machismo. The military might frightened colonial peoples into submission and the scientific achievements of the oppressors convinced the oppressed of their own 'innate' inferiority. As a result, the colonised even felt it necessary to explain their religions and rituals in terms more relevant to the religion of their oppressors—Christianity. In nineteeth century India, for example, there were Hindu and Muslim reformers (e g, Raja Ram Mohan Roy, Vivekanand, Syed Ahmed Khan) who found it necessary to rationalise their religions and make them look 'respectable' before western Christian scrutiny. So the dominance of the west encompassed all aspects of human thought and action in the early part of this century.

Within fifty years, however, most parts of the world achieved political independence and many newly formed nation states made tremendous efforts to assert their independence and self-reliance. The west now had to evolve new ideologies of domination which would appear to be politically neutral. The most effective new form of domination they found was technology—technology as an ideology. And almost helplessly, most of us in the third world have fallen into the trap of conceiving and portraying our goals in terms of new technologies and successes in 'fundamental' research.

Technology As An Ideology

Technological development and the directions basic research takes are intricately linked to the self-perceptions and goals of a society's influential bourgeoisie. Thus much of the technology developed in the west today must automatically be designed for the middle-classes with a great deal of leisure time on their hands. This is the science and technology which we in the third world have come to regard as 'modern'. And, by extension, the evolution of these technologies and research associated with them have now become, for us, the only tests of any nation's viability for the future. Thus we end up measuring our own future prospects purely in terms of our ability to cope with these 'emerging' technologies and our perceptions of their role in the 'Information Age'.

The acceptance of this "ideology of technology" leads us to two different kinds of simplistic options. One, to move towards recapturing a storied pre-colonial cultural glory shored-up by various obscurantist beliefs. And, two, to participate in the game of catching up with the west. Most nations in the non-communist third world play a schizophrenic game with both these options together.

At one level we have a very *real* fear that we will never be able to 'catch-up' and this makes us resort to re-defining rules of our own which would automatically make us morally superior. So we can go 'Yankee-bashing', riding our spiritual high-horses.

> ... it is as if Feri and the doctor, turning away from the life of intellect and endeavour, have come together in an Iranian death pact. In the emotions of their Shia religion, so particular to them they will rediscover their self-esteem and wholeness, and be inviolate. They will no longer simply have to follow after others, not knowing where the rails are taking them. They will no longer have to be last, or even second. And life will go on. Other people in spiritually barren lands will continue to produce the equipment the doctor is proud of possessing and the medical journals he is proud of reading. That expectation—or others continuing to create, of the alien necessary civilisation going on—is implicit in the act of renunciation, and is its great flaw (*Among the Believers*, V S Naipaul).

These simplistic notions and obsessions are by no means peculiar to some Iranians. The believers' need for belonging and their yearning for a purer past are common characteristics of the religious and jingoistic chauvinist groups in India also. That is why the decision makers in India have to keep

repeating the need for 'spirituality' when they promote modern technology.

Many third world nations are highly plural societies made up of groups with different languages and cultural identities. The result of technological insecurity in such societies is to encourage a single dominant group within the society to force its own concept of purity onto the other groups. This is certainly one of the many important factors fuelling ethnic tensions in third world nations.

On the other hand, when our other self pushes for catching up, then we coin slogans about "leap-frogging into the twenty-first century". On the face of it this slogan gives the impression of being very secular and pushing for a dynamic fast moving society. What it really does, however, is justify and deploy what are extremely non-egalitarian forces for change.

The initial step in this is making 'modern' synonymous with 'western'. We end up defining progress as the acquisition and production of 'modern' goods—'modern' not being what *we* need *tomorrow*, but what the west produced *yesterday*.

The next step in the process towards increased inequality comes when we apply this perception of 'modernity' in an unequal society to the the task of development. Consider the education sector: once we have decided that 'catching-up' and participation in all the so-called 'emerging' or 'frontier' areas of research are our main concerns we have automatically elected to ensure that at least a few citizens in an unequal society be singled out for special treatment. This is done by promoting the following:

— at least a small number of boys and girls get 'good' primary and secondary education in expensive schools regardless of what happens to everyone else;
— there exist a few elite institutions of higher learning which follow curricula identical to those in the west;
— research priorities be set independent of the society's actual productive needs;
— education process be long and expensive;
— our educational policies follow a triage management style normally reserved for the battle field. Specifically: (a) only those who can compete with the western intellectuals be given the maximum priority at all levels of education, (b) those who can help these contestants be given the basic minimum survival opportunity, and (c) those who have no chance of participating in this endeavour be left to fend for themselves.

This scenario is not abstract. The educational establishment in India has largely functioned along these lines for some time now. The fact that so many left to fend for themselves manage to survive speaks volumes for the tenacity and the genius of the abandoned people. The recently announced New Education Policy in fact formalises this triage concept by proposing one model school per district (with a population of usually over a million), enhancement of funds for elite institutions, and ensuring research in 'frontier areas'.

This also suits local technocrats because only a few of them can become knowledgeable in the specific fields of endeavour and are thus exempted from facing real local challenge or competition. The mark of approval for their competence can *only* come from the western centres of knowledge. These western judgments, in turn, naturally get coloured too by the western nations' political policies of influence and domination along with their natural feelings of condescension towards the third world. So, at times, charlatans serving the interests of the foreign masters cannot be taken to task by local critics since 'greater' authorities from the outside come to their defence.

These policies also make it possible for mainly the elite of the third world to cross national boundaries in search of professional employment. They think of themselves as international beings and have little stake in the success or failure of policies at home.

In the final analysis, however, this mad rush to establish enclaves of excellence based on outsiders' definitions and priorities ends up being its own booby-trap. Since these policies do not involve participation of all people, we cannot select the best from our populations. So this lopsided selection process ends up sending many intrinsically mediocre and complacent people to our best centres of research, and excellence continues to elude us.

Unfortunately, when we adopt "technology as an ideology" we also set in motion many other forces detrimental to our societies. For example, when any local group opposes a large technological project on humanitarian grounds the concerned group can very easily be dismissed as anti-progress or even anti-national. The proposal for setting up a testing range at Baliapal in Orissa and the bulldozing of the Narmada Valley Project are good examples of this tendency. Similarly, the poor and the disadvantaged are now easily viewed as impediments to progress. The elite also comes to view any ideology aimed at a more equal income distribution as coming in the way of the acquisition of a few more technological toys. A fancy international airport is naturally preferred to a more efficient city bus system. Ultimately, because the poor are seen as obstacles to modernity even they can be as anti-national!

More alarmingly, 'the poor' are often not all that ethnically neutral in old composite societies. The poor in many societies are also members of minority communities. This ethnic angle to poverty makes it fairly easy for a dominant community to label the minorities, as communities, as anti-science and anti-progress. Thus, technology as an ideology also gives the majority a secular whip to hit the minorities.

In the preceding paragraphs I have tried to analyse how the pursuit of technology as an ideology in fact influences political and socio-economic directions for our societies. I have also argued that in the name of technology a non-egalitarian political direction is taken without an overt statement to that effect.

Role of the Youth

In my interaction with young people around the country over the past few years I get the feeling that they are suffering a tremendous loss of hope. There is little sense of pride in anything we do now. All pride is in a mythical past. This certainly cannot be blamed on them. It is my impression that this has happened because science is being sold as a commodity and not viewed as a part of our process intricately linked with the social and cultural movements of our civilisation. Secondly, we keep setting our goals and aspirations to achieve targets set by those in the west instead of aiming for things which are doable and appear to be obviously for the good of the majority in this country. This automatically makes people lose hope and be certain of failure.

When our leaders talk about science and technology they project inventions and end products, and the media highlight sexy new concerns of the west like AIDS, superconductors, test-tube babies, genetic engineering, etc. This attitude has filtered down to the young. In a national essay competition for high school students one of the topics given was "Science is Fun". While evaluating the entries it was astonishing to find that almost no one talked of science as a process, as a way of thinking. Almost all the boys and girls used the word 'science' interchangeably with computers, videos, Boeing 747s, satellites and nuclear weapons! On further thought one realised that these young people were only reflecting the attitudes of our present leaders in India. A remark by the minister justifying the brain drain from India as establishing 'brain banks' abroad gives a signal to the young that electing to work in their own country is not given any importance now.

The Future

It is the understanding of the process of science and technology which has been completely subverted in India, especially in the past seven or eight years. Every one knows that good novels are not written just by collecting the most difficult and newest words from a dictionary and then ordering a linguist to arrnage them well. But this is the method our leaders have chosen to promote science and technology in India: Select the 'latest' problem and concerns of the west, buy the expensive foreign equipment that goes with them, identify 'top-ranking' professionals, arrange foreign collaborations and then command them to do 'good' science in 'frontier' areas.

By giving science and technology this

value-free exalted position, and by behaving as if this had nothing to do with political biases and social distortions the people in power are trying to put themselves beyond democratic control. If science is presented to the people as a purely 'technical' matter, without any social or political implications, there need be no public discussion of scientific and technological policy decisions. Free enterprise and *laissez-faire* policies can be ushered in much more easily. It is therefore not surprising that a large number of the seniormost policy makers in India today are either ex-employees of organisations like the World Bank and the IMF or have very close associations with them.

If third world societies want to survive with self-respect, and if we want to move towards more human systems we have to expose the *political* nature of these so-called technological policies. In addition we should be able to design and propose alternative political ideologies and socio-economic systems which are based on clearly stated human goals and not on the acquisition of technological artefacts.

To achieve this alternative society we have to think of different electoral processes which ensure representation but reduce the influences of powerful lobbies like large business houses and multinational corporations on the electoral processes. These systems will have to move away from the idealised concept of two political parties and homogeneous populations. The new political structures and ideologies would have to build in systems which automatically reduce the influence of the dominant power centres around the world.

It is possible that as we move towards these newer structures we may be able to deal with *uncertainty* more confidently, and not depend on solutions taken from the west. We have to realise that some of our traditional ways of understanding reality are just too slow and we may not be left with any choice to make unless we use all possible tools of thought to design and shape our future.

We have to discover newer ways of doing things and producing things so that we can exchange goods with each other on more equal terms. To do this we have to design working systems for scientists which suit our cultures better and allow the average scientist to function more productively. We have to realise that political systems which work well in the US tend to "reverse their phase" when implemented in third world countries. That is, many systems which function as democratic processes there, become oppressive when transplanted here. The same could be true for science systems also.

It is time to look *inwards* and define the future in non-technological terms. Once we do this, independent science and technology policies may follow more naturally from the non-technological choices we make, and give us an escape hatch from the present determinism exercised on us by "technology as an ideology".

Sowing the Seeds for a 'Biorevolution'

Mahinda Seneviratne

Policy-makers and scientists in the third world can no longer afford to be naive about the political significance of biotechnology and need to pay close and careful attention to the World Bank's initiatives to sow the seeds for a new biorevolution in the third world.

SUSAN GEORGE, author of *How the Other Half Dies*, recently warned that "the new biorevolution in agriculture will be characterised by new and stronger forms of dominance and manipulation" than the external controls that dominated the Green Revolution in the past. Those who have taken a critical look at the impacts of the Green Revolution upon third world people, have shown how the efforts of the World Bank, the International Centres for Agricultural Research (ICARs) and agencies such as the Rockefeller Foundation facilitated the multinational chemical corporations to be closely linked with the agricultural production chain in the third world.

Recent initiatives by the World Bank to bring the new biotechnologies into third world agriculture raise a number of concerns for people in the developing countries. Over 100 development policy-makers, economists and some third world scientists and representatives from aid agencies and transnational corporations met for a seminar in Canberra in May 1989. Organised by the World Bank and International Services for National Agriculture Research (ISNAR), and supported by the Australian aid agency AIDAB, the gathering aimed to identify ways to bring advances in biotechnology for application in third world agriculture.

Shadow of Privatisation

Biotechnology has many applications that have much potential benefit for agriculture in the developing countries. These range from improvements in yield and quality in crops, to genetically manipulating plants so that they resist disease and tolerate various stress and inhospitable environments. But the extent of privatisation of the new technological developments looms as a shadow over these prospects. The growing ownership of research, development and the resulting products by a few transnational corporations shows a widening web of control by a powerful few.

Henk Hobbelink from the Brussels-based International Coalition for Development Action (ICDA) has shown the extent of involvement in biotechnology by the world's leading chemical companies like Shell, Monsanto, Ciba-Geigy and Sandoz. He says that "exactly the same TNCs that already control the pesticide and pharmaceutical market... are now the most active in the field of biotechnology". Furthermore, all ten leading producers of agrochemicals are also engaged in the seed sector and control 80 per cent of it. With their focus on research to develop seeds that are genetically manipulated to tolerate particular pesticides—the company's own, that is—the link between the paths of research and market control are not difficult to see.

The genetic diversity of the large gene pool in the third world has greatly benefited modern crops in the industrialised countries. Most of the world's genetic pool come originally from the developing countries, and sometimes the economically poorest nations are the richest sources of diverse genetic material. For example, the world's leading hybrid grain sorghums were derived from native sorghum of Ethiopia and Sudan. Today, as much as 90 per cent of the genetic resources in the International Bank for Plant Genetic Resources (IBPGR) have come from the third world. Of these 40 per cent are in the hands of Europe and North America while another 40 per cent are stored by the ICARs. The growing TNC control of the seed sector, worth US$ 13 billion annually, do not allay the fears of the developing countries who have only 15 per cent of their own genetic resources in third world gene banks.

Thus it was no surprise that the most contentious issue at the Canberra seminar was Intellectual Property Rights (IPRs). The attempts by the US, EEC and Japan to use economic muscle to 'trade-off' the third world's IPRs at recent discussions in the General Agreement on Trade and Tariffs (GATT) and at the World Intellectual Property Organisation (WIPO) affect biotechnology too. The lack of adequate patent control legislation in developing countries is often claimed in the arguments, but this, in turn, has not deterred many private corporations and individuals from virtually 'looting' some of the third world's genetic resources for profitable ends.

Gateways for Private Sector

The World Bank perceives a passive transfer of some of the currently developed biotechnology applications to the developing countries. The ICARs and other leading players of the Green Revolution are destined to take a major role again. According to a World Bank consultant, "the ICARs could be the 'gateways' for the private sector to enter into joint ventures with the least developed countries such as Bolivia, Nepal and Burma". This raises two crucial concerns. The extent of control by the TNCs would give them unforeseen power that can only strengthen their corporate interests in these aid-dependent nations. Meanwhile, most of these countries which lack the basic infrastructure for biotechnology will only be recipients of an unequal transfer.

At a time when education services have become a lucrative commodity, much attention is being given to educating and training personnel from the third world in institutes in the developed countries. While this is seen as providing an opportunity for the third world countries to develop their own infrastructures over the years, one wonders why such enthusiasm by the rich nations was conspicuously absent in recent years. During the struggles to establish the International Centre for Genetic Engineering and Biotechnology (ICGEB) for similar purposes by UNIDO, none of the major industrialised countries showed any interest to support third world access to biotechnology capabilities.

Joe Gopo of Zimbabwe University pointed out that what the third world needs is "acquisition" of the biotechnologies and not simply technology transfer. This may not be exactly what the World Bank policy-makers or the transnational corporation representatives perceive for the developing countries, but fortunately, some scientists and international agencies have already begun to look in that direction.

Even if the third world gains adequate access to today's array of biotechnology developments, most of them would be inappropriate to their specific needs. The history of technology shows that its pathway is often charted to serve the interests and needs of those who own and control it, and the biorevolution is no exception. Attention was focused in Canberra on the so-called 'orphan' commodities such as cassava, banana, coconut, spices and tropical fruits. They form a large part of many third world people's diet, but are ignored by the concentration of research on major crops. Alan Kerr of Australia's Waite Agriculture Institute said that biotechnology developments that are being applied to these commodities may take from five to ten years, but "will be simple and cheap and within the grasp of

many developing nations' capabilities—unless of course the TNCs grab them, too". A crop scientist from Zimbabwe estimated that the economic benefits to the country from research done to improve the commercial crop cotton alone will be at least $ 20 million annually. That is, he believes, if the country can develop a local base such that "at the end of the day we are not dependant on the goodwill of the private companies".

IMPACT ON RURAL POOR

On the other hand, some of the crops focused for research by the developed countries will replace some third world nations' primary export commodities. This is already becoming evident with the impact of high-fructose corn syrup in the sweetner industry on sugarcane producers, and the production of natural gum and vanilla beans in US laboratories upon farmers in Sudan and Madagascar respectively. Serious implications await third world producers of cocoa, oil palm and other export crops from developments arising out of tissue culture techniques. The wider social and economic impacts of these are expected to largely affect poor farmers and rural workers in the third world.

Ifthikar Ahmed from the International Labour Organisation (ILO) cites the example of a large-scale displacement of predominantly female labour employed for weeding, if the TNCs' herbicide-linked seeds are introduced to third world farms. Such social as well as the environmental impacts of the 'biorevolution' have fortunately been identified early, but major players like the World Bank and TNCs have shown little attention to them. This was evident in Canberra, where these issues were played down, and the absence of participation by 'grassroots' organisations such as farmers' unions, development groups, consumer interests and other relevant third world bodies was conspicuous.

There is a scramble for world markets for agriculture produce between the US, EEC and other major producers like Australia and Canada. With the burden of foreign debt getting heavier, it is the least-developed third world nations that are bound to suffer most. The important role of technology in the new divisions of international labour and emerging trade patterns is well-evident. Policy-makers as well as scientists in the third world can no longer afford to be naive about the political significance of biotechnology in the next decade. This gives more urgency to why close and careful attention should be given to World Bank initiatives to sow the seeds for a new biorevolution in the Third World.

Kamani Tubes: Moving Ahead

B Srinivas

Production of tubes in the month of June was well in excess of the target set by the BIFR scheme. 90 tonnes of tubes were produced as against the targeted level of 80 tonnes.

A series of developments have taken place in the past six months at Kamani Tubes, the first ever sick unit to be taken over by workers. All the formalities of takeover having been completed, commercial production has started, with all work processes in operation, recruitment of various cadres completed and different channels of monitoring set up.

For workers at Kamani Tubes, there is both turmoil and challenge. Turmoil, to overcome the financial constraints and meet social obligations; challenge to contribute their best at work to better the performance of the company and to reap the fruits of their labour. It needs to be pointed out that a previous report on 'Kamani Tubes: On the Move' (March 25, 1989) mentioned that the nationalised banks have volunteered to extend loan facilities to the workers to the tune of Rs 10,000 each, to enable them buy the sixty lakh shares of the company. But the nationalised banks fixed an interest rate of fifteen per cent per annum. The workers' co-operative felt that the workers would not be able to bear the additional interest burden. They approached IDBI for the sanction of either interest free assistance or assistance at a lower rate of interest under its seed capital scheme, for contributing to the equity capital. IDBI has, in principle, accepted to grant an assistance of Rs 60 lakh to the workers' co-operative, to enable the members to acquire sixty lakh equity shares of the company, at the face value of one rupee each. The terms and conditions have been stipulated in a tripartite agreement reached between the workers' co-operative, the company and IDBI.

The agreement stipulates that the workers' co-operative should buy back the equity shares to be subscribed by IDBI in not more than seventy-two monthly instalments, with an initial moratorium of six months from the date the company employs all six hundred employees. The society will have to buy back the shares at a price equal to face value plus simple interest of 11.5 per cent less gross dividend if any, received by IDBI from the company. A matching contribution of 60 lakhs has been accepted and paid by the state government. Under the agreement, IDBI shall have the right to appoint two of its nominees on the board of directors. One of the directors had already been inducted, following which, the strength of the board has risen upto eleven. The Board for Industrial and Financial Reconstruction (BIFR) scheme stipulates a maximum of twelve nominees on the board of directors. The board includes two directors nominated by state government, one director by the banks, two directors representing the workers' co-operative, three professionals in related fields, a special director representing BIFR, a nominee director of IDBI and the managing director of the company.

Apprehension, however, does exist regarding the composition of the board. It has been pointed out that a token representation of two workers' directors on a board of eleven, undermines the workers' initiative to control the company. The union however, firmly maintains that at least four other nominees, i e, all professional nominees, have been inducted into the board at the behest of workers and that these professionals stood by the workers in the preparation of their scheme for revival. Proceedings of the regular meetings of the board indicate consensus and unanimity amongst the members. Whether such a trend continues, with workers' decisions getting endorsed in time to come is an issue that needs to be closely watched.

As per the scheme, a plant level committee, consisting of two representatives of the workmen of the company, managers of rods and tubes plants, works manager and personnel officer is being constituted. This committee, of which the managing director is the chairman, will look after the day-to-day working of the plants, supervision of the workers and shall ensure that the production targets are achieved as per the norms. The functioning of this plant level committee will be overseen by a management committee consisting of four members—a representative each of the workers' union, workers' co-operative, banks and the managing director of the company. With the managing director of the company, being the chairman of both the committees, it is expected that close co-ordination can be achieved easily. Since IDBI is the operating agency, it has also constituted a committee consisting of a representative each from IDBI, Bank of India, KTL, state government and a special director of BIFR to monitor the performance of KTL. Besides these committees, the workers' co-operative society has constituted a co-operative committee to oversee the performance of the co-operative. This committee is composed of four workers, two members from the staff, seven members from the officers' category besides two workers' directors of the board. The union has constituted its own committee to look into the grievances of workers and to counsel them on various issues. It has thirteen workers, four members from the staff and is headed by a president and a working president, both of whom are on the board of directors. Thus a number of committees are in operation, working in co-ordination with one another.

It is heartening to note that production is being carried out at appreciable levels. In fact production for the month of June exceeded the targets set by the BIFR scheme in respect of the tubes productions. While the scheme anticipates an annual production of 1,200 tonnes of rods and 960 tonnes of tubes per annum which amounts to 100 tonnes of rods and 80 tonnes of tubes on an average per month, production of tubes for the month of June touched 90 tonnes and the production of rods has reached the targeted level. Thus with respect to production, the workers are very confident of increasing the output. They have set out to increase the production in the next two months by at least 25 per cent. With the current levels of production the annual turnover of the company for this year is expected to be to the tune of Rs 20 crore with a reasonable profit.

The recruitment of various cadres was completed by June. It needs to be mentioned here that only 600 employees could be taken in out of 733 employees. It was observed that workers had to experience a lot of uncertainty and anxiety as various batches of workers were being inducted in a phased manner. The principle followed for recruitment was 'last come, first go'. This principle was applied department/category-wise and not in totality. By this principle, some of the workers, though they had more experience in a given department as compared to workers who had less experience in other departments, could not be employed. This has created a lot of discontentment and resentment amongst some of the workers. Amongst the young generation of workers who are left out, there is a lot of frustration and cynicism. They advocate that workers who have another two or three years of service be convinced to opt for a voluntary separation scheme and that they be inducted as they have served just two to three years for Kamani Tubes.

The union has found this a very delicate problem to contend with. A lot of persuasion is being attempted, by the leadership, to convince the young workers. Added to it, the union is mooting various proposals to identify alternate sources of employment for these workers. It is proposed that a co-operative of these workers be formed, to undertake the packing of KTL products. Another proposal being considered is to start a transport service, employing these workers, which will bring raw materials to the plant. A number of other proposals are being

worked out though they have not yet taken concrete shape. For the workers who are left out, provision has been made, under the scheme, for an amount of Rs 60 lakh for payment of retrenchment compensation and dues of ex-employees to be paid over three years, with the first instalment being payable in April, 1990.

As production scales are increasing, workers are busy discussing issues of profit sharing. In this regard, the scheme calls for fixing of production norms and linking of salary/wages of all supervisors and workers with such production norms as envisaged by IDBI report. The scheme stipulates profit sharing to the extent of 20 per cent of net profits among the employees of company. Fifty per cent of the funds so available will be used and adjusted for allotment of fresh equity shares to the workers' co-operative and the remaining fifty per cent of the funds available for sharing, will be utilised in liquidating the loans taken by the workers/employees, from the IDBI for the purpose of making their contribution. These provisions work in favour of the workers, since the workers need to buy the new shares at the face value of one rupee each, while on retirement or on leaving the company, they will get the returns as per the current appreciated value of the shares. Thus, it is a novel scheme, with lots of benefits to accrue in future, as the company makes increasing profits.

Profitability will of course depend upon the marketability of the product. Though KTL is performing well in the market it is facing lot of hurdles in establishing the supremacy that it established in early 1970s. One of the reasons for this is that sales tax imposed on non-ferrous products in Maharashtra is four per cent, whereas in Rajasthan, where the notable competitors are placed, the sales tax is just one per cent. Because of the high sales tax stipulation, a co-operative sugar factory having placed an order for sugar tubes worth Rs 8.5 lakh, later withdrew it in favour of the Rajasthan seller as it would cost Rs 36,000 less. Further, the company has to pay a turnover tax of two per cent as stipulated by the Maharashtra government whereas in Rajasthan such constraints as turnover tax are not imposed. These issues were raised by the company with the labour and industry minister, Ramarao Adik when commercial production was inaugurated on April 6. The minister promised to look into the grievance of the company and the decision of the government is awaited.

The Kamani employees' union further alleged that competitors are indulging in unethical commercial practices. As union officials pointed out, the quality inspector who was to investigate the quality of outgoing material to a client was forced by a competitor to abstain from visiting the factory premises. This resulted in despatch of material to the client with an assurance on quality which had later to be tested by the client's own inspectors. Another important point to be mentioned is that with the entry of Kamani Tubes into the market, the competitors have reduced the price of sugar tubes by Rs 20 per kg. All these facts go to prove the point that in commercial terms, KTL is still viable and profitable. But the depressing feature of the non-ferrous market is that it is notorious for rampant corruption and underhand dealings. An unenviable task is thus ahead for the marketing professionals of KTL to pierce through such a market by providing quality material and abstaining from the deviant practices of the market. KTL is expected to get into air-conditioning and refrigeration market very soon where profit margins are quite high. It will be interesting to observe how KTL plants out its marketing strategy for the future.

On the industrial relation front, a lot of rethinking is being done in the company. The types of systems and procedures that should be brought in and the sort of disciplinary procedures to be adopted are the issues that are being given serious thought. Being collective owners of the company, the workers feel the need to re-relate and reorient these relations in terms of organisational goals.

Alcoholism pose a serious problem for the company. Though the union has undertaken the exercise of counselling workers to keep away from alcohol while reporting for work, the problem still remains. Neither can such strict disciplinary measures as charge-sheet and dismissal be issued to workers nor can indiscipline be tolerated. A strong plea is being made by the union to its workers to adopt a community approach and social counselling to curb this evil.

Other issues where the workers have assumed responsibility include housekeeping activity and safety provisions, and in this regard workers' efforts are praiseworthy in housekeeping activities and maintenance of safety. Another observation that could be made on the shop floor is that workers have learnt to continue their routine without the supervisor being present. Workers are asserting themselves and are sparing no efforts in forging group activity.

To promote a sense of belonging amongst workers, staff and officers, regular meetings with respective categories of employees have already started. A significant observation that could be made in this context is that there is still a gap that exists between the workers and officers being products of different environments. The workers share a different class situation compared to the white collar employees. That is perhaps the reason, why the sense of identity that the workers have established with the company, is not yet visible, in tangible terms, in the white collar employees. A unified consciousness needs to be forged amongst all categories of employees.

The union situation too merits some attention. The Kamani Employees Union is currently passing through a situation that it has never experienced before. The union situation in KMA Limited is showing signs of lagging and there is a need to revitalise the rank and file and leadership in KMA. This is so because the union situation in one of the units in the compound has a definite bearing on the union situation in the other two units in the same compound. The leadership did realise the urgency of the situation and efforts are on to train the union activists on a continuous basis from July.

Another dimension of the trade union situation is that the president and working president of the union are the directors on the board of Kamani Tubes Limited. The union president (Y V Chavan) representing the workers' co-operative and the working president (D Thankappan) representing the union on the board of directors have repeatedly stressed that they would continue to be on the board only for two years. They insist that workers from the rank and file should be trained and their representatives be inducted into the board of directors. They also feel that they should relinquish the positions they currently hold in the union and act only as advisors in future. They argue that the younger generation of workers should takeover and lead the union so that continuity of active leadership is ensured to strengthen the movement in the Kamani group of companies. Though their stand is commendable, the question persists whether the training imparted to the union activists succeed in making leaders who can compensate for the two experienced leaders who led the union for over twenty-five years. It has to be seen how the rank and file makes effective use of this training and take up the workers' cause.

The success of the venture will be attained when a new participatory culture emerges, with all the six hundred employees making effective contributions in the decision making process. This requires the emergence of a new work ethic with a higher degree of workers' consciousness. This is a gradual process and cannot be achieved overnight. It may take years before such work environment emerges.

Emergence of BJP

A Correspondent

An air of optimism pervades the BJP, the main opposition party in Madhya Pradesh, as rival parties prepare for the forthcoming general elections. Its promise of waiving loans to small and marginal farmers seems to be paying dividends.

IT is a strategy that has unnerved the ruling party and the pity is that they cannot do a thing about it. The BJP's loan-waiver campaign has proved a spectacular success in Madhya Pradesh. During the last eight months, when the programme was launched in the state, an estimated 35 lakh farmers have trooped into the 7,000 'loan redemption camps' organised by the party all over Madhya Pradesh.

The BJP has promised to waive the government and co-operative loans of all small and marginal farmers if it comes to power. It is organising camps in the countryside. The farmers reporting to these camps are made to fill up 'loan redemption forms'—a small fee of rupee one per form is levied by the party to make the process look more authentic—and sit on dharnas at local government offices which finally culminate in massive rallies. Chief minister Motilal Vora calls it a "gimmick".

But the gimmick has caught the imagination of the rural folks and it is causing sleepless nights to the Congress(I) leaders. At least one top ruling party leader, Kamalnath, the high-profile MP from Chhindwara, has advocated waiving of loans. But the Congress(I)'s dilemma is that such a step might be construed as the victory of the opposition rather than the benevolence of the ruling party.

The mood is indeed buoyant in the BJP, the main opposition party in the state, as the various contenders gird up their loins for the next general elections. The party is making a determined effort to challenge the Congress(I) and emerge victorious. It hopes to wipe out the humiliation of the last election when the Congress(I) bagged all the 40 Lok Sabha seats and 243 of the 320 assembly seats. The BJP secured only 58.

Learning its lessons from the ignominy, the BJP had devoted itself to building a strong organisation network—a task it was quietly doing for the last four years—and slowly it has emerged as a giant. And its preparations for elections also started almost two years ago. Patwa claims, "if elections are announced tomorrow, you would not find us unprepared. We are ready with candidates, election machinery and resources."

The BJP has reasons to be confident. Although in the last election it could not gain entry to parliament and secured only 58 seats in the assembly, it polled about 32 per cent votes. In fact, this has been its lowest voting percentage since 1967—showing that it has the support of at least one-third of the electorate in Madhya Pradesh. Where it failed last time was its neglect of the rural areas and its reactionary image among the Harijans, tribals and minorities who together constitute more than 40 per cent of the total population.

In a strongly-worded self-criticism of the party's performance after the last election, former state BJP chief Shiv Prasad Chanpuria accepted that "the organisation failed to build a strong mass-base in the rural areas due to perfunctory implementation of its programmes. The workers did not take enough interest in the rural development programme for welfare of the common man." When Patwa succeeded Chanpuria in 1986, the BJP took up two programmes under his leadership: one was a massive fund collection drive to keep the party equipped for the next elections and the other was to strengthen the organisational network and gear up the party machinery to contest the elections.

The statistics are impressive. BJP membership has grown from three lakh to five lakh, covering 15,000 panchayats as against 7,000 earlier. The number of bloc-level committees has increased from 500 to 675. More importantly, as Patwa points out, the party apparatus now covers all the 40,000 polling booths in the state. And the nuclei of this impressive structure are the 10,000 'power centres' all over the state.

The structure has stood the party in good stead. During the loan-waiving campaign it has succeeded in organising 15 massive rallies at regional and district levels. The reasons of this success are not far to seek. In Bhind district, for example, about 1.65 lakh farmers signed the 'loan redemption forms' issued by the party.

This apparatus also came handy in the massive fund collection drive. It has collected about Rs 1.25 crore as special fund in the districts. The fund has been retained with the district committees and e[arr]marked for elections. Party treasu[rer] Kailash Sarang says, "till now we h[ave] never succeeded in collecting more th[an] Rs 25 to 30 lakh". The BJP has al[so] formed a 16-member state campai[gn] committee.

Drawbacks

But party sources concede that th[e] work among the tribals, Harijans a[nd] minorities leaves much to be desired. T[he] reasons, asserts Patwa, are historic[al]. These sections of the society were trad[i]tionally aligned with the Congress(I). Apart from forming various front organ[i]sations for these sections, the party do[es] not seem to have made any special effor[t] to win the confidence of the minoriti[es] and the scheduled castes. In fact, recentl[y] the party shed some of the secular imag[e] it had painstakingly tried to acquire ove[r] the last decade. Its stand on Ram Janm[a] Bhoomi issue and the bitter attack o[n] Christian missionaries gives the directio[n] of the new moorings.

The BJP leaders are probably bankin[g] on the support their future poll allies, th[e] Janata Dal, will provide in securing th[e] votes of the minorities and the harijans. The former socialists and Congressmen i[n] the Janata Dal are certainly placed advan[t]ageously there. Although on the face o[f] it, the BJP makes tall claims of going i[t] alone in case the Janata Dal persists in it[s] 'unreasonable' demand of contesting 2[?] of the 40 Lok Sabha seats, the reality i[s] that they know that without an allianc[e] with other opposition parties, they canno[t] hope to come to power in Madhya Pradesh.

In a confidential analysis of the electoral situation, the BJP has divided the parliamentary constituencies in four categories, A, B, C and D. It has placed 10 constituencies in A category where it is reasonably confident of winning. There are nine seats in the B category, where it will have to work hard to turn the tide in its favour. The 13 seats in the C category are considered 'uncertain' and the party concedes that its position is very weak in 8 constituencies of the D category. Everyone in the party concedes that the situation would change radically once the opposition forms an alliance and provides a viable alternative to the ruling party. The party leaders are confident that the current difficulties in seat adjustments are 'part of the process' and everyone will come together once the elections are announced.

The Congress(I) is not amused. The Congress(I) in the state was never so badly divided. And the BJP was never so confident.

THE TATA ENGINEERING & LOCOMOTIVE COMPANY LIMITED

Statement of the Chairman, Mr. Ratan N. Tata, for the year 1988–89

Telco has always been widely recognised as the country's premier automobile manufacturer. But this is just the most obvious part of its capabilities. It was only when I got deeply involved with Telco as its Executive Deputy Chairman in April 1988, that I truly understood its enormous technical strengths. The credit for building this unique engineering capability, without any doubt, goes to one person: Mr. Sumant Moolgaokar. It has been his vision and direction over the years that has made Telco the Company it is today. It is, therefore, only fitting that, as I address the Shareholders of Telco for the first time as Chairman, I place on record the outstanding contribution made by Mr. Moolgaokar to this Company.

Mr. Moolgaokar's long association with Telco goes back to 1949, when Telco's operations were confined to steam locomotives. Under his direction, the Company moved into commercial vehicles, earthmoving equipment and sophisticated machine tools. Mr.Moolgaokar's greatest contribution, however, was the creation of a high level of technical ability within the Company, which gives Telco the engineering development capability to independently engineer vehicles as well as other sophisticated engineering goods. His uncompromising insistence on maintaining the highest standards of quality and excellence in all the Company's activities, today, permits Telco to make world-class automobiles.

Although Mr. Moolgaokar stepped down as Chairman in December 1988, the Company will continue to benefit from his guidance, since he remains on the Board as a Director and has recently consented to being appointed Chairman Emeritus. The greatest tribute we in Telco can pay Mr. Moolgaokar will be to uphold the standards of excellence, which he established, and to ensure that there is a continued commitment to technical development and to the motivation of Telco's employees.

RECORD PERFORMANCE

1988-89 has been a good year for Telco The business climate and economic growth in the country substantially improved. The demand for commercial vehicles increased significantly and Telco's operational and financial performance attained record levels. The Company's light commercial vehicle range has been extremely successful in the market, earning a market share of 24%. It is expected that with the enhanced production facilities being established, the market share will increase further.

The Tatamobile pick-up, which has been entirely designed and engineered by Telco, was launched in July 1988 and has been widely accepted in the market as an all-purpose utility vehicle. In 1990, the Company will introduce the Tata Estate, which is a station wagon derivative of the Tatamobile. An advanced prototype of this vehicle will be on display at the forthcoming Annual General Meeting.

LABOUR SITUATION IN PUNE

Against all the achievements of the Company in 1988-89, there has been an unfortunate disruption of industrial peace in the Pune factory. Attempts were made by certain leaders to usurp the right of the management to manage the plant. Acts of violence, intimidation and coercion were witnessed with increasing frequency in March. Obviously, there were no winners – only losers. The Company suffered a loss of production, the workers suffered losses in their wages, and the long-term damage to industrial relations will yet need to be assessed. I have nothing but admiration for those of our employees who continued to do their jobs with vigour, despite the intimidation and personal threat to them and to their families. Without their commitment, the Company would not have achieved the results it did during the last quarter of the year.

No effort is being spared to rebuild the industrial harmony that the Pune plant has enjoyed over the years. The management is keen, as always, to be fair to all its employees and to safeguard their well-being. However, if the situation in Pune deteriorates, intimidation and threats continue and the administrative machinery does not adequately provide for the safety of our employees, the management will be compelled to divert major investment schemes to other locations. Such a step would undoubtedly be disruptive for us, as Pune has been a prime centre of Telco's technical strength. It would also have a major impact on the growth of local ancillaries in the Pune area. As a last recourse, however, such an action may become necessary if the physical safety of the Company's personnel and property in Pune cannot be guaranteed.

PRODUCT DEVELOPMENT AND IMPROVEMENT

In 1967, Telco established a central Engineering Research facility at Pune. Over the last 21 years, the Company has invested over Rs. 115 crores in this activity and created a team of designers and technicians who have been responsible for the development and improvement of all the commercial vehicles being manufactured by the Company. This capability is crucial to the Company's independence and will continue to receive the highest priority in the coming years. Apart from new product development considerable emphasis is being given to the improvement and enhancement of the present range of vehicles, with a view to improving fuel efficiency, reducing emissions, as well as attaining higher levels of safety and greater driver comfort.

Telco's product development and improvement programme will help support its thrust in exports. During 1988-89, the Company registered an outstanding export performance of Rs.81.4 crores. Plans have been initiated for achieving higher exports in keeping with the national objective of increasing foreign exchange earnings.

EXPANSION AND MODERNISATION

Telco remains committed to making investments for the modernisation and further development of its Jamshedpur plant. In the last 5 years, over Rs.150 crores capital investment has been made in Jamshedpur. A new forge shop, a high output foundry line, a new paint shop as well as augmentation of engine and gearbox manufacturing facilities are some of the projects recently undertaken at Jamshedpur. With steadily improving productivity levels, the Company may find it profitable to increase its investments in Jamshedpur.

Plans are being implemented for constructing a modern manufacturing facility at Lucknow. The factory will produce medium and heavy commercial vehicles as well as special purpose vehicles. This plant is expected to play a significant role in the future development and growth of Telco.

The Company is actively discussing a proposal with Daimler-Benz to manufacture their 'World Concept' range of commercial vehicles. The vehicles would be marketed overseas by Daimler-Benz under their brand and would lead to a technological upgradation of the existing range of vehicles in India. The project would yield substantial exports for the country and would further strengthen Telco's technological base and capability to make vehicles to international standards.

POLICY SUPPORT

The liberalisation initiated by the Government of India in recent years has successfully increased the supply and almost brought to an end the era of shortages in the country for a wide range of industrial and consumer goods. However, substantial anomalies exist, where import duties are higher on raw materials needed by actual manufacturers, but semi-finished or fully-finished components or product assemblies attract concessional rates of duty. In select cases, where higher levels of import content are justified initially, it would be in the national interest to ensure that indigenisation commitments are maintained so as to conserve scarce foreign exchange.

There is a pressing need to encourage the establishment of high quality ancillary units in the country with the technical capability for indigenising the manufacture of key components and sub-assemblies for the engineering industry. Government policy support for these units would go a long way to build a strong base for India's engineering industry.

A NEW MISSION

Telco has established an undisputed lead in the commercial vehicle industry in India. It has attained a predominant market share in the medium and heavy commercial vehicle market and its share in the light commercial vehicle market is growing rapidly. The near future will also see Telco as an important player in the field of lighter passenger-oriented vehicles.

A company needs to continuously grow in order to motivate its people. Expanding markets, a wider product range and diversification can all provide such growth. With the skills and capabilities that have been built into the Company, Telco is ideally suited to enter the industries of tomorrow. Your management is undertaking to identify strategic options utilising Telco's areas of strength.

THE TELCO TEAM

During the year of my active association in Telco, I have recognised that the ability of Telco to perform has been largely due to the team spirit and pride that exist throughout the Company. I feel proud to be a member of this team and look forward to a future of continued growth and prosperity for Telco.

Ratan N. Tata

Bombay
27th June 1989

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

IN MEMORY OF SUMANT MOOLGAOKAR

When I wrote about Sumant Moolgaokar in the opening paragraphs of my Statement to the Shareholders of Telco, I did not realise that in a few short days he would no longer be in our midst. We were all aware that he was unwell but we had hoped that he would recover as he had, on more than one occasion, in the past. But this was not to be: In the early hours of the first day of July this year, Telco lost its greatest asset and India lost an industrialist of irreplaceable worth.

Sumant Moolgaokar was a technocrat with extraordinary foresight and a builder of people. He had a vision of building a strong engineering base for an independent India and saw the automobile industry as the prime means of achieving it. Taking the helm of Telco around the time the nation attained independence, he made it a model of what could be achieved in a developing country through will, dedication and a firm resolve never to accept second best. The rugged Tata vehicles that far outnumber any other make of commercial vehicle on Indian roads are the incontrovertible proof of Mr. Moolgaokar's outstanding technical vision. He had a talent for inspiring design and production engineers to give the customer the right combination of innovation and value-for-money. In his mind, the strategy was clear and he took the Indian operator, in stages, from the World War II generation designs Telco started with, to the internationally-competitive vehicles the Company turns out today. But if there is to be one single aspect for which Mr. Moolgaokar will be remembered most, it is his belief in what people can do. Long before management development became a popular buzz-word in executive circles, he consciously selected promising young men, gave them challenging assignments, encouraged their efforts and took personal interest in their growth and development. People with fresh new ideas, new approaches and different outlooks always found a strong supporter in Mr. Moolgaokar. He gained a reputation for building top-grade managers and creating an environment that led to their motivation. Many senior managers look back at their early days under Mr. Moolgaokar as the period that made the greatest contribution to their careers.

We in Telco will miss Sumant Moolgaokar enormously. The Company has yet to absorb the fact that the man who built it is no more. There is shock and there is grief amongst us, but we must face the realities with the courage and the resolve we have inherited from this great man. All of us in Telco stand committed to take this Company, which is the life-work of Sumant Moolgaokar, to heights he envisaged and to uphold the high traditions he so firmly established over the years. That will be our greatest tribute to the memory of this wonderful man.

Ratan N. Tata

Bombay
6th July 1989

Eighth END Convention

Amitabh Mattoo

The economic union of Europe must include the east bloc if peace and prosperity are to be secured. Likewise closer co-operation with developing countries is necessary.

THE eighth European Nuclear Disarmament (END) Convention was held at Vitoria-Gasteiz, in the Basque region of northern Spain, from July 6 to 9, 1989.

END was launched in April 1980, following an 'Appeal' drafted by—among many others—E P Thompson (the well known historian), Mary Kaldor (researcher at the Armament and Disarmament Information Unit at Sussex) and Zhores Medvedev (a dissident Soviet historian). The immediate aim was to initiate and co-ordinate action, by anti-nuclear groups from all over Europe, against the NATO decision to deploy intermediate range nuclear missiles in western Europe. END also hoped to mobilise public opinion in favour of a nuclear-free Europe; campaign against the two military blocs (NATO and the Warsaw Pact) which were dividing Europe; to bring the peace movements and the movements for civil, human and trade union rights closer to each other; and to express solidarity with third world concerns and struggles.

The first END Convention was held in 1982 in Brussels and since then the convention has been held, each year, in different parts of the continent: in Berlin, Perugia, Amsterdam, Paris, Coventry and Lund. The INF treaty—between the United States and the Soviet Union in December 1987—agreeing on the elimination of intermediate range nuclear missiles, changed the situation. The peace movements suddenly lost their central focus of attention. The Lund Convention in 1988, while celebrating the treaty, emphasised the need for END to evolve, to keep up with the times, for its own survival. In a strange way Gorbachev and the INF treaty, while ensuring that the nuclear issue was no longer the centre-piece of the political agenda, also marginalised public support for the anti-nuclear movements. The 1989 convention was a recognition of the fact that END needed to re-order its priorities in changed times—the importance of looking beyond Europe, and thinking globally. The convention paid silent homage to all those who were killed, in the struggle for democracy and freedom, at Tiananmen Square.

The central theme of the convention was "The global dimensions of peace: disarmament for development". The emphasis was on the north-south divide, third world conflicts, the future of Europe (and of its relations with the rest of the world) after the economic union of 1992; and, to a lesser extent, on the quest for global nuclear disarmament and the politics of NATO's plans to modernise its short-range nuclear missiles.

Delegates in the first plenary session, pointed out that east-west detente had brought into the forefront the stark contradictions existing between the north and the south. The debate focused on the debt crises, and the need to drastically reschedule and, in some cases, write off the loans. Schemes like the Brady plan, it was emphasised, would not have much impact unless they broadened their limited parameters and accommodated countries other than just the political allies of the United States.

Attention was also drawn to the growing poverty of the global environment, which could not be separated from the asymmetrical nature of international politics itself. The dumping of toxic waste by the western world in poor third world countries, rather than go through the expensive process of recycling, was a cause for grave concern. Speakers emphasised the increasingly interdependent nature of the world. Attention was also drawn to the depletion of the ozone layer and the consequent global warming which was bringing it to the edge of disaster. The need for an urgent summit of leaders from the north and the south, for joint action and common survival was articulated.

The conflicts in the Mediterranean area were the subject of a separate plenary session. Several Palestinian and Israeli groups were represented during the debates on the Middle East problem. All were unequivocal in their condemnation of the atrocities inflicted by the Israeli army and the government, during the *intifada*, on the people living in the occupied territories. Most also agreed that any permanent solution to the problem would have to include the PLO, and the United States' acceptance of this was welcomed. The urgent need for an international conference on the issue was perceived. Mention must also be made of a group from Israel: 'Women in Black', who were well represented at the convention. This is composed entirely of Jewish women who march through the streets of Jerusalem—wearing black dresses—in solidarity with the Palestinian resistance. The other conflicts discussed included those between Morocco and the Polisario Front, and those within Cyprus.

Delegates voiced concern at the prospect of economic integration of western Europe in 1992. Was that a first step towards a European fortress, integrated militarily as well? Most agreed that any European union should include countries from eastern Europe in the common pursuit of peace and prosperity. The integration should not create increased protectionist measures to the exclusion of the less developed countries, but work in close co-operation with them.

Germany's resistance to the proposed NATO modernisation of its short-range missiles was welcomed, though it was felt that the present German government was holding out for purely electoral reasons. The peace movements, most delegates believed, must vigorously campaign for a third zero, towards the elimination of all short-range missiles.

The conference ended with a trip to the Basque town of Gernika, which was destroyed in 1937, during the Spanish civil war, by Franco's army with the aid of the Italians and Germans because of the Basque government's support for the Republicans. Today it stands as a symbol of the Basque peoples struggle for identity and autonomy, which they got in 1979 soon after Franco's death. Basque country is now an autonomous region within Spain.

Problems of Poland's Foreign Debt

Jan Lisowski

While Poland's rouble debt is not a unique phenomenon in CMEA, it is the country's high debt with developed countries which complicates the situation.

POLAND's foreign debt is one of the most serious economic problems facing the country. Besides the indebtedness in the developed countries, the debts in CMEA are an important element of the problem. Since 1974 the debt of Poland in transferable rouble (rbt) terms has been growing due to the trade deficits. The growth was especially rapid in the 1980s, mainly to the Soviet Union. In 1975 the rouble debt amounted to rbt 430 mln, in 1979 rbt 845 mln, by the end of 1987 it was eight times higher than at the end of 1979 (Table 1). In 1988 the rouble debt of Poland decreased by 0.1 bln, to the level of rbt 6.5 bln. The debt consisted mainly of the liabilities to the Soviet Union (Table 2).

The average interest rate on Polish rouble liabilities increased from above 2 per cent in the beginning of the 1980s to 4 per cent in the mid-80s and 4.4 per cent in 1988. The interest payments are made currently and their 1988 value amounted to rbt 286 mln.[1]

The fast growth of the debt in the 80s and the inability of Poland to pay the liabilities to the Soviet Union and the CMEA International Bank of Economic Co-operation (MBES) have resulted in postponing payments of rbt 3.9 bln from the period 1986-90 to the years 1991-95.

The results of research works done in the previous years in the Institute of Economics of Polish Academy of Sciences[2] show that the deficit in Polish trade with CMEA resulted mainly from the unfavourable changes in terms of trade caused by the changes in prices of oil, natural gas and other raw materials imported from the Soviet Union. Thus, the possibility of repaying debts will depend on the future prices in the intra-CMEA trade.

The 43rd CMEA Session initiated work on the rules of price formation in intra-CMEA trade in the years 1991-95.[3] Three proposals were submitted: gradual switching to the current world market prices in 1995 (proposal of Poland); continuing the existing five year average principle; shortening the basis period from five to three years.

The other direction of the works, connected closely with the prices, is improvement of the CMEA financial mechanisms. The works concentrate on three topics: Strengthening the role of transferable rouble as a common currency of CMEA; Conditions of introduction of a partial convertibility of the transferable rouble; Opening in MBES of special accounts in transferable roubles with a possibility o[f] their exchange for the convertible curren[-] cies; using national currencies in exchang[e] of goods and services in direct co[-] operation of enterprises (five bilatera[l] agreements have been signed so far, bu[t] their role is still not significant).

The decisions taken in the two areas wi[ll] have an impact on the conditions of th[e] rouble debts repayments. It is hard t[o] describe the conditions now, since the dif[-] ferences in interests of individual membe[r] countries cause slow progress.

Except the trade in transferable roubles part of Polish trade with CMEA countrie[s] is conducted in convertible currencie[s] (Table 3).

TABLE 2: STRUCTURE OF POLISH ROUBLE DEBT, 1988

(in rbt bln)

USSR	5.2
MBES	1.0
Czechoslovakia	0.1
Romania	0.1
Other/GDR, Hungary, CMEA International Investment Bank	0.1

Source: Maria Rubel, Grzegorz Wójtowicz, Inny dlug, *Gazeta Bankowa* nr 14, April 3-9, 1989.

TABLE 1: ROUBLE DEBT OF POLAND, 1980-87

Year	1980	1981	1982	1983	1984	1985	1986	1987
Commodity trade deficit (rbt bln)	0.8	1.6	0.7	0.9	1.0	1.2	0.9	0.6
Debt increase (rbt bln)	0.6	1.7	0.6	0.1	1.0	0.8	0.9	0.1
Level of debt (rbt bln)	1.4	3.1	3.7	3.8	4.8	5.6	6.5	6.6
Debt to commodity exports ratio (per cent)	23	54	54	51	56	62	64	62

Source: Maria Rubel, Grzegorz Wojtowicz, Inny dlug, *Gazeta Bankowa* nr 14, April 3-9, 1989

TABLE 3: POLISH TRADE WITH CMEA COUNTRIES IN CONVERTIBLE CURRENCIES, 1981-87

(in US $ mln)

Year	1981	1982	1983	1984	1985	1986	1987
Exports	56.1	178.7	249.9	285.3	233.1	223.1	154.7
Imports	70.4	144.7	217.7	268.7	183.3	176.3	175.3
Balance	−14.3	34.0	32.2	16.6	49.8	46.8	−20.6

Source: J Misala, J Morag, 'Dolarowa proteza', *Gazeta Bankowa* nr 1, January 2-8. 1989.

TABLE 4: BALANCE OF INDIVIDUAL EUROPEAN CMEA COUNTRIES TRADE WITH OTHER MEMBER COUNTRIES.*, 1975-87

(Current prices, in rbt mln)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	Total
Bulgaria	−145	−32	−62	−268	−237	−197	−561	−565	−378	−335	−165	17	109	−2819
Czechoslovakia	−280	−105	−244	−288	−424	−180	−46	−196	−508	−742	−651	−691	−134	−4489
GDR	−136	−261	−677	−232	459	−110	−267	−9	744	742	570	−62	473	1234
Hungary	−232	−50	65	−398	−142	151	539	527	517	708	935	334	409	3363
Poland	269	35	−135	−115	215	−768	−1633	−543	−557	−669	−661	−496	23	−5087
Romania	64	−66	−11	52	−135	221	−39	220	184	245	325	—	—	1060
USSR	478	1046	1657	496	1769	2901	4947	3598	3641	3578	2415	4397	1840	32765

* The data include total turnover of individual CMEA countries with the other member countries.

Source: Calculated according to the data from *Statisticheski Ezhegodnik Stran-Chlenov SEV*, Moscow, 1976-1988.

The balance of the turnover in convertible currencies (a total US $ 144.5 mln for 1981-87) shows, that it has not played a significant role as an element of Polish debts in CMEA countries, also as an instrument of solving the problems. However, the balance of the trade in convertible currencies does not fully reflect the size of Polish liabilities or dues in convertible currencies in the CMEA countries. It does not include financial credits in convertible currencies. The conditions of the credits are freely negotiated and it can be expected that the interest rate is at least equal to the one on the international credit market.

Poland's debt in the other CMEA countries is not unique in CMEA. Such debts can be seen in Czechoslovakia and Bulgaria; in GDR and Romania the surpluses are most probably offset by the surpluses in the trade with non-European CMEA countries (Vietnam, Cuba). The problem of the debts of individual CMEA countries in the other member countries concerns mainly their liabilities to the Soviet Union (Table 4).

Hungary is the one country having considerable surplus in trade with the Soviet Union. The inability to use the surplus in the trade with the Soviet Union in the trade with the other countries and the strong inflationary tendencies in Hungary make the surplus rather troublesome to the Hungarian authorities. Therefore, Hungary has undertaken measures to rationalise the trade in roubles and to curb its rouble exports. One such measure is a planned rouble auction in the Hungarian national bank. During the auction the exporting enterprises will offer their roubles to the importing ones. In case the exporter does not achieve during the auction an exchange rate at least equal to the one achieved in his export, it will be an incentive to decrease his rouble exports.

Poland's rouble debt is not a unique phenomenon in CMEA. The basic difference in Polish situation is the high debt with developed countries as well as in the CMEA countries simultaneously. This may complicate the solution of the problem of Poland's foreign debts.

Notes

1 The information on Polish rouble debt taken from: Maria Rubel, Grzegorz Wojtowicz, Inny dlug, *Gazeta Bankowa* nr 14, April 3-9, 1989.

2 See Jan Lisowski, 'Wplyw zmian cen swiatowych na polski handel zagraniczny', *Studia Ekonomiczne* nr 15, INE PAN-Ossolineum, Warszawa, 1987.

3 See Zroznicowanie interesow w RWPG, Rynki Zagraniczne, January 24, 1989.

4 See J Misala, J Morag, 'Dolarowa Proteza'. *Gazeta Bankowa* nr 1, January 2-8, 1989.

Consistency and Ambiguity in South Asian Islam

Ishtiaq Ahmed

Shariat and Ambiguity in South Asian Islam edited by Katherine P Ewing; Oxford University Press, Delhi, 1988; pp 314 + index, Rs 250.

THIS book consists of papers presented at a conference on 'South Asian Islam: Moral Principles in Tension', which was held in 1981 in Pennsylvania. The various contributors represent a variety of disciplines: anthropology, history, religious studies. The anthropologists are by far the largest group. In the 'Introduction' the editor declares the purpose of the study as an examination of the relationship between the codes for behaviour derived from Islamic principles and codes originating from other sources. The general Muslim belief is that the Shariat, i e, Islamic law, is the supreme and all-comprehensive code of behaviour to which alone they are required to render adherence. In reality the Muslim community in its fourteen centuries of history has been influenced by diverse outlooks and traditions besides the Islamic. That such were to happen is not surprising considering the fact that Islam spread to various parts of Asia and Africa, and in the process local traditions and culture lent their own imprint to the Islamic identity which evolved in the process. Furthermore, from the very outset Muslims were not a cohesive community but comprised several sects and subsects and ethnic and linguistic variations. South Asian Muslim identity presents a good example of multi-dimensionality, cultural diversity and ethno-linguistic and sectarian heterogeneity. The result is plurality and ambiguity rather than consistency and conformity which Muslim theorists assumed in their ideal version/versions of the Islamic community.

The editor points out that a basis for accommodating inconsistency between the ideal and the real, however, has existed implicitly in the very way Muslims interpreted history. The generally held belief was that the most perfect period in human history ended with the demise of the Prophet (632 A D) and the end of the pious caliphate. In other words, only during that brief period in history lasting about 40 years did the Shariat find its fullest expression. The main implication of such a view of history was that subsequent Muslim society was considered a divergence from the ideal model. An effort to conform as much as possible to the ideal society was considered the bounden duty of all good Muslims. Also, in the Muslim tradition the duty of the state and the ruler in ordering society along Islamic lines was assumed, but it was not clear to what extent the state is obligated to enforce Islam.

Now the ambiguities of everyday life tend to obscure the inconsistencies that creep into a community's organising principles. However, in periods of crisis or rapid change awareness about the discrepancies between a community's professed standards and its deviations become accentuated. At such times a re-evaluation of the situation becomes inevitable and this means that efforts are made to re-define the boundaries of the community. The question of boundary also involves the re-alignment of the social strata within the community in terms of its core and periphery.

Proceeding from such premises various scholars have contributed articles which address various facets of south Asian Islam in the modern period. It is noted that quite early in history a socio-intellectual hierarchy was established in south Asian Islam. The ruling class consisting of Turks, Afghans, Persian and people claiming Arabic origin were considered the proper bearers of Islamic conduct and values. The peasant converts of Indian origin related themselves to Islam through *pirs* (religious mystagogues). In other words, the average Muslim was not expected to represent model Islamic conduct. However, when the British captured power in the subcontinent the old order of society based on a strict separation of the *ashraf* (elite) and the *am log* (ordinary Muslims) could not continue. In fact already in the 18th century when Muslim power began to decline, revivalist and reformist movements emerged in different parts of south Asia. These were founded by radical *ulama* (Muslim priests) who strove to mobilise the peasant masses for militant resistance against non-Muslim political powers and oppressive landlords. In this process some segment of the Muslim masses received a more orthodox schooling in Islam. However, the vicissitudes attended upon the fortunes of south Asian Muslims in the present times have added further intricacies in matters of belief and practice.

The book is divided into three parts. Part one examines debates over institutionalisation of Islamic principles; part two looks at the changing idiom of political discourse; and part three concentrates on the attempts of the Muslim community to define boundaries *vis-a-vis* others and in relation to competing Muslim groups.

The first article in part one shows how experts representing two different orthodox Sunni schools of jurisprudence come to diametrically opposite conclusions regarding the cleanliness of dog saliva. Both use similar jargon and techniques but come to conflicting decisions, one declaring dog saliva unclean and the other clean. The second article examines the interesting discussion in pre-partition Punjab on the conflict between customary law based on tribal traditions and the Shariat. The third article deals with the process through which the followers of the Agha Khan, the Nizari Ismailis, abandoned the policy of concealing their true identity in Sunni society and declared their Shia credentials. This transformation took place when their Imam, the Agha Khan left Persia and settled in India in the 19th century. As a consequence many Hindu and orthodox Muslim influences were shed and the community integrated around a more distinct profile of its own.

Part two includes several articles. One deals with the Muslim architecture of Sher Shah Suri (ruler of northern India between 1538-45). Another article concentrates on the important role that the Urdu language has played in modern south Asian culture. The third article is perhaps the most interesting in this section. The author, Rafiuddin Ahmed, traces the evolution of Islamisation of Bengali Muslim society. Not until the 18th century did Bengali Muslim masses develop a distinct Islamic identity. Previously conformity to Islamic standards was expected only of the upper class Bengalis, most of whom claimed foreign ancestry. Muslim revivalists mobilised the Bengali peasants for militant struggles. Consequently these Bengalis developed strong associations with Arab-Persian culture, and drew away considerably from their Hindu past. The creation of Bangladesh was a return to the Bengali identity, this did not weaken the Islamic link.

There are other articles examining social structure, sects, leadership patterns and the process of change affecting south Asian Islam and the Muslim community. An article on Baluchistan discusses the peculiarities of the Zikri sect, a minor mystical order of Shia leanings, which has followers among Balauch tribes (most of whom are Sunnis) living along the Karachi coast.

In part three the focus is on the several ways in which Muslims have sought to define their group boundaries, not only in relation to other communities but also in relation to other Muslim groups. An article on the culture of ethnicity in Pakistan deals with the prevailing images/self-images and beliefs among different groups in Pakistan and their identification with Pakistan. Another article deals with the concept of honour among Oasis Balauchs. There are some other articles too of an anthropological nature.

The book provides information on a wide range of phenomena dealing with some aspect or facet of Muslim society and how Islamic values along with other cultural impulses affect its behaviour. But this very quality of the book of being a collection of articles—mostly anthropological studies limited to case studies of tribal, sectarian and ethnic groups and fractions—confirming the hypothesis that the Shariat does not

uffice as a legal and moral code to regulate luslim behaviour renders it a loose comilation of data, rather than a systematic allound study of the relationship between proessed ideals and concrete behaviour of a elected group, sect or tribal society. Putting ogether studies of social structure and codes f honour of remote Balauch and Pukhtun ribes and sects, the process of integration f urban Muslim communities of Kanpur nd Benaras; the historical evolution of engali Muslim identity and Ismaili hiaism; and Muslim architecture of Sher hah Suri and the impact of Urdu on nodern south Asian culture and the plethora f other studies in one book only sustains the very broad hypothesis that south Asian Islam represents the tensions of both ambiguity and efforts to return to a more Islamic identity. That such were to happen in the life of Muslim peoples of south Asia should not be surprising to social scientists. What one learns is a little about many things but not enough to draw a more profound conclusion about the general behaviour patterns prevailing among Muslims, or which are likely to emerge in the future. Partly this follows from the fact that the book does not place the discussion in the context of the macro changes affecting society at the level of state and politics and of socio-economic change.

No Surprises

Sita Prabhu

Wage Employment Programmes in Rural Development: A Study of NREP in Gujarat by Indira Hirway, Oxford and IBH Publishing Co, 1986; Rs 60.00.

THE provision of direct employment to the rural poor is increasingly being relied upon as a major instrument of poverty alleviaion in the country. It is in this context that studies examining various aspects of the employment programmes implemented hitherto assume considerable significance. The focus of the book by Indira Hirway is mainly on the problems concerning the planning and mplementation of the National Rural Employment Programme (NREP) at the district and taluka levels in Gujarat.

The book begins with a brief discussion on wage employment programmes in the process of economic development in general and is followed by a sketch of the origin and contents of NREP. The performance of the NREP is examined with respect to six selected districts in the state mainly on the basis of secondary data collected from the administrators of the programme at various levels.

The study reaffirms certain well known shortcomings of the NREP such as its weak planning component, lack of co-ordination among various agencies implementing the programme and the non-durable nature of assets created. The sporadic nature of employment provided as well as the nonadherence to minimum wage norms also corroborate the experience of the programme in other regions. The book thus does not contain any surprise for the reader. However, a few interesting points are raised, which the author, unfortunately does not pause to discuss.

An issue of fundamental importance is the criterion used for allocation of NREP funds among districts and talukas. According to the official guidelines, 75 per cent weightage is to be given to the number of marginal farmers and agricultural labourers and 25 per cent to the incidence of rural poverty. In the absence of data regarding the population below the poverty line, the population of scheduled castes and scheduled tribes is to be considered instead. Hirway, citing block level surveys conducted by the government of Gujarat states: "Studies have shown that the incidence of unemployment is not positively and significantly associated with the population of marginal farmers and agricultural labourers; on the contrary there is enough evidence that suggests that this association is negative and significant. Also, there is evidence to suggest that areas with larger population of agricultural labourers and marginal farmers are relatively better developed. In other words the scheme of allocation of NREP funds is likely to allocate larger resources to those areas which are relatively developed and which have a smaller incidence of unemployment" (p 22).

Having concluded that the allocation criterion is faulty, it is surprising to find the author relying on the same criterion to judge the appropriateness of the allocation of funds to the districts and talukas. See for example the following statements:

> District-wise allocation of NREP funds also seems to have been done almost according to the guidelines. Consequently, the districts with larger population of SC/ST and of marginal farmers and agricultural labourers have got as well as spent greater NREP funds. This is definitely worth noting.
>
> The allocation of funds below the district level, however, has not been very satisfactory. Our study showed that this allocation did not have a positive and significant association with the distribution of the population of the weaker sections (p 57).

Another interesting point that is raised is with respect to the importance given in the guidelines to the identification of 'felt-needs' of the people and the role of panchayati raj institutions in this regard. Hirway argues that the felt-needs of the people may not always reflect what is desirable for the community. Secondly, given the stratified nature of Indian villages, it is very likely that only the needs of the influential groups get articulated. Under these circumstances, the author feels that the emphasis given in the guidelines that works suggested by panchayats and people's representatives should be considered for implementation under NREP is not desirable. Hirway's suggestion that ". . . a beginning should be made with beneficiary participation rather than with representative participation" (p 103) is unexceptional.

Another interesting issue of wider implication is the role of labour co-operatives in executing NREP works. From the comments of the author scattered in various places, it is possible to gather that wherever labour co-operatives were operating, workers were provided with continuous employment. This is in sharp contrast with the intermittent nature of employment provided in other NREP works executed in the same district. However, the wage rate was relatively low in the works taken up by labour co- operatives. More intriguing is the fact that though labour co-operatives were initially allowed to execute NREP works, they were later banned. Hirway states that ". . . the use of labour co-operatives was permitted by the end of the first year on the ground that these are co-operatives of the workers who would work on NREP works. A number of labour co-operatives took up NREP works in the six districts. The weaknesses of such cooperatives, however, surfaced after sometime, and the co-operatives were banned in the second year" (p 80). Readers looking for an explanation of the nature of the 'weaknesses' would find their search futile as no further elaboration is provided.

Finally, it is surprising that the author has not deemed it fit to reveal the identity of the six selected districts and talukas on which the conclusions of the study are based. While one can understand the labelling of districts/talukas alphabetically or numerically for ease of exposition, a reader would certainly expect to know the names of the districts/talukas selected for study in the text or atleast in an appendix. The absence of such identification would certainly deprive other researchers in the field the use of the data presented in the book.

Micro-Ideology and Micro-Utopia in Khalapur

Changes in the Discourse on Caste over Thirty Years

Pauline Kolenda

The caste system has been a major topic for discourse in India throughout the nineteenth and twentieth centuries. In the mid-50s the author spent sixteen months on an ethnographic study of Khalapur, a village in western Uttar Pradesh. The issues then were educational and occupational access for low-caste and untouchable people and other practices of untouchability. The villagers could not conceive of a society that was not caste-organised and equal treatment was a foreign urban Congress Party issue. Has the discourse about caste changed in the last generation? If so, how?

...it is not men in general who think, or even isolated individuals who do the thinking, but men in certain groups who have developed a particular style of thought in an endless series of responses to certain typical situations characterising their common position. [Mannheim 1936:3]

In this village, people are in favour of the caste system. They think it is a good way of ordering society. It was a teaching of their forefathers to think in this way. The feeling is still strong among the villagers, although the government is very much against caste and preaches against it (a Rajput elder of Khalapur, 1955).

THE topic of ideology has been treated and defined in many ways over the past century. Marx and Engels gave the term a definite political content; ideologies were world-views of social classes that explained and justified the superiority of the social class that made up its main adherents, and justified the necessity for other social classes to accept *that* social class's definition of things. An ideology masked the self-interest of its main adherents from the audience, those the adherents were interested in taking advantage of, but whom they also hoped would accept their hopefully-not-too-feeble excuses.

But ideology has been defined in other ways. Louis Dumont (1970, 1978), the French social-cultural anthropologist, defines ideology as the principal values of a society, and his units of study are entire nations or even large portions of continents, so Dumont can write about the hierarchical person of the east, meaning primarily India, and the individualistic person of the west, meaning primarily France. In such a definition of ideology, I am reminded of Ruth Benedict (1934) who characterised a culture as pervaded by a dominant drive that shapes all its institutions—the Zuni and other Pueblo Indians were Apollonian, the Kwakiutl were megalomaniacal paranoids, the Plains Indians were Dionysian—except that while Benedict saw styles, rather like styles in art, Dumont sees core ideas, kernel-assumptions. Dumont rejects a multi-ideological approach [Dumont 1970: 263-64]; a society has a single global ideology, he asserts, and that is what he is interested in. In the singleness of the style or idea, Benedict and Dumont are alike.

Both Marx and Engels (1948) and Althusser (1970) have emphasised the consistency there should be between the human relationships in the production of commodities and the teachings or ideologies promulgated in other institutions, especially, for Althusser, churches and schools. Theirs is a kind of functional analysis that also looks for ulterior motive.

Max Weber, unlike Althusser or Dumont, raised the issue of the relationship between ideology and social and economic change. He was concerned with unplanned change as opposed to Marx and Engels (1948) who might be said to have been concerned with planned social and economic change purposefully brought about by the use of rather drastic measures. In relating the Protestant ethic to the development of capitalism, Weber not only suggested that ideology must be consistent with the economy, the relations of production, but that changes in ideology precede changes in the economy [Gerth and Mills 1946: 321]. Recently, a historian of capitalism, Chandra Mukerji (1983), has challenged Weber's interpretation, agreeing that there were changes in ideology before the flowering of capitalism, but that they were not ascetic in content as in the ascetic Puritanism backed by Weber, but rather luxury-loving in a new consumption-orientation diffusing from "the *nouveaux riches,* the courts, and the aristocracy" [Appadurai 1986:37]. In this interpretation of the ideological changes preceding capitalism, Mukerji and other historians are following the lead of Werner Sombart (1967), rather than Max Weber.

Most interesting to me is the treatment of ideology by Karl Mannheim (1936), because he seems more than other theorists to address the empirical situation as I have found it. There is seldom one ideology among the members of a community. While Mannheim did not emphasise the multiplicity of ideologies, he did see that there might be a contention between ideologies. He called the established ideology, ideology, and the new challenging ideology, one advocating change, utopia, and he saw this contention as one between social classes. In Khalapur I do not find contention so much between higher and lower castes as between old ideology and new, the new being set by the Congress Party leadership in the central government in the 1950s and 1980s and by the Indian urban educated middle-class in the 1980s. These new ideologies challenge rural people, especially the village intellectuals, responsible educated and articulate male leaders.

Michel Foucault (1970, 1980) has suggested that discourse within a society or a sector of a society changes over time. One of the topics for discourse in India has been the caste system. It has been a topic for discussion throughout the nineteenth and twentieth centuries. In this paper, I can only treat the recent past, but I do raise the question: Has the discourse about caste changed in the last generation? And if so, how?

The major ideologue concerned with caste in the first part of the twentieth century was Mohandas K Gandhi. He made the issue of untouchability integral to the cause of independence from the British. The major change he advocated was the end of mistreatment of untouchables by higher castes. Bhimrao Ambedkar, the author of the Indian Constitution, himself born an untouchable Mahar, saw to it that untouchability was outlawed in the Constitution of India [Joshi 1954], established in 1950. This document contains passages such as the following, "untouchability is abolished and its practice in any form is forbidden" (Article 17), "all citizens shall have the right to practise any profession or to carry on any occupation, trade or business" (Article 19 (g)), and "no citizen shall be denied admission into any educational institution maintained by the state or receiving aid out of the state funds on grounds of religion, race, caste, language, or any of them" (Article 29 (2)).

In the mid-1950s, I spent sixteen months doing ethnographic fieldwork in a village of 5,000 people in western Uttar Pradesh, as one of a social sciences group from Cornell University.[1] I was particularly interested in the caste system and in untouchables. In 1958, my paper 'Change in Caste Ideology in a North Indian Village' was published. In

that paper, I summarised the views of four older men of the village, who were respected members of four different castes, two of high caste and two of low. One was of the largest landed patrilineage of the village Rajputs, another was a wealthy shopkeeper and moneylender, the third was the headman of one of the two untouchable Sweeper colonies, and the fourth was an elder of the untouchable Chamars, once leather-workers, now mostly agricultural labourers.

While I had interviewed at length and in considerable depth, all four of the men, as well as others whose opinions were not included in the published article, I also had an interview guide of questions (Appendix I) that I had each of them answer. When I returned to Khalapur in 1984 to do a thirty-year-later study, I interviewed two of the four men again; the other two had died; and I interviewed seven other men of different castes using the same interview guide. The nine men whose caste ideologies I shall explore are from the Rajput, Baniya, Chamar, Sweeper, Water-carrier, and Goldsmith castes. Most of these men I also interviewed more broadly. What I wish to do in this paper is say something about how caste ideology seems to have changed over thirty years in the village of Khalapur. In a longer work, I hope to treat changes in several other aspects of the caste system in Khalapur.

First, however, let me say something about Khalapur. It is located in western Uttar Pradesh, about 100 miles north of Delhi, in a prosperous sugarcane-growing region. In 1954, the population was about 5,000 people; in 1984, it was about 15,000. The dominant caste was and is Pundir Rajput; about 40 per cent of the population belongs to one or another of the minor or minimal patrilineages of the maximal patrilineage of Pundir Rajputs. Virtually all male Rajputs trace their descent from the founding brothers who conquered the Jats who held Khalapur about 300 years ago [Hitchcock 1956: 131]. They own, even after zamindari abolition, 80 per cent of the land and control all land. The rest of the population live in Khalapur at the invitation and sufferance of the Rajputs. No other caste begins to be as large as the Pundir Rajputs, but there are a few hundred in each of the larger castes, the Brahmans, untouchable Chamars, untouchable Sweepers, and the Baniya shopkeepers. The other twenty-five castes have smaller numbers of people; they include Goldsmiths, Barbers, Carpenters and Blacksmiths, Washermen, Oil-pressers, and so on. About ten per cent of the population are Muslim; ninety per cent are Hindu.

In the 1950s, Khalapur was slated for change. Three important change factors had been introduced: first, it was one of the pilot villages for the new Community Development Programme that the government of India began in 1952; second, partly as part of this latter programme and partly because a local man had become the deputy planning minister for the state of Uttar Pradesh, sugarcane as a crop of the region received many catalysts in the form of agricultural programmes, irrigation facilities, price-supports to the farmer, co-operative credit facilities; thirdly, a high school was established in Khalapur in 1949. The changes programmed have indeed taken place. The amount of sugarcane grown in Khalapur has increased manifold, and the money flowing to the large landlords from cane receipts ran by the 1980s into many crores. The enrolment in the high school had increased over the years from less than a hundred boys in 1949 to over 1,200 boys and over 300 girls in 1984.[2]

Many facilities have come to the village. The number of shops has tripled, but given the tripling of population that is about what we should expect. However, a bank was established, a branch of the State Bank of India by the latter part of the 1960s; later came a small hospital. New to the village are three or four teashops. None existed in 1954. Also new is the bus service and the paved roads. A bus comes each way once a day, but horse-drawn platforms, called *boogis* go to the nearby town, five miles away, all morning, and they return all afternoon. We counted over twenty of them in 1984. The number of primary schools has increased from 2 to 7, and the enrolment in primary school has increased from 200 boys to 923 boys, and from 40 girls to 543 girls.[3]

The intellectual level of the village is at its highest among the masters who teach at the high school, and to some extent it is also set by teachers who teach in the primary schools, as well as the government medical doctor at the hospital, not a villager. There is still no one in the village who speaks English with facility, although two or three of the primary schools claim to be 'English-medium'. The high school consisting of grades seven through twelve is not English-medium, but Hindi-medium.

Many men have worked outside the village, for years at a time, especially Rajputs and some Chamars who have been in the military or in the police of the region. Untouchable Sweepers have worked on the municipal garbage crews of various cities. Others have worked in factories or shops in cities, as well. There are two nearby towns, one four or five miles away, the other eight miles away, and many modern amenities are available in the towns, including radio and TV shops, tractor and lorry repair shops, cinemas, barbers who do fashionable cuts, tailors who can stitch a three-piece suit, shops selling synthetic saris and terylene for sports shirts, and so on. There are no repair shops in the village, although in 1984 there were about 80 tractors in the village and 40 television sets. One of the most noticeable changes in Khalapur as between the 1950s and 1980s is the absence nowadays of very many bullocks. Because tractors do the heavy ploughing, bullocks are not needed, and the male water buffalo has become the main draught animal, drawing extremely full carts of cane from the fields to the sugar mill in the nearby town.

In the mid-1950s I interviewed three Rajput elders, a Baniya shopkeeper, two untouchable Chamars and an untouchable Sweeper using the Caste Sanctions Interview Guide, reprinted in Appendix I. Trying to understand the caste system from the point of view of the Khalapur villagers and using these village intellectuals as my sample for village ideology, I found that the Khalapur villagers spoke of the local caste system in terms of six binary pairs: the *rāya* (or *jemindar*)- *rāyā* relationship, the *khasgar-lagdar* relationship, the *jijman* (or *jemindar* or *kirsan*)-*lagdar* (or *kamin*), the *kirsan-hali*, the *uncha-nicha* system and the *bara-chota* system [See Kolenda 1978].

Let me briefly suggest what was meant by each of these. The *rāya* is a chieftain or king and the *rāyā* is subject (pronounce as 'rye' and 'rye-ya'). The elder Baniya (shopkeeper) explained:

> For example if I have one or two bighas of land and I build on it a few houses, then the people living there are rāyās. The rāya takes *begari* (forced labour) from the rāyā. When the Chamars (untouchable leather and field workers) sat in rāyā on the land of *jemindars* (land-holders), they had to do all sorts of work, and they had little money and education.

It was agreed by all, both the Rajput rāyas and the non-Rajput rāyās, that Khalapur was 'a Rajput village' and that Khalapur belonged to the Rajputs. The other caste communities had all been invited in by the Rajputs, and even though some might have been there for ten generations, they still could be evicted at any time. One of the ploys in enticing a community of Washermen or Weavers to live in the village had been the offer of house-sites, land upon which they could build their houses. It was well known to whom the land belonged, which Rajput minimal lineage, and the rāya had the right to ask the rāyā to work for him; he also had the right to the cowdung and other waste that might be composted as the rāyā accumulated it; he also retained the right to take back the land at any time. One of the rights which the rāyās attained with the passing of the U P Zamindari Abolition Legislation in 1952 was the ownership of their house-sites; the rāya could no longer evict the rāyā.

The *khasgar* is a 'master'; the *lagdar* is a servant, one who fetches and carries (from the Hindi verb *lagna*). One of the Rajput elders used these terms in the following statement:

> With growing cane, the khasgars profited. They grew more cane and got more money. Lower castes benefited, because khasgars were rich, and thus, they employed more labour. If the khasgars in a country are happy, everyone else will be happy. Even the shopkeepers in a city are dependent on the khasgars...The khasgars produce the grain and sell it, and the rest of the world buys it.

The core of a local village caste system is the exchange of services that go on between

specialists of different castes. The second largest caste in Khalapur was and is the Chamars, once leather-workers and now mostly agricultural labourers (*mazdurs*). Some of these, as well as men from other castes, used to be *halis*, ploughmen, who did the ploughing of a khasgar's fields as well as other land cultivation. His wife, a *haldan*, did the grinding of grain and other heavy household chores for the khasgar's wife.

Seven of the Khalapur castes were engaged in the *jijman-kamin* (patron-worker), more commonly referred to as *kirsan-lagdar* (farmer-servant) relationships. These were the Washermen, the Barber and his wife, the Sweepers and their husbands, the Potter, the Carpenter, and Water-carrier. The seventh, the Brahman, was never referred to as a lagdar but rather as a *purohit*, a household priest; he came to do *pujas* (religious offering to gods) within the women's quarters on almost two dozen Hindu holidays; his wife sometimes helped in the jijman's kitchen, and groups of Brahman women usually sang at weddings and birth ceremonies of the jijmans. Payments to these lagdars varied, but all received three *dharis* (about 30 pounds) of grain every six months. Since each lagdar served several jijmans, they earned almost enough grain for their families in this way. The Brahmans had their own land; the Water-carriers had bits of land. All the others were landless. The Sweepers got daily mid-day meals from their kirsans, yearly sets of clothing, food at the time of all festivities (religious holidays and life cycle rites such as marriages and birth ceremonies). All lagdars had the right to get fodder for their animals and tender leaves of vegetables to make cooked greens from the khasgar's crops, and to graze their animals on the khasgar's fallow fields. When we asked one Rajput elder if a Potter wouldn't be better off selling his pots for cash, the Rajput elder listed for us all the sanctions which could be brought to bear to make it clear to the potter that he should supply his khasgar with pots and not attempt to find other outlets for his product. These included not allowing him or his family to defecate in the khasgar's fields, or to graze their donkeys there, or to let their donkeys drink in the canal going through the khasgar's fields.

The *uncha-nicha* system of castes, the high-low system, refers to a system of dirt and pollution and involved rules for untouchables and lower castes both for keeping their distance, not touching higher castes, and not expecting the higher castes to accept food or water from them. Chamars are *niche*, low, because they are dirty. In the *bara-chota* (big-little) system, the terms have to do with authority and the monopoly on physical force. The *bari* castes command the *choti* castes, and it is their duty to use physical force to ensure obedience if necessary. To a considerable extent physical force was threatened or used to ensure that the *choti* castes remained *nichi*, that is low and dirty (see Kolenda 1978 for more details).

The Rajputs in Khalapur very much fancied themselves to be just what their name means, "sons of kings". They believed that their, *dharma*, their religious duty, established at the first sacrifice of the Superman (*purusha*) was to rule and to protect their subjects, as well, of course, as to conquer. It was the duty of the other castes to follow their dharma, whether that of the Brahman priest and religious scholar, or that of a Potter or Weaver. Society would remain in harmony with nature if every caste fulfilled its dharma. The passage in the classic *Bhagavad Gita* which among other Sanskrit religious works teaches about dharma is "Better to do one's own dharma badly than the dharma of another well". One of the Rajput elders whom I interviewed both in 1955 and in 1984 told me this story from the *Mahabharata*, the great Hindu epic.

> Dronacharya was a guru of the Pandavas and the Kauravas. He used to teach them how to shoot the bow and arrow. One day a bhil (a tribal) boy came there. Drona taught only boys belonging to the high *khaps* (castes), not boys belonging to a lower caste (or presumably to tribes people either). The bhil said, 'Teach me, too'. Drona said that he taught only Rajput boys, so he couldn't teach the bhil. That boy went away. He made a figure of clay and called it Drona. Every morning, he would bow before it, and he would start practising with his bow and arrow. One day there were some Pandavas and Kauravas who came there. They aimed their arrows, and he did, too. And the bhil boy defeated them. When Drona heard this he was very upset that his princes should be defeated. He went to the bhil. He said, "Whose *chela* (pupil) are you?" He said, "Drona's". Then Drona said, "I never taught you". Then the bhil boy explained that he had made a clay figure and worshipped it and had practised every morning. Drona said, "All right. I am your guru, but you haven't given me *guru dakshina* (gift for one's teacher)." The bhil boy said he would give him whatever he asked. Drona said, "Give me your right thumb". Of course, without that thumb, he would be unable to shoot a bow and arrow. So that boy gave his thumb. The meaning of the story is: a person who uses arms should only be a Rajput.[4]

In the 1950s I saw the old caste ideology of Khalapur as the combination of a belief in *jatidharma* (caste duty) and Rajput dominance, while the constitutional rights I saw as the Congress government's form of 'utopia', an ideology proposing fundamental changes in the social structure; and I asked how four of the elders, one Rajput, one Baniya shopkeeper and moneylender, an untouchable Chamar elder, and an untouchable Sweeper elder reconciled in their own thinking the contradiction.

The caste ideology of an ordinary person is not a coherent, consistent set of ideas, but is composed of thoughts from here and there heard over the years in the discourse on caste, as well as of observations of events going on around him, or those in which he was himself involved. The content for men of the same age and village is similar although like plaid cloth the pattern made by the various strands of ideas differ for each according to his experiences and his own caste's interests of sufferings. Clifford Geertz has suggested that there are two kinds of theories of ideology, interest theories and strain theories [Geertz 1973: 201]. Among men of different castes, we may expect that the caste ideologies of high caste men are more likely to be interest theories while those of low caste men are more likely to be strain theories.

The four men interviewed I arranged on a continuum with 'ideology' at one end and 'utopia' at the other. The Rajput elder, Hukam Singh, falls at the ideology end as the most conservative, and Jivan Mal, the Baniya, falls at the other end as the most utopian. The two untouchable elders fall in between, Randhir the Sweeper closer to Hukam, and Mithan the Chamar closer to Jivan Mal. Let me turn to the ideologies of each of these men in turn.

Hukam is a scion of the wealthiest Rajput minor patrilineage in the village. His views on caste in the 1950s were the most orthodox of the four men. He said:

> It is written in the *Vedas* (ancient Sanskrit religious hymnals) that there should be particular lives for each caste. There is one for Brahmans and one for Shudras (servant castes). If you believe in your books and act according to what your ancestors tell you, that is good. If you don't, your *karma* has fallen... One's *karma* is to perform the occupation of one's caste. The occupation of the Rajputs is to help the poor and to protect them and not to take other people's women. If their karma falls, they do many bad things. If a Chamar does good things now, he will be born in a higher dharma. Those Rajputs who do bad now will be reborn as Chamars and Sweepers.

Hukam uses argument of the *Bhagavad Gita*: one should do the duty of one's caste. Bad events will occur otherwise.

At the other extreme from Hukam, at the 'utopia' end of the continuum, is Jivan Mal. Jivan Mal, the Baniya, had been active in Congress Party politics in the 1930s. Of the four men, he was the most educated, having eight years of schooling, while Hukam had perhaps four as had Randhir the Sweeper. Mithan Chamar had had no schooling. Jivan Mal knew the Congress programme against caste well. He said,

> The Congress gathered Chamars, Muslims, and all together as one in order to bid farewell to the British. No single creed alone could have done it... That was the basis of the whole thing, equality. Mahatma Gandhi was a Vaishya and Nehru was a *pandit* (a Brahman). They might have thought, "We will keep apart from the untouchables", but they did not... God is with those who do not discriminate. There should not be caste...

Jivan Mal was a Gandhian. Like Gandhi, he tried to live his life according to the four *ashramas*,[5] and when we knew him, he was in the third ashrama; he was a *vanaprashta*,

one who had retired from ordinary life to devote himself to religion. He explained that he and his wife were "like brother and sister"; he had given up sexual activity. Consistent with his religiosity and his Gandhianism was his strict vegetarian diet, but inconsistent with his Gandhianism was his inability to consort with untouchables, to be near them or to take food or drink *from* them or *with* them. It is not surprising that Hukam Singh Rajput the conservative also disapproved of such Congress social intercourse with untouchables. Hukam said,

> Now we have started eating everywhere. At first, we ate nowhere except at the Baniyas' and the Brahmans'. Even there, we ate only fried (*pakka*) food, Ever since the Congress came, even the big leaders eat at the Chamars' and the Sweepers'. What can others do?... I am a modern man. I take both boiled (*kachcha*) and fried (*pakka*) food at the Tagas' and the Jats' (high agricultural castes) and at the Baniyas'. We now even eat at the Goldsmiths'... Even if we object, what are we to do?

So Hukam indicated that he had relaxed his personal prohibitions on eating with some other higher castes, but he could not bring himself to approve of eating and drinking with untouchables and low caste people Aware that the old ways were being challenged, he remains unconvinced, saying:

> The caste system is necessary. As long as the old people are alive, caste will not disappear But the lineages will become badly mixed and the Rajput will keep a Chamar woman, and the Chamar will keep a Rajput woman.

At the other end of the ideology—utopia continuum—Jivan Mal though unable to bring himself to consort with untouchables, nevertheless condemned the caste system.

> [The caste system] is a way of destroying the world. Since the time that caste came to India, India has been under foreign rulers... If the Rajputs are ruling, they keep untouchability restrictions with the Sweepers and the Chamars. So in time of trouble, they will not help the Rajputs. Now we have fallen from our *karma* by non-unity, especially through untouchability.

Jivan Mal's ideology, though strongly Gandhian and anti-caste, nevertheless, included a strand of nostalgia for the old days when the caste system operated ideally, as it should. In those days, he said:

> The Brahmans had hold of the whole world. They were the protectors of the country India was considered the centre of learning. Wherever an Indian walked, people would pick up the dust and place it on their foreheads. It was a land of gods...

Hukam's ideology was consistent. Again aware of the challenge of change with respect to education and middle class jobs for untouchables, he again rejected it, saying:

> [In the past] they were not prevented from being educated simply because they lacked natural ability, but because the leaders would not have liked it. Now the government says all should become one. We are afraid of that.

Now we can't get anyone to work for us. If they are all clerks and gentlemen, who will plough our fields? Even now it is hard to get labourers. It used to be you could get a man for five rupees to work for you. Now they ask thirty or forty... (We asked if one could pay less.) How could we do that? The government helps them. If we try to make them take less, they will sue in the courts.

Hukam expected the worst in the future; just as the *Gita* and other religious sources have taught, the mixture of castes would lead to destruction of the world which would necessitate the coming of a saviour to put things right. He predicted:

When the Congress rule ends, there will be a rule of devils (*rakshas*). The untouchables and the lower castes will rule, and they will trouble the Rajputs and Brahmans. They will then be kept low. Then (god) will come... During the rule of devils, there will be no caste, and there will be no dharma and karma. Then *Kalkiavatara* (god in man's form) will be born. Then he will start castes all over again.

The untouchable elder closest to Jivan Mal in his views was Randhir the Sweeper. He also approved of the Congress' goal of equality, but in 1955 he had begun to doubt its attainment. He said:

These Congress people said that we are all equal. So why don't they give us equal treatment? For seven years they have been in power, and they have done nothing. Untouchability still goes on... these Congress people are not good in their hearts.

He was especially doubtful that caste discrimination would end in the village. He remarked:

It is written in books now that they must let everyone take water at the pump, but they do not. We have to live in the village, so we don't want to make reports against people and turn them against us.

His helplessness in the village where the dominant Rajputs continued to hold sway in the traditional way is voiced in this passage:

We consider the Rajputs to be our kings. Nobody can do anything against the kings, unless they unite against them...People don't unite because they are weak. We are poor and dependent upon the Rajputs for animals, food, and everything.

Unlike the untouchable Randhir Sweeper, untouchable Mithan Chamar did not approve wholeheartedly of the Congress and Gandhian attempt to do away with the rules of untouchability. He was already anguished concerning the frequent exploitation of Chamar women by Rajput and higher caste men; now, if there were not restraint from the feelings of disgust for untouchables, the untouchable women would be troubled even more. He, like the other three men, idealised the past when the local caste system worked well. He said:

The Rajputs and low-caste people should be like parents and children. It used to be that if anyone else troubled us, the Rajputs would protect us. Now they themselves oppress us.

That the higher castes in Khalapur have tried equality and rejected it, is indicated in Mithan's account of the first meeting of the new democratically-elected village council. He was an untouchable member of the council. He said:

When India got its independence, there was an order from the higher authorities. This is when the elections were being held and then people started living more in unity because of that order, for about six weeks. They even started letting us take water from their wells in the fields, and during council meetings all fifty-two members used to sit on cloths spread on the ground. Then about three months after independence, Rajputs started sitting on cots and made the lower castes all sit on cloths on the ground. Still later, even the cloths were not spread and the old state of affairs was resumed, with Rajputs and higher castes on the cots and lower castes on the bare ground.

So Mithan, like Randhir, held little hope that the strictures of untouchability would be relaxed in Khalapur.

My analysis of the four elders' ideologies in the mid-1950s had six conclusions:

First, enthusiasm for equality had dissipated.

Second, the concept of progress was strikingly lacking. All four men looked back to golden days of the past either when Rajputs were rulers (for Hukam) or when Brahmans ruled (for Jivan Mal) or when Rajputs were parental toward their servants (for Randhir Sweeper and Mithan Chamar).

Third, three of the elders, Hukam Rajput and the two untouchables, felt victimised and helpless.

Fourth, all set conditions for the future success of the government. Jivan the merchant and Randhir Sweeper required inter-caste equality. Hukam Rajput required power for Rajputs. He and the Chamar predicted an era of evil manifested in inter-caste sexual relations and inter-caste marriages that would end in the destruction of society and the coming of a saviour to set things right again.

Fifth, no one except Hukam Rajput any longer expected people to follow the dharma of caste occupation,

Sixth, none could envision a social order free from restrictions on inter-caste social intercourse.

Clearly, the issues of the 1950s were educational and occupational access for low-caste and untouchable people, and practices of untouchability like using wells, sitting as equals or sitting hierarchically, giving and taking of food and water, sharing waterpipes together, and so on. My feeling in the 1950s was that villagers in Khalapur could not conceive of a society that was not caste-organised. Equal treatment was a foreign urban Congress Party issue. Occasional politicians came and advocated and even demonstrated equality, but rural Rajputs could ignore it and untouchables had to suffer non-enforcement of their rights if they wanted to continue living in the village.

In 1984 two of the four elders were still alive, Hukam Rajput and Mithan Chamar, and among other conversations I had wi[th] each, I reinterviewed them with the sa[me] Caste Sanctions Interview Guide. In t[he] 1950s, the impact of education up[on] Khalapur was slight, but over the past thir[ty] years, all of the men whom I interviewe[d] four older men and five younger ones h[ad] sons or grandsons who were high schoo[l or] even college-educated, or were high[ly] educated themselves. To replace Jivan Ma[l] I interviewed Durga Lal, a Baniya, a ma[n] in his late fifties or early sixties. When [I] asked him about the origin of the cast[e] system, he said, "Ever since the world ha[s] been populated, there have been jatis". Whe[n] I asked, "Was there a creator?" he said, "[A] *sciencewala* can tell you".

Durga Lal, who had eight years of educa[-]tion, has six daughters and four sons. Fou[r] of the daughters studied to eighth class, on[e] to twelfth, and the youngest was in tenth i[n] 1984. Durga has one son who finishe[d] twelfth and works in his shop. The othe[r] three sons work outside the village. One ha[s] a BSc degree; one is an engineer; and on[e] is an MA science teacher, perhaps th[e] *sciencewala* Durga had in mind. Durga, i[n] fact, has lots of *sciencewale* in his family.

The impact of education has changed the discourse in the village from phantasies about the past to expectations of the future. *Parivartan*, change, is the word on the tongues of the young high shcool- and college-goers, of the teachers and office workers.

Four of those I interviewed in 1984 were aged late-fifties to eighties. One of these was Durga Lal merchant who had eight years of education, unusual for a man in his late fifties or early sixties, but who had, nevertheless, lost confidence in the worth of his own opinions saying, "I don't have much 'education". The eldest of the four older men interviewed was Raghunath, a Goldsmith I remembered well from thirty years ago. Raghunath is one of the few I spoke to who still talks about the etiquette of untouchability. When we asked, "Is *jat-pat* (caste system) a good or bad way of ordering society?" he said, "How can I tell? It is from before (*pahale se*). Actually it is good (*achcchaa hai*). The lower castes that visit me cannot sit on my cot, but sit on the ground—the Sweeper, Barber, Washerman, Weaver, Oilpresser and Tailor."

Hukam Singh Rajput, the conservative interviewed in 1955, now in his seventies, has changed his views drastically since thirty years ago, saying that "caste is rotten; it is not right", but his statement seemed perfunctory, especially as he immediately went on, saying, "The difficulty is that you have to have different *hukkas* (waterpipes)", and he reminisced about the old days when he had no place to stay or to eat when he had to spend the night in a nearby Chamar village.

One of the three teachers whom we interviewed, a Rajput schoolmaster, in contrast, said that the caste system was a bad way to order society. He then commented, "In some

amilies now *achuts* (the unclean, that is, un-ouchables) can prepare food and serve it, repare *hukkas* for *chaudhuris* (the impor-ant men). They can sit on our cots.'

But the issues in the discourse on caste ave changed. No longer are the issues of ccess for facilities, inter-caste etiquette and ntouchables' rights to jobs and education. These changes have been absorbed. When ve asked Durga Lal, "Do you know of some astes advancing? What do you think of a Chamar teacher or a Nai (Barber caste) doc-or?" he said, "I can't tell, but you know verything is being done for these (the un-ouchables) to bring them up". We asked, 'From the village?" Durga Lal did not reply, but his son who works in the shop said, 'From the government". There are now un-ouchable teachers and *babus* (clerks) living n the village. People now live with the ideal of egalitarian etiquette, even though they feel uneasy with it and probably do not practise it. But the issues now are new issues in a new discourse on caste. These are inter-caste marriage, a questioning of caste as a social system, and the expectation of social change.

When I began to ask Hukam Singh Rajput the list of questions on the Caste Sanctions Guide, he launched immediately into the issue of inter-caste marriage. As a man now in his seventies or eighties, he still accepts the idea that castes are different species. Within inter-caste marriage, he said, "The offspring will be changed. Like a donkey mates with a horse, a mule is born, not a donkey."

Raghunath Goldsmith said that inter-caste marriage simply "isn't done. One must marry in one's own caste."

Mithan Chamar, also now in his seventies, said, however, that he wouldn't object to a Rajput woman marrying a Chamar man, "but", he exclaimed, "the Rajputs would object!"

Among the younger men, those in their thirties to fifties, however, attitudes are different from those of the elders except for the untouchable Mithan Chamar who agrees with the younger men, all of whom pronounce jat-pat a *kharab* (rotten) or *bahut bura* (very bad) way of ordering society. The young men are a Rajput high school teacher, a Baniya school teacher, and an untouchable Sweeper primary school teacher. One is a Water-carrier by caste who failed tenth class as a boy; he works as a *chaprasi*, a peon, in the high school. He is seeing to it that his son is educated, having had a study room built on the roof of their small compound for the boy's sole use. And the fifth is one of the first educated men among the untouchable Chamars, a man we knew as a youth in the 1950s who got his education under very difficult circumstances in the late 1930s and 1940s; he and the three other untouchable boys in the school had to sit separately from the others, and were prohibited from drinking at the school pump; his father suffered periodic beatings by high castemen, and was made to do unpaid labour, because he kept his son in school.

Here are these younger men's comments on inter-caste marriage:

(1) The Rajput high school teacher said: "Some people say you should not marry in other castes. If it happens by chance, they become angry. With an educated person, an educated bride and groom if they do so, I think, in society, it is not thought so bad. Our K S [the late principal of the high school, an outsider, a government—appointee, but a Chauhan Rajput and principal for a quarter of a century]—his elder son married a girl of Kayastha caste. When K S and his elder brother came to know they were happy; they did not object."

(2) The Baniya school teacher said, "I don't think it wrong, but *samaj* (society) does not accept it. Because of social pressure, even if one wants to marry a son or daughter out of caste, one cannot. Men of one's caste brotherhood apply such pressure on any of their caste people who try to marry into another caste; those who do so have to give up their own caste. In this village, there were such marriages long ago. One such family was thrown out of our caste for a long time. All recognised them as people among whom an inter-caste marriage had taken place. A S[a neighbour], his grandfather [father's father] married a Sweeper woman. He defied his caste brotherhood. He just brought her and kept her. He had had *pheras* [been properly married] with a Rajput woman. He kept both women at once. They lived separately. At first, he kept the Sweeper outside and then in the cattleshed. She was never in the women's quarters of his family.

"Then four years ago, a Rajput boy here married a girl whose caste is not known. We presume she is a Chamar. He is a supervisor in a factory in G [a city in the district]. He is not allowed to come into the village nor does anyone go there. Two months after marriage he came with his wife. They let him stay the night only, then sent him away next morning."

(3) Ramlal, the Watercarrier caste schoolpeon said, "I would like people of different castes to marry, but that is my own individual idea. I wouldn't mind my son marrying into some other caste, but I have relatives who would object."

(4) Tirlok, the untouchable Sweeper school teacher, said, "That is the best thing. I am not averse to that. I would like that so that all *jats* (castes) are broken up. Under Sanjay[6] they started a movement—if a lower caste marries a higher caste, the couple would, be given presents by the government."

Thus, these men represent a range of opinion, but inter-caste marriage is still something outside, something that might be done by educated people in the city, advocated by the government in the city, but not yet something that might be acceptable in Khalapur. But this was very much the status of egalitarian inter-caste etiquette and equal rights to jobs and education for untouchables in the 1950s.

I was very much surprised at the unanimity among the seven younger men against caste as a system; among the older men Mithan the Chamar joins them saying, "It is harmful (*nuksan, phaida nahin*). Each caste keeps away from the other. [We: would it be better if they did not keep separate?] Yes, there would be more love (*prema*) if they were not so separate."

As mentioned above, even Hukam Singh reluctantly says the system is *kharab* and *thik nahin* ("rotten" and "not right"). Nowadays, only very elderly folks like Raghunath in his eighties can still say the system is good, and men in their sixties like Durga Lal may just hold their tongues.

In the 1950s I felt Khalapur villagers could not conceive of any different social system. To quote the remarks of the younger men:

(1) The Rajput high school teacher said caste was a bad way to order society, and he went on as mentioned above about untouchables even serving food and the *hukka* to high caste people. He added, "untouchable Sweepers and Chamars are well-educated. I had a Sweeper class fellow who is in the central District administration military office (as a lawyer). He goes to the *pradhan's* (village headman) and *chaudhuri's* (important man) houses. He takes tea with us (Rajputs)."

(2) The Baniya school teacher pronounced the caste system "kharab". He said, "According to my views, it is wrong. Every human being was created by a creator (*usi*). It is a *nuksan* (a loss or harm) to a human being to think of another as lower than himself, because of his work."

(3) The Watercarrier caste school-clerk also said the system was "kharab", going on to say, "We are all human beings. A man should be treated like a man. There is difference only according to work."

(4) The Chamar educated "first" also said the system was "kharab", saying, "Among human beings, God made all of the same blood, so why this difference between one and another".

(5) The untouchable Sweeper primary school teacher was the most impassioned in his response to our question, "Is the caste system a good way or a bad way of organising society?" He said it was "very bad. Our country cannot progress because of this. Indira Gandhi is fighting against it. I am as educated as a Brahman and Rajput. I read religious books. I have education and give education. Yet only under government pressure will a Brahman eat with us. In his heart, he thinks, 'He's an untouchable Sweeper!' Indira Gandhi is against it, wants rid of it, so the country can go forward."

The species kind of thinking done by Hukam is rhetoric of a past discourse on caste. Ideas about equal etiquette and equal rights are becoming ideology in Khalapur. The discourse concerning inter-caste marriage, the questioning of caste as an entire system, the expectation of change, are parts of a new utopian ideology.

Appendix I

Caste Sanctions Questionnaire

1 What is the origin of the caste system? How did it start?

2 What is the basis of the caste system? How was it that people doing different work were divided into castes? How was it when there were four varnas originally, there are now thirty-six castes? How did *chutchat* (untouchability) come about?

3 Is *jat-pat* (caste) a good way or a bad way of ordering society?

4 Do you agree or disagree that one's virtue depends on fulfilling one's own caste's duties not on doing the duties of another caste?

5 What do you think of people who do not not their caste's work, but do some other kind of work? Such as a Chamar school teacher, or a Dhobi (Washerman) doing farming, or a Nai (Barber) doctor?

6 Is it is wrong to do work which is not your own caste's work? If you don't want to do your own caste's work, is that wrong? What advice would you give to a member of your caste who wanted to do some other work?

7 What is the origin of untouchables? How did they get started? Why is it bad for people of different castes to marry? Who were the ancestors of the untouchables?

8 Do Rajputs and Brahmans have high positions, because of their good *karma* in past lives? How did their high position come about?

9 Do you agree or disagree:

(a)"The highest duty of the Shudra is to serve a Brahman."

(b)"Killing a Brahman is the worst crime on earth."

(c)"A Brahman be he ignorant or learned is a great divinity."

10 What is *karma?* What is *dharma?* How are *karma* and *dharma* related to caste?

11 Why are some castes lower than others? Are some castes lower because they allow widow-remarriage?

12 What would you do if your Nai (Barber) or Bhangi (untouchable Sweeper) refused to work for you?

13 Is it necessary for one's *ijjat* (honour) to have a Bhangi? a Brahman? a Nai? a Dhobi? a Badhai (Carpenter)? a Kumhar (Potter)? Would you give up your Bhangi if you no longer needed him?

14 Is your own position in the caste system due to past deeds? Due to past deeds in past lives?

15 What do you think of various castes' trying to improve their position?

Do you know of any caste groups' trying to improve themselves by taking up the wearing of the sacred thread? by giving up widow-remarriage? in other ways? giving up meat?

Notes

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2 The figures on high school enrolment were copied from the school records by Shyamsher Singh, a high school teacher.

3 The figures on primary school enrolments for 1955 are taken from Minturn and Hitchcock 1966: 91. The figures for 1984 were collected by a research assistant, Deepika Anand.

4 Hukam Singh made reference to the same story in 1984, but then he only said that Dronacharya had taught Arjun, the Pandava warrior-hero of the *Mahabharata*, one of Dronacharya's pupils referred to in the 1955 story. In 1984, he did not mention the bhil boy or his thumb.

5 The *ashramas* are the four stages of life which Hindu religious law books prescribe for upper caste men. For one-quarter of his life, he should engage himself in religious study with a guru. For one-quarter of his life he should be a married householder, raising children. For one-quarter of his life, he and his wife should retire to the forest and pursue religious ends; this is the *vanaprashtha ashrama*. For the last quarter of his life, he should be a renouncer, beg for his living, and seek union with the absolute. (Basham 1954: 158-59).

6 Sanjay Gandhi, who died in 1980, was the younger son of prime minister Indira Gandhi. During the 1970s, he was head of the Congress Party's youth organisation, and he worked for many social and economic reforms, including abolition of caste abuses. Here Tirlok refers to the newspaper reports of government- approved weddings between people of different castes.

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American Forestry Professionalism in Third World

Some Preliminary Observations

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The inflexible technical professionalism, arising out of the American forestry tradition's commitment to comprehensive, large-scale planning, is one of the prominent reasons for the failure of international forestry projects, particularly in developing countries.

Rigid adherence to the fundamental tenets of professional forestry—technical expertise, marco-level planning, promotion of commercial fibre production, and a narrowly biological perception of forestry—has led to a blinkered world-view that ignores relevant social factors. This paper pleads for a re-evaluation of this tradition as a precondition for the success of forest development projects.

I

Introduction

ETHNOCENTRISM and western biases have long been identified as sources of inappropriate and unsuccessful development efforts. Robert Chambers (1981) applied these more general lessons to professional culture in his discussion of the effects of the biases of urban-based professionals on rural development projects. Chowdhury (1982) articulated the centre of this concern with her statement that "experts and their knowledge often have built in biases and assumptions which need to be re-examined in relation to the new situation and people concerned".

Forestry offers an interesting case study of professional ethnocentrism and its adverse effects. The ideology of renewable resource management is so comprehensive, so explicitly preached, and has, for a long period of time, been so fervently adhered to, that it provides a particularly useful focus for this type of inquiry. This essay takes a preliminary step toward evaluating the impact of the forestry profession's much discussed ideology [Behan, 1966, 1975, 1977; Gould, 1964; Hays, 1960; Kaufman, 1960; Twight, 1983, 1984] on development projects.

Over the last decade forestry projects have emerged as an increasingly important component of international development projects. Rising amounts of international donor money and host country budgets are being applied both to the international shortage of fuelwood and to the apparently incresing rate of deforestation with its concomitant evil of erosion [Braatz, 1985; Foley and Barnard, 1984]. Yet many forestry projects have been viewed as failures or as socially harmful [Foley and Barnard, 1984; Hammer, 1982; Mnzava, 1983; Shiva et al, 1984; Fortmann, 1988]. These failures and harmful effects have many causes. This paper argues that the American[1] forestry tradition contributes to them. The tenets of the profession emphasise a kind of technical professionalism which appears to leave practitioners ill-prepared for work in the developing world. It points to regularities in forestry orthodoxy which appear related to implementation errors which American foresters (and third world foresters trained in American institutions) are likely to make.

We are not so resolutely reductionist as to argue that the culture of American forestry 'causes' implementation errors in third world settings, nor do we pretend that foresters are uniquely likely to succumb to trained incapacities. All professionals are trained to view the world in characteristic ways which will enable them to define problems in terms of solutions that they are qualified to apply. Nor are we arguing that foresters are basely motivated in believing that their skills and insights will help to alleviate resource mismanagement and human suffering. Nor do we question the commitment of individual foresters to improving the human condition. We do, however, believe that foresters could be trained so as to minimise negative effects of the profession's catechism. Finally, we believe that those who work with foresters may find it useful to have some insight into the principles of the faith of forestry.

For the present discussion, we must put some boundaries on our generalisations. We will therefore simplify our argument by asserting that the operative tenets of American forestry professionalism are defined by values which characterised the progressive era. Those early decades of this century are commonly and appropriately associated with the ascendancy of Theodore Roosevelt and Gifford Pinchot. Largely as a result of their efforts, the forestry profession was imported from France and Germany to the United States [See Gould, 1964; Behan, 1975] became a national crusade, and adopted the durable tenets which still shape it. Those remnants of the crusade often create difficulties for foresters who need to understand, evaluate or work in developing countries.

Section II of this paper examines four features of forestry's progressive era heritage. Its primary tenet is a commitment to technical expertise as the goal and criterion for public and private decision making. From it arise three other principles: (1) the tenet of large scale, comprehensive government planning for resource management; (2) the related doctrine emphasising fibre production for commercial operators; and (3) the view of forestry as a predominantly biological undertaking. Section III of the paper will discuss the implications of such professional ideology in the growing field of forestry for development. We will argue that it puts the average American-trained forester in the third world at a disadvantage when trying to discern (a) who is actually practising forestry; (b) to see what uses are made of what trees; or (c) to understand the rules which govern the use and allocation of resources including trees.

II

Progressive Era Tenets and Contemporary Blind Spots

Samuel P Hays' (1960) *Conservation and the Gospel of Efficiency* is so universally acclaimed that we feel no qualms in relying primarily upon it here for a definition of the major planks in the forestry profession's intellectual infrastructure. Hays has described the progressive conservation movement as follows:

> The broader significance of the conservation movement stemmed from the role it played in the transformation of a decentralised, nontechnical, loosely organised society, where waste and inefficiency ran rampant into a highly organised, technical, and centrally planned and directed social organisation which could meet a complex world with efficiency and purpose. This spirit of efficiency appeared in many realms of American life, in the professional engineering societies, among forward looking industrial management leaders, and in municipal government reform, as well as in the resource management concepts of Theodore Roosevelt. The possibilities of applying scientific and technical principles to resource development fired federal officials with enthusiasm for the future and imbued all in the conservation movement with a kindred spirit. These goals required public management, of the nation's

streams because private enterprise could not afford to undertake, of the western lands to adjust one resource use to another. They also required new administrative methods, utilising to the fullest extent the latest scientific knowledge and expert, disinterested personnel. This was the gospel of efficiency [Hays, 1960: 265-66]

'Scientific forestry' Hays argues, 'was a haracteristic example of the new technoogical age which emphasised large-scale, ong-term planning and management in ooth private and public affairs'. The forestry rofession bears a number of earmarks of hese progressive era beginnings. None have gone unchallenged, especially in the recent era of environmental awareness. Yet, they remain unmistakable characteristics of the profession.

(a) *Tenet One: Non-Partisan Technical Expertise is the Basis for Decision Making:* The fundamental feature of the conservation movement and the forestry profession's ideology is the proposition that decisions concerning resource management should be made by technically trained experts. "Who should determine the goals and methods of federal resource programmes? ...Since resource matters were basically technical in nature, conservations argued, technicians, rather than legislators, should deal with them" [Hays, 1960:3].

Appalled at what appeared to them as a century in which private enterprise exploited the political process to ravage the western territories, Pinchot's forest service disciples sought to protect forest management from the tawdry pull and haul of the politics. "Pressure group action, log-rolling in Congress, or partisan debate could not guarantee rational and scientific decisions. Amid such jockeying for advantage with the resulting compromise, concern for efficiency would disappear" [Hays, 1960:3].

This commitment to what Herbert Kaufman has characterised as 'non-partisan technical competence' has unsurprising consequences. One is that it forces the forester to draw very clear lines between the professional and the non-professional. Foresters are scientifically trained to be managers. Non-professionals are not considered to be foresters or managers.

A second unsurprising consequence of this commitment to expertise has been a tendency for foresters to disregard or denigrate local resource managers and users. The forester recognises neither the local user's knowledge about local conditions nor his/her definition of the resource and priorities concerning its management. This may reflect in part an anti-local sentiment, since it is the local residents' use of the resources which on first glance appears responsible for the crises which foresters must resolve. But it is perhaps more a pro-professional sentiment which simply does not conceive of expertise outside its own boundaries.

Nevertheless, the locals are in no way peers. Lacking professional expertise, they are, in the terms of forestry orthodoxy, perforce involved in management as political actors, seeking some kind of advantage, some distortion of the technically correct decision which would meet their own needs and preferences. It is the forester's job to base decisions on science, hence to exclude such political influences from the process.

One costly consequence of this set of assumptions is that it has traditionally obliged the forester to choose 'for the resource' when confronted by a conflict between local needs and technical priorities. Thus foresters have historically put their commitment to technically sound resource management above the needs of impoverished range users in the American southwest. West (1980) and de Buys (1981) have chronicled similarly distressing tales of insensitivity to Hispanic range users through more than 70 years of range 'improvement' in Arizona and New Mexico. Convinced that the communal range allocations traditionally made to groups of Hispanic permit holders led to overuse of the resource, the forest service has worked for decades to phase them out while acknowledging that the permit holders relied upon them for protein in their diet. This is not because they were in favour of starving Hispanics but rather because they were trained that to deviate from the 'biologically correct' solution was wrong. Not surprisingly, these attitudes did not endear Pinchot's Yale-trained foresters to the local communities when they went west after 1905. Contrary to song and story, the local residents whom they encountered were more likely to be livestock operators than the loggers they were ostensibly trained to deal with [Roberts, 1963; West, 1980]. Because the large livestock operators were in a position to withhold critical political support from the fledgling forest service,[2] the foresters were obliged to deal sympathetically with them [Roberts, 1963; Fairfax, 1984a; Nelson, 1980] but it was clearly regarded as a defalcation [Voigt, 1976].

Even after the environmental decade of the 1970s[3] the principle continues to be well established within the profession that foresters are 'the' experts and the local residents and their preferences are viewed as potentially threatening to the forestry mission. This is evident in current guides to public involvement in forest planning. The forest service makes clear to its personnel that information regarding public preferences is an important component of the professional's decision making, but still the professional forester retains the actual management authority [Achtermann and Fairfax, 1979; Behan, 1977].

(b) *Tenet Two: Large Scale Comprehensive Government Resource Management:* This same pro-professional bias is related to a second tenet of the professional forester: the commitment to large-scale, national action to achieve comprehensive resource planning and management. Hays' (1960) reference to 'central planning' by 'federal officers' is generally appropriate to the progressive era. Particular historic circumstances surrounding the public domain make them especially relevant to the conservation movement. The initial focus of the progressive era conservation movement was defined by the fact that the federal government already owned most of the land which the progressives wished to conserve. The dominant government policy for most of the 19th century had been to give the land away to states, corporations, and individuals in order to encourage orderly settlement of the western territories [Gates, 1968; Peffer, 1951]. Conservation advocates blamed that 'disposition' policy for what they viewed as the waste and ruin of western resources. As they pressed for a change in public domain policy, it was almost inevitable that the conservationists would fall into the pattern of government forest management then being imported from Germany. This they did; almost without discussion,[4] their position became that the forests ought to be retained in federal ownership and managed by government foresters.

In addition to government ownership, this federal involvement had three other important components: national priorities, government compulsion and the scale of operations. The first is a variation on the anti-local themes discussed above. The conservation movement's goals were *national* priorities which had to be achieved on the retained publicly owned lands over the objections of the local citizens.[5] A second virtue of government involvement was that it would provide a compulsion without which conservationists feared (correctly as it turned out) that their religion would not be widely adopted. Ownership of resources was in this sense critical. Regulation of land use and resource extraction practices on private land which are now common place were viewed as takings of private property at the turn of the century.[6] Indeed federal regulation of public domain land was so novel a thought that for Pinchot to impose a fee for grazing livestock on national forest lands presented grave constitutional issues which had to be resolved by the US Supreme Court [Dana and Fairfax, 1980].

Pinchot spent much of his career working against what he saw as the selfish, evil industrial interests who would not practise 'forestry in the woods'. He was forced to take that rather unsophisticated position in order to distinguish himself from his predecessor who ineffectually (in Pinchot's eyes) but accurately observed that forestry would not be practised on private lands, and investment in reforestation of private forests would not occur, until the existing forests had been utilised to the point that there was some hope for return on the investment. Although Pinchot attributed the reluctance of industry to invest to moral turpitude, it is in fact true that forestry was not practised to any extent on private lands until it began to make economic sense as an investment. Therefore

the compulsion of government involvement and government land ownership was mandatory if forestry were to be practised anywhere in this country at the turn of the century.

Interestingly, this conflict between Fernow's economic insight and Pinchot's preoccupation with practising forestry at any cost continued to rage throughout Pinchot's long life, and it still is at the heart of major forest policy issues. Pinchot fought for two full decades after he was fired as chief of the forest service in 1910 for the enactment of federal laws which would compel private forest owners to practise what Pinchot considered to be sound forest management. These owners demurred on the grounds that they could not recover their investments because there was too much standing timber to justify planting more. Pinchot fought constantly with William Greeley (his successor in the chief's office) who advocated a co-operative and educational approach to recalcitrant timber operators [see Clepper, 1971; Greeley, 1951]. During the depression the forest service recognised that there was some merit in the argument; hence they advocated federal purchase of over 150 million acres to facilitate the practice of forestry on (formerly) private lands [Copeland Report, 1933]. Today, some 70 years later, the forestry profession is still concerned about private owners. 'NIPFs' (non-industrial private forest owners) continue to resist all kinds of inducements including the forest service sponsored programmes to encourage practice of forestry in that ownership category [Romm et al, 1983]. Only in the last three to five years has the argument Fernow made in the 1880s—when it is profitable for small woodlot owners to manage their lands for trees they will do so, not until—been given much credence. Meanwhile the current debate over 'below cost timber sales' suggests that many foresters continue to believe that forestry should be practised no matter what the price.

The third major attraction of government involvement in conservation was the anticipated scale of the undertaking. This commitment to large scale operations appears to have at least two major facets. First, conservation and wise use of western resources seemed to require investment and management which outstripped the resources of private citizens, private corporations, or state government. There was ample empirical evidence in failed private and state efforts to develop irrigation programmes to suggest the necessity of federal government involvement [Dana and Fairfax, 1980.]

The second facet of scale is another restatement of the anti-local theme of the profession: comprehensiveness; large scale projects would dilute the regional and local position and put resource management on a footing which would permit rational management decisions. The progressive assumes that rationality requires comprehensiveness; management to meet local or non-comprehensive priorities is inherently non- or ir-rational. Kaufman's (1960) classic study, *The Forest Ranger,* explored the apparent contradiction between the forest service's nominal embrace of decentralised decision making and its fundamental commitment to comprehensive planning. The solution, more insidious in the present context than in Kaufman's description, is the 'pre-made decision'. The forest service can delegate responsibility to the local level because foresters are sc heavily indoctrinated with the core values that geographic location of authority will not alter outcomes.

(c) *Tenet Three: Fibre for Industry:* There is nothing inherent in the progressive era tenet of expertise, or in the tenet of large scale, rational, comprehensive government resource planning and management which would require a professional commitment to timber production as opposed to any of the other potential forest products. The emphasis on timber is almost wholly a product of Pinchot's advocacy of forestry. To Pinchot, forestry was predominantly (but not exclusively) silviculture. His definition 'won' over alternate definitions because of his political skills and powers.[7]

However, once the 'silvicultural bias' [Olson, 1971] was introduced by the German-trained silviculturalist, Pinchot, the momentum of the progressive era's commitment to large scale operations, and the fervour with which Pinchot set out to force sound forest management on a reluctant industry, veered the operation in the direction of fibre production, as opposed to recreation, small scale fuelwood production, fish and wildlife management, pine nut production, generation of lichens for dyes or any of the other potential 'minor' forest uses.

A major goal of the progressive forestry movement (which as noted above, can be distinguished from earlier concentration on watershed protection and Fernow's subsequent lamentations that forestry would not be practised in the United States until timber was in shorter supply) was a wholly fabricated but deeply felt fear of a 'timber famine' [Olson, 1971]. Pinchot's emphasis on 'forestry in the woods' combines with the large scale emphasis to mean forestry in large plantations for commercial production and processors.

This emphasis on timber productivity is also manifested in exclusivity. The society for range management, the wildlife society, the soil conservation society of America, and a whole host of related groups owe their existence to a long period in the history of the society of American foresters when a commitment to trees was seen as necessary to being a real forester. Disciplines or persons interested in forest uses other than commercial fibre production were literally driven out of the society [Fairfax, 1978].

The profession's commitment to large scale fibre production continues to be apparent in many facets of professional life. It begins with forestry education with its primary emphasis on wood and wood production. It is continued in the forest service which places timber production at the [cut off] of the hierarchy of potential uses.

(d) *Tenet Four: Expertise [cut off] Biology/Forestry as a Biological Und[cut off]taking:* Just as foresters' emphasis [cut off] silviculture leads them to undervalue ot[cut off] forest uses, the foresters' notion of fores[cut off] as a primarily biological undertaking le[cut off] them to view the knowledge and experie[cut off] of non-biologists as merely ancillary to [cut off] forestry mission. Political and social fact[cut off] of management are viewed as constraints [cut off] the practice of forestry rather than as [cut off] origin of the goals and values which the p[cut off]fession must achieve. Non-foresters worki[cut off] in forestry—social scientists, economis[cut off] and policy analysts—are typically viewed [cut off] technicians who can solve the foresters' i[cut off]age or 'people problems' rather than [cut off] managers or professionals who can help [cut off] the agenda for forest management whi[cut off] serves people.

There is, further, a tendency within t[cut off] profession to try to contain the particip[cut off]tion and influence of what are seen as 'ou[cut off]side' disciplines. Professional courses [cut off] sociology, political science, and law ha[cut off] only recently been accepted in forestry cu[cut off]ricula. Even now it is the norm to offer su[cut off] non-biological materials in courses taug[cut off] by persons who have been trained as fore[cut off]ters within the forestry school or depar[cut off]ment.

The caution has been reinforced by t[cut off] recruitment of non foresters—anthrop[cut off]logists, sociologists, and planners—into t[cut off] forest service. These outsiders have be[cut off] loyal to their disciplines rather than to t[cut off] agency, advocating on behalf of non-trad[cut off]tional resources such as pot shards, fisheri[cut off] resources and minerals management, dive[cut off]ting planning and management resourc[cut off] and frequently disrupting the planning pr[cut off]cess with public controversy to boot.

This rough sketch of the forestry worl[cut off]view has shown that its roots in the pr[cut off]gressive era leave the profession committe[cut off] to comprehensive large scale rational plan[cut off]ning. This has numerous consequences. Th[cut off] first is that it emphasises professional expe[cut off]tise and tends to regard the experiences an[cut off] insights of non-professionals as irrelevan[cut off] This is both because they are not profe[cut off]sionals and because they are locals. Loca[cut off] users are particularly suspect because the[cut off] are likely to be self-serving, working throug[cut off] the political process to subvert the effort t[cut off] base decisions on rational comprehensiv[cut off] planning and management. However, non[cut off]biological professionals are apt to find thei[cut off] skills equally dismissed as diversions from the commitment to non-partisan technique[cut off] Foresters define forestry as primaril[cut off]

biological in nature because they learned early on that the basic resource to be managed was the trees.

III
The Effects of American Forestry Professionalism on Forestry for Development

While professional forestry in the third world has, like the forestry profession worldwide, focused traditionally on commercial production for fibre, the large subsistence forestry sector has attracted growing attention. In either situation whether the foresters are US-trained citizens of the country or imported Americans, and irrespective of whether the foresters are involved in project design or project implementation of village or farm-level forestry or forestry on large, often government-owned plantations, the orthodoxies of American forestry professionalism can substantially reduce their effectiveness. They prevent foresters from recognising (1) who is using existing forests and trees in what ways; (2) the current use and users of lands proposed for plantation forestry; (3) the social, economic and political effects of their actions. While the effects of the four tenets outlined above are in fact interconnected, we discuss them below tenet by tenet.

(a) *The Tenet of Technical Expertise:* The emphasis on a narrowly defined professionalism reflects the belief (by no means restricted to forestry) that resource management can be separated from resource use. To the forester, loggers are not managers. While we would agree that drinking water from a well does not transform a thirsty peasant into an hydrologist, we argue that foresters overstress the distinctions. A person who makes daily decisions about forest utilisation based on detailed knowledge of the resource and shared community values regarding its allocation is a manager. For example, in subsistence forestry, management is embedded in myriad acts defining use such as observing the norm, sometimes enforced by government edict, that living trees should not be cut for firewood [Hammer, Wood et al]. Similarly, under local norms certain trees are protected from any cutting [Hammer, 1982; Mnzava, 1983]. Protection of trees may be formalised, as in the case of the Sherpas who designated community members to report anyone cutting trees without permission obtained from the village council and fined the offenders [Willan, 1967].

The woman who lops branches for livestock fodder or fuelwood is a manager whose resource use is based on traditional knowledge and an implicit management regime just as clear as 60 year rotation plan. Because the tenet of technical expertise tells them that only professionally trained foresters practise forestry, there is a real danger that many foresters will overlook not only the local person who is practising forestry but also the expertise on which the practice is based.[8]

In fact, village women are the primary users of forest commodities in most developing countries [Fortmann, 1986]. Their day-to-day hands-on involvement with forestry goes far beyond what many professionally trained foresters will ever have. Fuelwood is primarily collected and used by women with some help from children. Bennett (1981) found that in Nepal 78 per cent of the fuel collection was done by women and 84 per cent by women and girls combined [cf Wood et al, 1979]. Women often are responsible for small stock. They may gather fodder by cutting branches or graze their herds in the forest. Women are generally responsible for gathering foods, dyes, medicine, thatch and other 'minor' forest products [Colfer, 1981; Hoskins, 1980]. In the process they develop a forestry expertise on which their livelihood depends. For example, Hoskins (1982) found that women in a Sierra Leone village could identify 31 products from nearby bushes and trees while men could identify only eight.

While in sheer numbers women are most likely to be overlooked, they are not alone in being invisible to forestry professionalism. The men who cut poles for houses, roofs or fences posts or large branches for carving may be similarly unseen students and managers of the forests. This is not to argue that deforestation is not taking place or that subsistence foresters are blameless. The causes of deforestation are familiar from the US history. But even if peasants have "become obliged through forces beyond [their] control [land shortage, population growth] to become the instrument of forest destruction... [they are still] a repository of a wealth of knowledge and experience—of ecological common sense—that cannot be ignored in the quest for sustainable systems" [Westoby, 1982].

(b) *The Tenet of Large-Scale Comprehensive Government Forest Management:* Forester's training for large-scale plantation forestry using a small number of species may lead them to misconceive opportunities for local management. This has both general and specific ramifications. To illustrate, one of the specific benefits of local management is that it can reduce the problems of protecting the trees and excluding people from the land which arise when large-scale government or commercial plantations are established. Such projects may expropriate land which has traditionally been used locally for other purposes. Conflict with local priorities invites trespass or destruction of the plantation which may require considerable resources to prevent. In contrast, under local management, the mechanisms of local social control can be mobilised for protection [cf Esman and Uphoff, 1984].

More generally, many American foresters do not see that trees are part of a production system in which both the trees and the land on which they grow have multiple uses which may interfere with and be chosen over the plantation manager's preferred silvicultural practice. Small-scale local projects can be adapted to local production systems. Trees in small numbers can be planted on residential sites, on field boundaries, on roadsides and on many similar sites without interfering with the existing system or requiring excessive amounts of labour. Small plots of trees can be planted near dwellings where the inhabitants can watch over them. Large-scale plantation forestry is less adaptable.

Finally, the commitment to large-scale, government-controlled plantations has reduced the effectiveness of reforestation efforts. For example, in Bangladesh the principle that the forest department should control forest lands has led to its retention of denuded forest lands despite clear evidence that it is unable to reforest and protect them and equally clear evidence that peasant farmers plant and protect large numbers of trees when they are allowed to live on and farm such land.[9]

(c) *The Tenet of Commercial Fibre Production:* These local user/managers are difficult to see because the uses they make of the forest are likely to be viewed as 'minor' by those trained for commercial fibre production. Activities which fall outside the boundaries of this established forestry tenet are invisible to many foresters who literally do not see trees that are used as hedgerows or 'living fence poles'; trees that provide material for basketry or dyes or medicines or decorations; trees that provide sites for honey barrels; trees that provide fodder; trees that have religious significance; trees that provide shade; or trees that provide human food.

Because many foresters do not see the enormous variety in the use of trees, they frequently do not see the vast number of species that are useful. The definition of forestry as commercial conifer production has long led the California forester to define the mighty oak as a weed competing with the commercial crop. Thus, it is not unreasonable to expect that when they are overseas, they might overlook other non-commercial species altogether. In Botswana, for example, *Colophospermum mophane* is the host to an edible caterpillar during the rainy season, serves as fodder for livestock during the dry season, and provides wood for carving tourist trinkets and for firewood year-round. Since none of these activities are part of forestry orthodoxy, one can easily imagine an American forester levelling an area of mophane trees to plant something 'valuable'. Indeed, Hoskins (1980) describes an area of 'useless' bush, which had, in fact, been the source of food, fuel, medicine, fodder and material for handicrafts especially for the poor, cleared to produce trees for urban fuelwood.

Further, there is no room in forestry orthodoxy for the fact that in some places men and women may have different uses for the same tree or may use different trees for different purposes. Often men are interested in commercial species such as timber or perhaps fruit trees while women are more concerned with trees producing fuel, fodder and food for domestic use [Hoskins, 1982;

Sharma, 1981]. Women in the Sierra of the Dominican Republic use the fibre from local palms (*Sabal umberculifera* Martius and others) to weave containers. Men use the same tree for hog food. When the hog food value of these trees dropped, men began cutting the trees down for construction or for sale [Fortmann and Rocheleau, 1985].

The consequences of the tenet of technical expertise are particularly negative for women because even the forester who consults with local people is still unlikely to consult with the women. At best the result of this is that women's problems and products are not served by projects; at worst, they may actually be destroyed by them. For example, Hoskins (1980) describes a soil conservation project planned by a forester in Mali which involved building berms along the contour of a hill and planting trees. The forester had consulted with the men who held farming permits in the area and obtained their support. Fortunately during a site visit it was discovered that the hillside was not badly eroded because it was already terraced with crude stone walls. The proposed project would have destroyed these terraces which had been built by women who gardened on the land for which their husbands held the farming permits. Moreover, in a few years the trees would have shaded the land, making it useless for vegetable gardening.

(d) *The Tenet of Forestry as a Biological Undertaking:* The foresters' faith in technical solutions to biological problems ignores the fact that management in developing countries often confronts complex political issues not readily amenable to simple biological solutions [Cernea, 1981; Westoby, 1983a, 1983b]. The practice of forestry can be a powerful political or economic tool. Yet many foresters overlook the social institutions which affect and are affected by their actions.[10] For example, foresters frequently ignore the social organisation of property, particularly the systems governing trees and land. Yet land and tree tenure are critical for forestry because of the relatively long period of time necessary for the cultivation of most trees. Foresters may fail to perceive the rules governing the use and allocation of resources including trees because they run counter to their beliefs about property. Many American foresters are committed to the ideology that all property is private unless held by the government. In this ideology, once ownership is established, the owner has clear rights over what happens to and on the property. This is not even true in the US where historically property has been held in common, and restrictions placed on the use of privately-owned property [Cronon, 1983; Geisler, 1984; Sax, 1984].

History notwithstanding, firmly equipped with their beliefs about the proprieties of property, American foresters often find third world property systems confusing and probably aggravating as well. For the unwary forester there are at least four traps.

First, land may be held communally. The system for getting permission to utilise this land may involve consultation not with a single owner but with an entire community or its leaders using processes which may be lengthy and based on consensus.

Second, in systems of shifting cultivation, land in fallow (which generally appears abandoned and therefore unowned) is almost always owned by someone. Clearing this land for utilisation in a forestry project is likely to result, at the very least, in ill will.

Third, in many places the system of tree tenure is complicated. It is not uncommon for trees to be owned (and therefore leased, mortgaged, inherited and sold) separately from the land on which they grow. The rules governing the rights of tree ownership, tree use, and tree planting and the results of all these activities differ considerably from what seems common sense in western property law [Fortmann, 1985, Fortmann and Bruce, 1988]. Moreover, the rights of men and women may differ significantly. For example, among the Ibo, timber trees belonged to men while women controlled the use of food trees. Women could not inherit but had the right to be maintained from the proceeds of economic trees owned by their parents [Obi, 1963].

Finally where there is more than one social unit claiming the land (typically a national government and a local unit) *de jure* and *de facto* control over the land may be two different things. Foresters may run afoul of this either in the course of trying to manage a government plantation or in trying to carry out a government logging contract in an area used by subsistence farmers. Local people who do not recognise the legitimacy of rights conferred by an outside government have both the reason and the ability to destroy projects which run counter to their perceived interests.

Foresters, thus, suffer from their biological bias in two ways. First, in identifying a solution to the very real problem, the lack of trees, they will almost inevitably propose a simple biological solution—plant trees—when the real solution may be a political one such as land reform. Second, in implementing tree planting, foresters often miss nuances in local social relations and proceed in a way that guarantees that their project will fail or will have adverse social consequences including the exclusion of the poor and or women. [Foley and Barnard, 1984; Hammer, 1982; Mnzava, 1983; Shiva et al, 1984].

IV

Conclusions

Historical events in America led to the evolution of a forestry professionalism which is often unsuited to forestry for development. Male and female, American and third world foresters are all affected by their training in the tenets of American forestry professionalism. But while American forestry professionalism can be a liability in forestry for development, its integrity a[nd] its intensity can both be strengths. Thus, [we] are arguing that specific efforts must [be] made to understand and re-evaluate profe[s]sionalism in American forestry if forest[ry] development efforts are to be successful.

Notes

1 Although we will not try to prove that th[ey] have similar problems, other Nor[th] American and European foresters clear[ly] have similar traditions. In fact, renewab[le] resource management in the United Stat[es] was imported almost full-blown fro[m] France and Germany; first by immigran[ts] such as Carl Schenk and Bernhard Ferno[w] and later by Americans trained in Europ[e], the most widely publicised of whom is Gi[f]ford Pinchot. For the "classic" discussio[n] of the European forestry tradition in th[e] Americas, see Gould, (1964), Dana an[d] Fairfax (1980) and the references cite[d] therein.

2 Which until the early 1930s employed vi[r]tually all of the professionally traine[d] foresters in the United States. See Clepp[er] (1971) for a full discussion of the rise of "in[dustrial]" and "consulting" foresters durin[g] the early 1930s.

3 Which was a particularly traumatic decad[e] for foresters—see generally Dana and Fai[r]fax (1980).

4 Given the present debate over "privatisa[tion]" or, less drastically, greater reliance o[n] market or market-like incentives in publi[c] land management, it is difficult to believ[e] that this initial embrace of federal lan[d] ownership was so unheralded. Despite cur[rent] economists' efforts to present thi[s] apparent break from reliance on privat[e] ownership as a radical departure from th[e] standard pattern in this country, (see article[s] by Nelson, 1980; Gardner and Dowdel i[n] Brubaker, 1984) it was not generally discuss[ed] as such at the time. (See Fairfax an[d] Tarlock, 1970).

5 This familiar casting of the issues in term[s] of east vs west, reflects the messianism o[f] the Pinchot days: it is almost inevitabl[y] recast in terms of good guys (the conserva[tionists]) vs bad guys (in the extractive in[dustries], principally loggers at the time). I[t] is also one of the hardiest and most deceiv[ing] myths of the early conservation move[ment]. Pre-progressive era advocacy fo[r] forest reservations was in fact dominated by western water users in the mistaken belie[f] that forests "caused" water. It was not unti[l] Pinchot came to power that forest produc[tivity] became the watchword of forest reser[vations] (which were then renamed Nationa[l] Forests). For a fuller discussion of the cross[-]cutting stimuli behind pre-progressive era forest reservations see Hays, especially chapter 2 and Fairfax and Tarlock, 1970[:] note 106 p 534).

6 On the shift in attitudes toward regulation of land use and its relevance to public land management and retention, see Sax in Brubaker (1984).

7 Ironically, this definition includes other than trees because Pinchot was forced to strike political compromises with other

forest users in order to gain control of the forest reserves and have them transferred from the General Land Office in the Department of the Interior to his domain in the Department of Agriculture.

8 This attitude is by no means restricted to male foresters. For example, in the session on Women and Forestry at the 1978 World Congress on Forestry in Jakarta, the papers, mostly written by women, concentrated on women's participation in forestry only in their capacity as a professionally trained forester (e g, Fairfax and Witte, 1978).

9 In Bangladesh 90 per cent of all woodfuel and timber comes not from Forest Department forests but from trees grown on homesteads (Byron, n d).

10 For example, on a trip by one of the authors to study *social* forestry projects, her forester guides were astonished when she asked to speak with the *people* involved rather than simply look at hectare after hectare of the trees which had been planted.

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Theory and Practice of Estimating Domestic Resource Cost in India

Kalyan Raipuria

This paper discusses the specific deficiencies of the present DRC estimation practices in India and what can be done to improve upon them keeping in view the theoretical backdrop and recent developments. In doing so, certain estimation problems faced by the researchers are raised. It is maintained that alternatives exist to tackle the problems of estimation which should be adapted in analyses of DRC-based comparative advantage of Indian industry.

I
Introduction

THE increased use of domestic resource cost (DRC) measure in analysis of economic policy changes in India should be welcome insofar as it is aimed at efficient resource allocation, production and policy system.

The initial attempt made in Israel and discussed by Bruno [1967 and 1972] to use DRC measure, with some developments in recent years, was in connection with efficient planning of the external sector and evaluation of projects involving substantial foreign exchange in the face of 'imperfections' of factors and commodity markets and more importantly of foreign exchange market. The Indian economy characterised by these imperfections apparently presents a good case to apply the DRC measure.

With increasing complexity of issues of industrial policy [Alagh, 1988] and several policy changes recently initiated by government,[1] DRC measure has come rather handy for analysis of issues in hand which is indeed superior to the criterion of net foreign exchange earnings. This is clear from the reports of the three recent official committees which had gone into (i) the issues of trade policy [MC, 1984], (ii) the principles of a shift from physical to financial controls [MF, 1985 A and B] and (iii) rationalisation of tariffs on capital goods [BICP, 1985], as also from the policy framework for the Seventh Five-Year Plan, 1985-90 [PC, 1985]. The first, known as Abid Hussain Committee [MC, 1984], has observed that "the prices of domestically produced importable inputs have remained higher than corresponding world prices because domestic resource costs have not been an important criterion in the formulation of import policy" (p 5). The second, known as Narasimham Committee [MF, 1985 A], has gone a step ahead and has recommended that "import substitution activities, where net foreign exchange savings are small but domestic resources costs are high, should not be encouraged" (p 6). The theory and practice of estimation of DRCs were, however, left by the committees to be handled by the concerned authorities on policy procedures.[2]

In the above context, it is necessary to examine the exact practice followed in DRC estimates in recent studies. The practice may be counter-productive if the measure is misapplied leading to undesirable/inoptimal policy changes in a low-income developing country like India. In the seventies, certain studies estimating DRCs in the Indian context showed their usage as well as the limitations for *ex post* evaluation [Bhagwati and Desai, 1970; Panchamukhi, 1970; Staelin, 1971, 1973 and 1974; Bhagwati and Srinivasan, 1975; Nambiar, 1973 and 1978]. Notable was the advancement made in tariff plus non-tariff based prices, by Panchamukhi, in analysing DRCs for Indian industries under QR regime [Ch 17 of Bhagwati and Desai, 1970 and Panchamukhi, 1978]. An extensive use of DRCs across sectors in analysis of import substitution strategies based on QR regime in NBER strategies [Bhagwati-Krueger, 1978], however, attracted serious criticism by the Indian planners and cost-benefit analysts that quite apart from measurement problems, misallocation inference from varied DRCs "ignore the complexities of general equilibrium analysis and possible non-linearities in the valuation of inputs and outputs" [Desai, 1978]. Further limitations and analytical possibilities for analysis of trade policy were indicated later by some viewers [Kelkar, 1980; Ali, 1980; Kelkar and Raipuria, 1980; Ray, 1983; and Chandra, 1986]. The present paper, focusing on the recent DRC applications in India, aims to discuss their major deficiencies and analytical possibilities in some detail keeping in view the complexity of the given macro-level and industrial planning and policy formulation process.

The factor, commodity and foreign exchange market imperfections which led Bruno and others to evolve the DRC measure are not only applicable to a developing country like India, some of them also exist in so-called market economies. What is emphasised in this paper is that the specific nature of these imperfections in a developing country should be kept in view in applying the DRC measure entailing analysis further to Bruno. It is contended that a simplistic application and analysis of DRC which may bring discredit to the theory itself must be avoided, and that an extended analysis is imperative to account for the given context and the basic and structural characteristics of the economy under review.

The plan is to discuss first the theoretical backdrop and recent developments (Section II), followed by the recent practice of DRC applications in India (Section III) and a suggestive concluding section on what can really be done in the Indian context (Section IV).

II
Theory: Recent Developments

The theoretical backdrop of DRC measure has been discussed at length in a Symposium, contributed among others, by Balassa, Bruno, Krueger and Schydlowsky [JPE, 1972], aside from in the original contribution by Bruno [1967] and Balassa-Schydlowsky [1968 and 1972]. The empirical research which followed also contributed to certain aspects of DRC theory. Important theoretical contributions of the extended nature of DRC measure include those by Bhagwati and Srinivasan [1973 and 1979], Pearson[1976], Srinivasan and Bhagwati [1978], Schydlowsky [1984] and Warr [1982 and 1983]. The present discussion does not aim to review these contributions. However, it is necessary to recapitulate the important points coming out of them which are directly relevant to applying the DRC in practice for policy analysis.

The basis of Bruno's original contribution on DRC, estimated as cost-benefit criterion based on accounting prices, was the need to express country's comparative advantage, i e, relative 'efficiency' *vis-a-vis* the rest of the world for a developing country, given (i) the basic analytical problems arising due to (a) division of macro-micro policy decision-making in regard to investment in government; and (b) the bias arising due to use of market prices of primary factors of production: labour and capital, utilities, and foreign exchange; and (ii) analytical necessities are emerging due to interdependence in an economy though a sectoral investment decision is being undertaken. The latter meant "direct and indirect effects on other sectors, both in terms of derived input demand from other industries or primary factors of production, and in terms of increased supply of the new commodity or service produced" [Bruno, 1967]. This is in view of the need to take dynamic and comprehensive view of 'efficiency' in the context of national planning especially external sector planning.

Recent Developments

Some of the later contributions, however, ed to the impression that it is futile to aim t tackling the basic analytical aspects due nainly to the critical problems of estimating ndirect inputs, imputed capital costs (and heir import content), accounting prices and ndustrial structural rations. The lgebraic/numerical similarity between DRC and ERP measures was another reason. The additional reason was controversy about reatment of non-traded inputs being exclud-ed/included in value added (*a la* Balassa and Corden respectively). It was found, for example, that DRC estimates do not have "a greater claim of legitimacy" with use of shadow prices [Bhagwati and Srinivasan, 1976] and alternative measures of DRC were derived in the presence of the empirical problems of accounting prices which almost negated the very use of them. Thus, what we find today is the measure being applied in analysis of trade and tariff policy changes by way of estimating simple ratio of domestic and international value added, frequently for only one point-of-time, mostly at market prices. The use of appropriate shadow prices were still recommended for "sensitivity analysis" and especially if we wished to get our DRC estimates closer to the "time cost-benefit oriented measure" [Bhagwati and Srinivasan, 1975]. Whether such approach is "welfare improving" or not is in fact a matter of discussion on implementation of shadow prices in reality. Indeed, systematic computation of appropriate shadow prices remains a major analytical and quantitative enterprise in itself. But economists' enterprising talents have not been lacking, in theory and in practice.

Problem of Cut-off-Point

It was recognised in the original writings on DRC that the DRC as criterion can be used to distinguish between activities/projects with positive/negative/nil net social benefit defined as DRC shadow exchange rate (SER), DRC > SER, and DRC = SER respectively, assuming that SER can be systematically estimated and that SER takes the activity to break-even. In a number of studies, the activities were ranked according to DRC and activities with high DRC were criticised to have been promoted by government leading to resource misallocation *ex post* [Bhagwati and Desai, 1970; Bhagwati and Srinivasan, 1975; Panchamukhi, 1978; Staelin, 1974; ICICI, 1984; and Nambiar, 1977 and 1983]. Such studies show that DRC analysis can be done even without SER.

Whether the determination of acceptability of an activity/project requires SER or not is a question dealt with recently by Warr [1983]. According to him the problem is that when *ex ante* more than one of a class of a mutually exclusive projects meets the cut-off-point criterion, a choice must be made among them. In IRR (internal rate of return) and in BCR (benefit-cost ratio) also cost and benefits are computed and projects are ranked by this. But, it may not give the same ranking as given by NSP (net social profitability) itself. Thus, Warr observes, "all three criteria, IRR, BCR and DRC are capable of distinguishing desirable projects (NSP > 0) from undesirable ones (NSP < 0); *but none of them can be relied upon to rank a set of mutually exclusive projects correctly*" (emphasis added). This he shows by considering the linear relationship between NSP and SER with positive slope, i e, DRC denominator—the project's production and use of tradeables at 'border' prices and foreign exchange numeraire but converted in domestic currency numeraire using SER; and negative intercept, i e, DRC numerator—the project's cost of the non-traded inputs, 'labour' and 'capital', evaluated at 'second-best' shadow prices in domestic currency numeraire. In a situation of expanded number of activities/projects, SER estimate is indeed required. According to Warr, SER must be used to rank the projects, not simply to provide the appropriate cut-off-point. Thus, Warr feels that the empirical advantage of using the DRC without SER estimate is lost. What Pearson [1976] argued is that DRC has a major advantage over NSP as DRC does not depend on the choice of SER and that SER has to be used to provide a cut-off-point when the DRC of the least socially profitable project *ex ante* is just less than the exchange rate.

We feel, accepting the use of shadow prices, including SER, the DRC criterion remains preferable due to superiority of its analytical framework for a country's 'comparative advantage' among different activities and for helping the policy-maker to study 'make or buy' choices relevant to the industrial activities whose inputs and outputs can be evaluated at appropriate world prices and which entail significant foreign exchange.

Extended Applications

While the primary area of application of DRC estimates has been trade and tariff policy, recently this measure has been applied in many other related areas. In doing so, the authors have adopted and extended the methodology. One of these uses is in evaluating education programmes for purposes of indigenisation [Monson and Pursell, 1979]. Such programmes are likened to import-substitution in a developing country where local labour is expected to replace previously imported skilled foreign labour. In applying to the problem of expatriate labour replacement in the case of Ivory Coast, the researchers have duly considered the original tenets of the Bruno method, i e, evaluation at shadow prices and analysis in terms of "accept/reject the ith project". These researchers present the analysis in an attractive fashion insofar as the analysis is akin to social cost-benefit appraisal of social services, which is rather a complex area for quantitative analysis.

Yet another area in which the DRC has been applied recently is the *ex ante* analysis of projects aiming exclusively at exports [TDA, 1975]. Since every project consists of a stream of benefits and a stream of cost over its chosen time, commercial profitability has been analysed in the framework of benefit-cost analysis. Since the main benefit of such projects is foreign exchange the expected foreign exchange output from the project is compared with the cost of inputs, and labour and capital imported from the mainland in the project zone or island. The DRC, then, is estimated on the basis of capital cost, capital recovery period, and the applicable, interest rate. The benefit, i e, foreign exchange output inlcuding earnings from utilities and *entrepot* trade are added and compared with the import and other costs, and net benefits estimated in the DRC format. Such analysis, of course, has certain problems insofar as it is put in the CBA format.

The third kind of new application of DRC is in terms of CBA, attempted by several researchers in the context of project appraisals and the same shortcomings follow. In addition, some of the benefits being of black-box nature, crucial assumptions are made regarding flow of benefits which can only be subjective in many cases.

These new applications, however, do indicate the increased usefulness of the DRC measure. But, since the measure is being applied in heterogeneous areas, with/without the necessary discussion of the macro-micro context and adjustments, one has to be very cautious in applying these in the Indian context.

III

Estimation Practice in India: Recent Studies

A review of the DRC estimates, made on *ex post* basis, by the international and national organisations/individuals, in the eighties, leads us to believe that this measure has become a short-cut method to derive conclusions on changes in industrial and trade policy as also on tariff calibrations for future in regard to the select industries taken up for some *ad hoc* study.

There is a clear shift in approach from DRC ranking across-the-sectors [*a la* Bhagwati and Desai, 1970; Staelin, 1971, 1973 and 1974; Panchamukhi, 1978; ICICI, 1977; Bhagwati and Srinivasan, 1975; Nambiar, 1977 and 1983 and NCAER, 1983], to the estimation of DRC for an industry earlier done by Krueger [1970] for automobiles in the context of import-substitution analysis of an industry. While the former were beset with certain shortcomings primarily arising out of problems of estimating domestic and international prices on a uniform basis and the availability of relevant contemporary input-output table to account for direct and indirect inputs; the latter abounds with some additional shortcom-

ings, theoretical as well as empirical, turning them misleading. They are discussed in brief, in the para that follows.

The recent DRC estimates according to an industry are of three types: firstly, those which primarily consider the ratio of domestic and international value added in an industry in estimating DRC and ERP (=1−DRC), with minimal value/price adjustments [applied in capital goods in World Bank, 1984; BICP, 1988; BICP studies quoted in Alagh, 1989; etc], secondly, those using the ratio method in regard to an industry analysing also the components of value added and production unit-wise comparisons of DRC [CEI, 1985]; and thirdly, those which discuss DRCs on the basis of ratio method covering the comparable products of an industry [Ray, 1983].

MAJOR DEFICIENCIES

Some of these studies [World Bank, 1984] show the awareness of the need to consider the shadow/accounting prices and provide the sensitivity results in their regard but remain partial and static in analytical sense.

What is common in the recent studies, in general, is their focus on one point of time (and thus on purely static analysis) and an industry or selected sub-sector level estimates of domestic/international value added ratios as DRC measure and ignoring details of the relevant general equilibrium and macro-context of the economy; consideration of the traded and non-traded/non-tradeable inputs as part of value added with appropriate pricing; accounting as far as possible of the indirect (second, third and further rounds), domestic and imported inputs using input-output analysis, least of dynamic input-output analysis; and adjustments in respect of shadow prices, exchange rate and risk changes effecting the expected profitability aside from DRCs; and the varying rate of inflation. These studies do not recognise the structural factors lowering value added in relation to cost of capital, e g, under-utilisation due to sunk capacity, and demand shortages and other factors beyond the control of entrepreneurs, the cost-raising factors like excess inventories which arise due to shortage of raw materials and components, and the production bottlenecks such as interrupted power supply which are also beyond the control of the producer. Furthermore, such studies ignore analysis of the structural characteristics of the industry such as capital-output ratio, capital-labour ratio, capital/labour-value added ratio, non-tradable inputs-value added ratio, etc, faced with serious technological alternatives in the present industrialisation [Alagh, 1988]. We have found that analysis of 'backward', 'forward' and other linkages along with factor-intensity, ratio of wages/value added and employment identified in the linked industries indicate the growth effects of an activity in the macro context which throws further light on its acceptability to the planners. The sensitivity analysis in respect of the estimated current price elasticity of demand and supply in detail is also not attempted. They do not make any distinction between general Convertible Currency Area (GCA) and Rupee Payment Area (RPA) attracting different 'true' values of exchange rate at different times. The different considerations arising in respect of short run and long run loss on account of credit, domestic and foreign capital cost of non-traded inputs and fixed wage cost in short run DRC estimates are also ignored.

Discussion on some of these considerations was earlier provided in Paul and Mote [1970], Paul [1971], Bhatt [1972], ICICI [1978], Ali [1980], Kelkar and Raipuria [1980], Ray [1983], and Chandra [1986]. How most of these considerations can be included, the desirable adjustments made and analysis advanced in regard to DRC estimates in an integrated manner, was demonstrated by Raipuria [1977] taking an industry case in some detail which could be extended across industries. In what follows, we discuss the major ones of these in brief.

MACRO CONTEXT OF DRCs

Let us take firstly the present macro context in which we are concerned with efficient import substitution and export promotion and which is part of the Seventh Plan policy framework. The Plan recognises that due to quantitative restrictions, "a large number of import products are replaced at a much higher domestic resource cost (DRC) than would have been involved in acquiring equivalent foreign exchange through exports" [PC, 1985, para 6.43]. The Plan proposes to promote trade, minimising bias against exports and maximising only efficient import-substitution. Obviously, this presumes a DRC analysis across the sectors to identify products where licensing should be reviewed and duties/incentives should be rationalised.

But, as the Plan recognises, this is subject to the extent demand structure (and also supplies) can be influenced. It further states that "balance of payments difficulties stemming from the structure of demands cannot be overcome simply by correcting the existing policy bias against exports; for that would only shift resources from import substitution to exports whenever the latter are more competitive internationally. Thus, in addition other measures will be needed which are designed to restrain generally the growth of domestic requirements of import substitutes and exportables (other than wage goods/essentials like foodstuffs) as well as to strengthen the production base for both" [PC, 1985, para 6.4].

Thus, the demand/supply schedules (say, by way of material balances) projected for the Plan period become highly relevant in analysis which are based on certain parameters notably demand elasticity with respect to income and price, both in turn affecting DRCs. Furthermore, the above macro context also means that given high DRCs of a number of sectors, further analysis of the dynamics is necessary in a developing country like India as what is today high DRC and incompetitive activity may turn out to be competitive tomorrow and that closure of these activities simultaneously is out of question economically (keeping in view the foreign exchange constraint, in an 'open loop' macro framework) and politically (especially in view of employment implications) as it would mean a kind of 'corner solution'[3] on the standard transformation curve given by the production function of two resources say, labour and capital for production of two final goods. There are also important considerations of employment, technology, energy-saving, acceptable long-run resource depletion, etc, emerging from the macro context which should be kept in view in DRC analysis. Given a large share of wage goods and essentials in total production where the necessary reform measures guided by DRC, are difficult to take, the area left for DRC-based policy measures is, in fact, very limited to exercise the make/buy choice.

ANALYSIS OF INPUTS AND OUTPUTS

The direct and indirect inputs need careful analysis through industry-level studies as well as input-output table. Since different inputs continue to face different demand/supply situations, market patterns and pricing policy regimes [Alagh, 1987 for the latter] in India, they need to be taken into account in adapting prices. Mostly, non-traded/non-tradable inputs are supplied under state aegis or are under one or the other kind of government control which means that the area of difference between administered and 'true' prices need to be identified. DRCs indeed show significant sensitivity to treatment of non-traded inputs.

Input-output analysis shows industries of three types: In certain industries, the process line is pretty long and direct inputs apparently constitute major proportion of value of total supplies of inputs, but indirect inputs are crucial to whole cost-price structure (e g, man-made fibres/fabrics). In second type of industries, the process line is short and there are few significant direct inputs but there is a series of indirect inputs which in fact constitute the major share of input value (e g, POL, sugar, cement). In the third type of industries, given long/short process line, non-traded inputs and one or two raw materials constitute major share of input value, and indirect inputs are little (e g, aluminium) [see CSO, 1981, Annexure 7]. These differences need to be highlighted in the cost-price adaptation. In all these industries, the share of imported inputs also need careful analysis covering capital inputs.

In imputing the cost of inputs, it is also important to look into the 'outliers', while dealing with a short period of analysis, which may arise due to transient policies and/or market conditions.

It is crucial to gauge the dynamics of

technology if it may change the prices and intra-industry product-mix in some 'discontinuous' fashion to disrupt the DRC estimates.

It is also important to adapt/estimate the domestic and world prices carefully and examine the relationship between changes in prices and those in import and tariff policy, exploring the nature of not only the home market but also the character of the foreign market.[4] It is our experience that discussion with the concerned authorities (like DGTD, BICP, CCI & E, CBEC and public sector corporations) which are equipped with technical and experienced personnel may be found rewarding in addition to select use of now available array of publications on manufactures' production and prices.

ADJUSTMENT FOR 'REAL'/'TRUE' PRICES

Adjustment for 'real'/'true' or shadow accounting prices of factors, inputs and foreign exchange is one of the basic tenets of the DRC and is associated with the origin of the concept. The shadow prices are being increasingly employed in programme evaluation as well as project appraisal in the context of the developing countries, despite conceptual and estimation hazards. While it must be conceded that firm and widely acceptable estimates of such prices are rarely available, certain location-bound and programme-based prices or those based on partial equilibrium analysis of the economy have been in use for long in the recent literature on benefit-cost analysis. In adjustment for shadow prices, the consideration is not of welfare increasing/decreasing of the citizens at large or a target group, nor it is academic sophistication as has been argued [Bhagwati and Srinivasan, 1975, and Bhagwati, 1975]. The primary objective is to bring out the elements of imperfections in the factor, commodity and foreign exchange markets characterising a developing country particularly of the type of Indian economy.

The approach to adjust prices for these imperfections is in line with the basic growth theory which discusses the scarcity of capital, sub-optimality of savings rate and unlimited supplies of labour, high premium of foreign exchange notwithstanding. The DRC estimates which ignore the shadow prices lose the basic tenets of the DRC methodology. Bruno [1967], originally formulating the DRC criterion for optimising import substitution/export promotion activities, was inspired to use shadow prices, knowing fully well the limitations of the estimation, by way of analysing a whole series of projects "with given shadow/accounting prices and then review the latter intuitively on the basis of the overall analysis of factor demand and supply".

In the recent major cost-benefit analyses, indeed shadow/accounting prices (economy-wide and sectoral) have been used with advantage in arriving at reliable social value of the projects/ activities [e g, in a number of the World Bank studies, Little and Scott, 1977] and have been found meaningful for policy analysis. The different ways of implementing accounting prices have also been discussed in some detail [Little and Scott, 1977]. Recognising the estimation hazards especially of information (and not so much in view of the conceptual problems), Tinbergen has suggested the trial-and-error method of estimation of shadow prices [Tinbergen, 1955]. Compared to (initial) market prices, these 'second-best' optimum prices, reached by iteration until equilibrium is reached, following the rule of marginal social cost (payment to foreigners if imported or change in consumption).

Alternatively, use may be made of estimated constant adjustment factor to market prices entailing much less informational problems. This would, of course, be of lesser value than 'second-best' optimum. 'First-best' optimum prices are expected to be obtained on the basis of non-linear programming models. But, the 'objective function' and constraints need to be carefully looked into in the light of the present economic problems. Little and Mirrless' advice for foreign exchange equivalent shadow prices has been popular recently. They may or may not approximate to the optimal shadow prices as much depends on empirical analysis attempted in respect of exchange rates and border/world prices which cannot be taken on their face value.

The available estimates of shadow prices in developing countries show consistent estimates [see for a note on India, Raipuria, 1977, being updated for recent research] lower in regard to labour, and higher in regard to capital and foreign exchange, shadow prices of capital being much higher than the market rate of interest, the shadow rate of labour being sufficiently lower than the market average wage payment to labour and there being significant premium of foreign exchange (considering convertible or hard currencies) all supporting the need for shadow prices. However, the choice criterion for selection of particular set of prices should be the consistency of their analytical framework with the macro/planning framework of the country. Underestimation of capital cost and overestimation of labour-cost, on the basis of market rates, are not likely to cancel each other due to different shares of the factors in value added and differentials in capital/labour ratios among different activities clear from empirical studies in the past [Staelin, 1972]. By now, in India, the use of consistent adjustment factor in place of the exact shadow prices appears to have come to stay in BCA and in DRC/ERP studies in terms of sensitivity analysis [e g, CEI, 1985 and Pursell, 1987], and study with/without premium/discount [Narain, 1987].

USE OF WORLD/BORDER PRICES

Why prevailing world market prices cannot be taken on their face value? The well known reasons include serious imperfections in the world market structure, tendency for dumping in certain products by producers of the developed countries, possibilities of transfer pricing by TNCs; and increasing trend in favour of counter deals hiding the relative price position over time; reflecting more of the bargaining power of the barter dealers, world prices representing a preference function of the industrialised countries notwithstanding. The imperfec-

tions relate not only to statistics even if they are weighted, but also to supply structure, to the availability of number of buyers, quality and technology differences, information about demand/supply and prices, and above all to payment clearing as many of the supplies are tied to credit/aid. In very few cases such as primary commodities one finds the information about really competitive world prices. There remains the problem of wide fluctuations, partly due to imperfections, and partly due to business cycles. Forecasting of world prices, compared to home prices, therefore, is a more hazardous task. The problems of search for 'true' prices, therefore, are only compounded when use is made of the world prices.

Terms of Trade and DRC in DCs

With the observed significantly higher growth of manufacturers of the developed countries *vis-a-vis* of developing countries, over long run, international value added of major manufacturers are likely to be on the higher side compared to the value added manufacturers in the developing countries. One can question, therefore, the estimation of DRC and ERPs based on mere value added comparisons based on world prices, without the adjustments implied in DRC analysis of comparative advantage. The unadjusted value added comparisons are likely to suppress the comparative advantage of the DCs in certain activities (especially in import substituting) emerging from their natural endowments, low-cost hard working labour, insignificant R and D and low foreign expenditure due to borrowed technology. Thus, the observed terms of world prices and present international trade of the DCs should not be allowed to lead to over-estimation of DRC and suppress their inherent comparative advantage in certain manufactures. The comparative advantage as is frequently indicated by the ratio of world value added and DCs' domestic value added is indeed highly misleading defeating the very purpose of external sector planning.

Price Elasticity, MR and DRC

Considering that manufacturers by nature of demand and supply are likely to be price elastic, analysis of elasticities in DRCs based on particular prices (i e, average revenue, AR) is highly useful in order to cross check the assumption of infinite elasticity. If the price elasticity (η_p) is in fact not finite, we are faced with a differential between average and marginal revenue (MR). Bruno suggested [1969] that in such a situation we should consider MR ($=AR.1-\frac{1}{\eta_p}$) rather than R. According to Bruno,

> In principle one should allow for a margin of error. The best procedure, most probably, is to analyse the project under alternative assumptions as to future world prices and work out the sensitivity of the results to changes in these assumptions. If, for example, the commodity in question has a very high total import content a relatively small fluctuation in the price of the export of import goods may upset one's conclusions completely.

The same issues arise in estimating costs. The elasticity of foreign supply of importable inputs may not be infinite. This is especially relevant, as Bruno observes, when importable inputs constitute a significant proportion of costs and "when these are highly sensitive to the assumption about the price or unit input of some major factor of production."

It is also noteworthy that shifts in demand schedules are not independent of shifts in supply schedules, and the supply of exports depends, *inversely* upon factors affecting the internal demand for the product, and *directly* upon factors affecting the total supply schedules for the type of product exported by the producers. Therefore, supply elasticity is also worth considering in reaching any policy conclusion based on the DRC estimates.

The elasticity consideration is also relevant to the estimates of foreign exchange benefits and to the comparison of DRC and SER, for if the elasticity of demand for the country's foreign exchange with respect to growth of the economy is not infinite, we should consider marginal SER.

It is found that[5] DRC declines with high price elasticity and becomes negative with low price elasticity (meaning that activity is not socially acceptable at any shadow exchange rate). DRC remains at the level of estimate when price elasticity is very high, i e, more than 3 or so.

Distinction between Currency Areas

Yet another issue is whether a distinction needs to be made between trade with the convertible currency area (CCA) and the inconvertible area, that is, the bilateral trade area (BTA) or the rupee payment area (RPA).[6] The BTA represents, in common parlance, the 'bloc' countries or the Centrally Planned Economies (CPEs). To the extent the export earnings facilitate necessary imports from both CCA and BTA, such a distinction is unnecessary. However, it is widely believed that the degree of freedom to operate at world prices, besides convertibility, is less in the case of the BTA than in the case of the CCA. Some more arguments can be advanced in favour of making a distinction.

The extensive trade of the CPEs with one another at the expense of trade with non-block nations is attributed by Holzman [1974] in part, to "the unwillingness of non-bloc nations to adapt themselves, without a charge, to large-scale trade with the CPEs, under the CPE ground rules". The fact that the imbalances among bloc nations are settled in convertible currencies or gold implies a premium on the CCA. It also amounts to paying a charge of discount on bloc currencies. "The actual statistical picture", according to Holzman [1974], "shows bloc exports to the west at lower prices and import from the west at higher prices than those prevailing in intra-block trade. This is believed (to be) the result largely of western discrimination against and controls over trade with the east".

Holzman [1974] gives many other strong reasons for making the distinction between CCA and BTA. He says, for example, that extra effort (or cost) is involved in trading with the CPEs. It is possible to enter into trade with countries of the western customs union by surmounting tariff barriers, but it is very difficult to break into the planned intra-bloc trade regardless of cost advantage or need. Moreover, state traders of the CPEs have much more power for driving a hard bargain (subject to a given share in the world market and assorted elasticities) than even private monopolists. Further, since the CPEs are more interested in imports than in exports, the burden of achieving a well-balanced trade largely falls on the trading partner. Holzman [1974] observes that "this may involve accepting in payment goods of lower priority and higher price than are available elsewhere in the world market". Further, inconvertibility remains a constraint on multilateralisation of trade.

For the above reasons, it is only natural that bloc currencies should sell at a substantial discount relative to western currencies and gold. Likewise, the SER may work out to be lower in the case of the BTA than in the case of the CCA. The SER estimate should, therefore, be weighed according to the existing and projected shares of the CCA and the BTA in the total trade. Alternatively, export earnings may be valued by applying different SER in the case of the CCA and the BTA on the basis of their respective shares in exports.

Imports for Exports

In the projects for approval especially in the export-oriented projects, net foreign exchange earnings (NFEE) criterion is generally applied in India. Thus, we may have the following investment rules:

(1) The scale of the activity may, if feasible, be expanded so long as NFEE is non-zero, and
(2) The activities may be expanded, if feasible, to levels where they result in the same NFEE.

If Rule 2 is satisfied, the planners seek to maximise the net foreign exchange earnings from the investment. Resource allocation is 'optimal' in terms of NFE, defined as exports, direct and indirect, minus imports direct and indirect. Indirect exports and imports are computed with the help of the input-output table of the country.

The criterion of DRC is indeed superior to that of NFEE or dollar 'value added' criterion[7] prescribed in import policy, particularly in case of a project which is primarily export-oriented and which involves

large imports (e g, in 100 per cent export-oriented units, selection of which presumes the country's comparative advantage). DRC facilitates consideration of the social cost of the net foreign exchange earned from such a project.

IV

Conclusions: More Can Really Be Done

Considering the emphasis laid, by the recent high-level official committees on industrial and trade policies, on DRC analysis for comparative advantage of Indian industries in India, the present paper has brought out the need for more careful estimation of DRCs. It is found that the practice followed in the recent empirical work done by the international and national organisations/individuals leaves much to be desired in terms of following the appropriate theoretical basis, necessary adjustments and extensions, and drawing conclusions in respect of comparative advantage of the selected industries. It is maintained that, in view of the basic tenets of the DRC framework propounded by Bruno et al, and clarified in the follow-up discussions, careful use need to be made of the parameteric estimates (like price elasticities) required in making necessary adjustments in input and output prices and factor evaluation. It is felt that more can really be done to strengthen the DRC analysis in order to draw really meaningful policy conclusions. They include necessary adjustments in respect of 'true' prices of factors of production and foreign exchange, adaptation of appropriate border and domestic prices, exchange rate and risk, and inflation; sensitivity analysis for price elasticity; complimentary analysis of industrial structural ratios; and projections into potential DRCs taking into account the unfavourable terms of trade of DCs and 'learning by doing' effect is important in development process, all in the macro context of the industry under consideration. The macro context is extremely important to take into account insofar as the choice in industrial development may not only be 'make or buy', but also 'buy, learn and make' and/or 'buy, make and back-sale'.

We believe that the present band of practising economists, econometricians, programmers and modellers in India,[8] information technology, and research financing, if motivated and given due priority, would not find it difficult to develop a database and analytical framework for readily usable and 'rolling' estimates of parameters (viz, price elasticity) and updated input-output and import coefficients, we mentioned in the present paper for what more can be done in regard to DRC analysis, so crucial for planning and policy formulation.

How a specified database is important is corroborated by the need to have DRC estimates on the basis of a reasonable number of observations. It is highly risky to draw any firm policy conclusions on the basis of one or two observations.

Indeed, the DRC criterion is found to be superior to the criterion of net foreign exchange earnings applied in evaluation of industrial and trade activities which has been the mainstay of sectoral and project appraisal as part of Indian planning and policies. However, this superiority of DRC criterion is achieved only if necessary care is taken in adopting the analytical framework.

Given the manifold objectives of Indian planning, DRC analysis can only be a guide to industrial development, and thus should be found useful to locate the industries/projects which fall in the segment of reasonably low DRC area which compared with the 'true' value of foreign exchange continues to be one of the biggest constraints of growth viewed in a open-loop system of multi-sectoral framework. Once an appropriate DRC framework is followed, for optimal industrial development, it is also essential that a symbiotic link for harmonisation is developed among the planning and policy procedures, covering industrial licensing, trade, tariff and financial policies.

TABLE A

η*	Multiple $1-\frac{1}{\eta}$	MR = P $(1-\frac{1}{\eta})$ (P = Rs 1.4)	DRC $1-\frac{1}{\eta}$ (DRC Rs 6.8)
0.25	−3.00	−4.20	**
0.50	−1.00	−1.40	**
0.75	−0.33	0.46	**
1.00	—	—	**
1.25	0.20	0.28	34.0
1.50	0.33	0.46	20.6
1.75	0.44	0.61	15.4
2.00	0.50	0.70	13.6
2.25	0.56	0.78	12.1
2.50	0.60	0.84	11.3
2.75	0.64	0.89	10.0
3.00	0.66	0.92	10.3
3.25	0.69	0.97	9.8
3.50	0.71	0.99	9.6
3.75	0.73	1.02	9.3
4.00	0.75	1.05	9.1
4.25	0.76	1.06	8.9
4.50	0.78	1.09	8.7
4.75	0.79	1.11	8.6
5.00	0.80	1.12	8.5

Note: Estimated P and DRC (average) of cotton textiles in India [Raipuria, 1977].
* The minus sign is ignored customarily.
** Negative DRC which implies that the activity is not socially profitable at any shadow exchange rate.

Notes

[This paper has been prepared in the author's personal capacity. The usual disclaimers follow.]

1 A review of these found in the various issues of annual *Economic Survey* of Ministry of Finance and in the *Annual Reports* of the Department of Industrial Development, Ministry of Industry, and Ministry of Commerce.

2 In fact, according to BICP, there is *no symbiotic use*, in the current procedure, of the concept of DRC in awarding licences. *The Economic Times*, July 19, 1988, p 1.

3 Chakravarty [1971] has illustrated how the concept of 'corner solution' can usefully be employed in analysis of India's political economy, given the plurality of environment pronounced after Second Five-Year Plan period.

4 It is shown by Nambiar and Mehta [1987, followed by interesting discussions in the same journal] that "there appears to be an asymmetrical link between tariff rate and the relative foreign prices; the latter has a tendency to be low when tariff is high and conversely tend to be high when tariff is low", and that substantial tariff reductions in the presence of imperfections in this world market are suspect; the foreign produce would rob some, if not all, the benefits of such tariff reductions.

5 How sensitive is marginal revenue (MR) and DRC to price elasticity is shown in Table A.

6 Kornai [1967] introduced two separate balance of payments constraints accounting for Hungary's trade with eastern and western capitalist blocs, on the basis of varying degrees of convertibility between currencies.

7 For example, as defined in the context of present import and export policy for export houses and trading houses [MC 1988 A, Para 212] and for 100 per cent export oriented unit scheme [MC 1988 B, Appendix XXIII-A].

8 Klein observed in this regard while delivering the Silver Jubilee Lecture at the Institute of Economic Growth [1984] that "there is nothing in India like the long-standing Mexican model project that has been used on a replicated basis for projections and policy analysis for India with frequent updating" while "The people are here in India. The hardware is becoming increasingly available, and Indian statistics are excellent."

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Applicability of Monetary Approach to Balance of Payments

V S Raghavan
M K Saggar

THE view that money market disequilibrium plays a fundamental role in the determination of balance of payments (BP) has gained considerable importance in economic literature in the past three decades. In what has come to be known as the Monetary Approach to BP (MBOP), it has been propagated that BP is essentially a monetary phenomenon. Disequilibrium in BP is the direct consequence of mis-match between demand for money and supply of money. Furthermore, a major proposition of the MBOP is that a devaluation will be successful unless accompanied by an equiproportionate expansion in domestic credit.[1] The MBOP, developed by the economists associated with the 'Chicago Workshop' in the sixties and early seventies, soon became the cornerstone of the stabilisation programmes sponsored by the International Monetary Fund (IMF).[2] In fact, the Fund has been an ardent advocate of the approach in case of developing countries, notwithstanding its stagflationary potential and the questionable causality from domestic component of money to net foreign assets.

Recently, in a case study of India, [Kannan, R, 'Monetary Approach to Balance of Payments—A Case Study of India, 1968-85', *EPW* Vol XXIV, No 4, March 25, 1989, pp 627- 636] an attempt has been made to test whether disequilibrium in the domestic money market exerts any influence on the balance of payments. Applying the MBOP, the author estimates the reserve flow and sterilisation equations and uses Granger and Sims causality tests to show that the direction of causation runs from domestic credit to international reserves and not vice-versa. The author concludes on the lines that the state of equilibrium or disequilibrium in the Indian money market had a dominant influence on India's international reserves or, in other words, the MBOP seems relevant in the Indian case.

It is our considered view that the results of the study needs to be interpreted with considerable caution. The MBOP subsumes all monetary and non-monetary factors under 'money'. This oversimplifies BP analysis and limits its usefulness as a guide to policy-makers. More importantly, the characteristics of the Indian economy are inconsistent with the conditions which make MBOP relevant. Also, our own empirical results are at variance with those of Kannan and show that the theory of MBOP is not an appropriate model for explaining movements in net foreign assets in the Indian case.

Historical Perspective

The MBOP dates back to David Hume [1752] and the classical price-specie flow mechanism. Its contemporary revival can, however, be traced most notably to the works of Harry G Johnson [1958] and F H Hahn [1959]. Johnson relied on generalisation of the 'absorption approach' to show that BP-deficit is monetary in nature resulting from dishoarding of domestic money by residents or credit creation by monetary authorities. The deficit associated with dishoarding or the increasing velocity is self-correcting as cash balances are run down as a consequence of external deficit. The deficit then is sustained only through continuing credit creation. Hahn demonstrated the short-run impact of devaluation in a monetary general equilibrium on the lines of Don Patinkin's closed economy model of money, interest and prices.

The approach was further developed by significant contributions from R A Mundell [1968, 1971], McKinnon [1968], Frenkel [1971], Johnson [1972], Swoboda [1973], Dornbusch [1973] and Musa [1974].

Mundell introduced the money market equilibrium, the external equilibrium and the domestic real sector equilibrium in his model to show that BP problems persist because of failure of authorities to balance budgets. He also established a world monetary equilibrium in a two-country model that links inflation, interest rates, money stocks and credit creation to BP.

McKinnon's endogenisation of money supply showed the crucial role of public finance and capital mobility in BP. Frenkel developed a dynamic model, integrating real and monetary sectors to show that trade or capital account surpluses reflect excess supply of goods or securities, respectively, and a surplus in money account reflect an excess demand for money.

Johnson developed a monetary model to establish a direct link between devaluation and domestic credit creation through a scale factor but added that improvement in BP as a result of devaluation is transitory in nature. Swoboda expounded the view that the fiscal and monetary policies should be used in tandem to seek goal of internal and external balances and that monetary policy should be assigned to external balance.

Dornbusch developed a monetary ap proach to currency devaluation and showe that BP improves as a result of devaluatic through reduction in real value of mone unless the nominal quantity of mone increases equiproportionately in which cas the only effect will be an increase i domestic price level. Musa studied th monetary effects of tariff policy and foun that the belief that tariff improves BP wa fallacious.

The MBOP analysis is largely based o the Walrasian concept in which the exces demand of goods and services, bonds an securities and money, considered togethe equals zero. In an open economy, macro economic framework excess demand fo money causes an outflow of goods an services or sale of securities in the foreig market. This leads to reserve inflow till th BP deficit is eliminated. Similarly, exces supply of money leads to imports of good and services or a capital outflow. The BF is, therefore, self-correcting unless the dis equilibrium is sustained by a policy o sterilisation (continued domestic credi creation) followed by monetary authorities

Inapplicable Conditions

In case of a country like India, where tariff and non-tariff barriers (NTBs) distort free trade and where strict control is exercised on international capital movements by the government, it is difficult to accept that excess supply of money can be drained through imports and investments abroad till real cash balances become in line with desired stock of cash balances. So even if sterilisation does not take place, the enormous BP-deficit may not be cured in a MBOP fashion.

Furthermore, that typical MBOP models of the 1972 tradition assumes that key economic variables and the real income or its rate of change are exogenously determined by long-run full-employment assumption. In the small country case, prices and interest rates are assumed to be exogenously determined. Also, it is believed that changes in money supply brought about by movements in international reserves are not sterilised. So the proponents of MBOP say that monetary authorities have no control over the international component of the money supply and can thus control only the domestic component of it.

Such an analysis is far from the real world reality. 'Full-employment' condition can no longer be imposed on models for several OECD countries, not to speak of developing countries. Why a growing economy should be considered a non-growing one is difficult to understand. Perhaps it stands so to bring MBOP models in tune with the IMF philosophy in which money market equilibrium takes precedence over political and economic necessities of growth.

In addition, the monetary approach has overlooked the fact that in most less developed countries (LDCs), as well as in several developing countries, including the United States, sterilisation is being effected by running a government budget deficit corresponding to a BP-deficit. Sterilisation in much a manner becomes all the more important in case of a country like India, where the central bank has little say in targets for fiscal deficits and can control the credit creation by banks alone.[3]

The monetarist proposition that devaluation adds to aggregate demand and is inflationary is no longer accepted as a stylised fact. Theoretical and empirical evidence advanced by recent developments in economic literature show the likelihood of devaluation being deflationary or stagflationary.

Taylor and Krugman [1978] identified devaluation with contractionary effects because with an existing trade deficit, devaluation increases price of traded goods and so reduces real income at home and increases it abroad, leading to a fall in home country aggregate demand. Also, if trade is initially balanced, devaluation by redistributing income from private to government sector and from labour to entrepreneurs producing tradables (as a result of lagged increase in wages) will increase aggregate savings in the economy because of higher marginal propensity to save of the gainers. This will have a deflationary effect on the economy.

Bruno [1979, 1986] in his analysis of LDCs, specially semi-industrialised countries showed that devaluation could be deflationary in a situation where credit rationing occurs and where raw materials are being imported. The Basevi-de Grauwe's vicious circle hypothesis in the context of EFO-Aukrust Scandinavian model of inflation in small open economies show that currency depreciation leads to inflation via increase in wages and prices of intermediate inputs, necessitating further depreciation in turn.[4]

FUND-BANK APPROACH

The justification for IMF obsession with a standard policy prescription in the name of 'stabilisation' or 'adjustment' is then indeed open to question. Its standard package consists of: (i) A reform of trade policies judged by the yardstick of devaluation, removal of NTBs and lowering of import duty structure (ii) a ceiling on monetary expansion designed to trade-off inflation against growth, and (iii) A cut in government deficit, largely by decreasing subsidies and increasing administered prices.

The basis of the Fund's package is the underlying premise that money is the root cause of disequilibrium. It does not recognise that it is possible for inflation and BP deficit to exist when there is no excess supply of money. Both, the neoclassical economists and the structuralists have demonstrated the fallacious nature of this belief. Counter-examples have been

developed within the Walrasian framework to show that inflation and increase in money stock can take place independently. A curb on credit leads to substantial reduction in levels of employment and output by raising the capital costs. Devaluation results in a deflationary impact, more so in the cases large deficits co-exist with high tariff wall. Import liberalisation make the BP deficit even more unmanageable, at least over the short and medium run. Political economy constraints do not permit a cut in government deficit in the first case. Even if they do, the cuts can fuel a prolonged recessionary impact in the economy besides accentuating an already skewed distribution of income and wealth in most LDCs.

Apparently, there is a need for the IMF and the World Bank to re-orient its programmes by looking beyond regulating money supply in a bid to attain BP-equilibrium. Experience with monetarist packages for Chile and Argentina in the mid and late seventies or more lately in Tanzania and Zambia has shown that success with these programmes can at best be meteoric. Chile is often cited as a success story by the monetarists, but Chile's GDP growth rate turned negative after 1982, amply demonstrating that Fund programmes are costly in terms of growth. There is a need to dovetail Fund's BP adjustment programmes into the programmes of growth and structural adjustments being promoted by the bank.

Empirical Evidence

Having elucidated the theoretical inappropriateness of the MBOP and the fund adjustment programmes we now turn our attention to the empirical validity of the MBOP proposition. We had earlier stated that the results of the study by Kannan [1989] needs to be interpreted with considerable caution. We shall now show that the empirical work in the area of MBOP has failed to throw conclusive evidence either in favour or against the approach. In case of not so open developing economies, in particular, the applicability of the approach is all the more suspect. Furthermore, the methodology adopted in Kannan's paper needs to be looked at more carefully.

The paper uses the traditional approach of estimating the reserve flow and the sterilisation equation to study the causality between domestic credit and international reserves. However, the specification of these two equations is unique as more explanatory variables have been included than has been the convention. It is, however, not clear whether the explanatory power of the model has been enhanced in the process. The use of wholesale prices (WP) and a separate inflation rate (RAINFLA) seems somewhat unwarranted specially when it has not been possible to estimate the expected inflation rate as a distributed lag polynomial as hypothesised, with coefficient for rate of change of inflation at time t-1 turning out to be insignificant.

A more serious objection with the specification of the model is the possibility of identification problem. As the author writes in the paper, "If we adopt OLS estimation method, to estimate independently offset and sterilisation equations, a simultaneous bias is introduced in the equation in view of money supply identity [Kowri and Porter 1973, pp 453-54 and Magee, S, 1976, p 165]. Hence we have estimated these equations by two stage least square method..." [see Kannan, 1989, p 629]. It is not clear from the author's write-up whether he has estimated the demand for money equation simultaneously with the reserve flow and sterilisation equations.[5] In case he has not done so, then we are afraid both the reserve flow equation as well as the sterilisation equation seem to be under-identified, making 2SLS technique inapplicable to the system.

Also, the use of a host of explanatory variables with only 17 observations, results in a considerable loss of degrees of freedom in both these equations.

Table 1: Reserve Flow and Sterilisation Equations

1 Reserve flow equation:

$$(R/H)\ \ln R = \underset{(4.58)}{-6.55677^{*}} - \underset{(12.37)}{0.95351^{*}}\ \ln m_1 + \underset{(6.18)}{1.04259^{*}}\ \ln YPD + \underset{(8.78)}{0.67127^{*}}\ \ln WP - \underset{(112.46)}{0.85303^{*}}\ (D/H)\ \ln D.$$

$\bar{R}^2 = 0.998$ DW = 1.538

2 Sterilisation equation:

$$(D/H)\ \ln D = \underset{(3.01)}{5.56637^{*}} + \underset{(0.89)}{0.43008}\ \ln WP - \underset{(32.48)}{1.17747^{*}}\ (R/H)\ \ln R + \underset{(2.02)}{0.07948^{*}}T$$

$\bar{R}^2 = 0.981$ DW = 1.300

Notes: Figures in brackets denote t values and * denotes variable is significant at 5 per cent level.

Where, R = Net Foreign Exchange Assets of RBI;
H = Reserve Money; D = Domestic Component of Reserve Money (D = H – R);
WP = Wholesale Price Index; m_1 = Money Multiplier of Narrow Money (M1);
YPD = Real income (GDP at factor cost, at constant prices);
T = Time trend.

Among the other studies undertaken to test validity of MBOP to Indian case, the study by Sundararajan [1986] has been mentioned in the paper. The study which pertains to the period 1952-77 does not say anything about the causation between domestic credit and foreign exchange reserves. In addition, two more studies deserve mention, viz, S I. Bhatia [1980] and M Sohrab Uddin [1985]. Bhatia finds that for India's BP during 1951-73, it is not possible to reject the hypothesis of a significant log linear relationship between the explanatory variables and the dependent variable of the reserve flow equation, indicating support for the MBOP validity. The study, however, does not include a sterilsation equation and, therefore, ignores the possibility of sterilisation.

Sohrab Uddin's study covers the sample of three LDCs—India, Pakistan and Thailand. His results show that the reserve flow equation fails to adequately explain the movements in international reserves in the Indian case as the $\bar{R}^2$ is as low as 0.15. The offset coefficient is significant but does not have the expected sign. Several different specifications of sterilisation equations are estimated but the fit of these equations was very poor. Clearly, the MBOP view was found to be not an appropriate model for explaining international reserve movement for India. The results for Pakistan also provided no support for MBOP. Only in case of Thailand the results were found to be not totally inconsistent with MBOP though no definite conclusions were possible from the sterilisation equation.

Since empirical evidence on the applicability of MBOP to the Indian case was found to be inconclusive, with results of Sohrab Uddin and Kannan being at variance with one another, we decided to undertake our own empirical investigations on similar lines for the period 1960-61 to 1985-86. Our results are summarised in Table 1 and Table 2.

The estimated reserve flow equation has a high $\bar{R}^2$ ($\bar{R}^2$ = 0.99) and all the coefficients are of the expected sign and significant at 5 per cent level. An increase in real income (YPD) or prices (WP) are expected to have positive impact on reserves, as both these variables lead to an increase in the demand for money by the public relative to the supply of money. An increase in money multiplier or domestic credit leads to reserve outflow by raising the supply of money relative to its demand.

From the reserve flow equation one might be tempted to argue that MBOP is applicable in the Indian case. However, before we are led to such a hasty generalisation, it is crucial to prove that it is the domestic credit which causes changes in international reserves and not vice versa. In order to see whether such a proposition holds true in the Indian case, we have estimated the sterilisation equation along with the reserve flow equation by the 2SLS technique. The estimated sterilisation coefficient is around

−1.17 and significant at 5 per cent level, while for MBOP validity it should be approximately close to zero. One is, therefore, not sure of the direction of the causation.

The use of Granger's and Sims' test to resolve the causality problem reveals that the causation from international reserves to domestic credit is much more powerful than vice versa. For Granger's causality test the following two equations were estimated:

$$\ln D_t = a_0 + a_1 \ln D_{t-1} + b_0 \ln R_t + b_1 \ln R_{t-1} + u_t$$

$$\ln R_t = C_0 + C_1 \ln R_{t-1} + d_0 \ln D_t + d_1 \ln D_{t-1} + V_t$$

For Sims' causality test the estimating procedures consist of the following:

$$\ln D_t = h_0 + p_{-1} \ln R_{t-1} + p_0 \ln R_r + p_1 \ln R_{t+1} + U_t$$

$$\ln R_t = g_0 + q_{-1} \ln D_{t-1} + q_0 \ln D_t + q_1 \ln D_{t+1} + V_t$$

Looking at the F-values summarised in Table 2, the Sims' test invalidates the core proposition of MBOP that domestic credit creation feeds to BP deficit while the Granger test indicates that there is a strong causal relationship from international reserves (R) to domestic credit and a weak causal relationship from domestic credit (D) to international reserves (R).

The limitations of MBOP in explaining the BP movements in Indian case are now far too obvious. By merely getting a good fit for reserve flow equation one should not be tempted to accept the MBOP validity. Since money is the measuring rod, factors affecting BP will get reflected in money. This is somewhat tautological. What the BP theory should aim at is to go beyond money and look at real and financial factors[6] affecting BP.

The greatest limitation of MBOP, acknowledged by its proponents themselves, is that it ignores fiscal linkages to money supply process. In the Indian context, one of the principal source of changes in H is the net Reserve Bank credit to the government. Table 3, shows that for the period 1960-61 to 1981- 82, this source accounted for more than three quarters of H for most of the years. Kannan (pp 635-36) also acknowledges this factor by pointing to the need for monetary targeting. The political economy constraints in keeping budget deficit in check is apparent to anyone conversant with the Indian economic realities.

TABLE 2: GRANGER AND SIMS CAUSALITY TEST

Null Hypothesis	F-Values
Granger's test	
1) R does not cause D	11.00*
2) D does not cause R	4.71*
Sim's test	
3) D does not cause R	0.71
4) R does not cause D	3.30

Note: * Denotes F-value is significant at 5 per cent level.

TABLE 3: CONTRIBUTORY FACTORS TO RESERVE MONEY, 1960-61 TO 1981-82

(Rs crore)

Years	Reserve Money (RM)	Net RBI Credit to Government	RBI Credit to Commercial Sector	RBI Net Foreign Assets	Other Liabilities (−)	Net RBI Credit to Government as Per Cent of RM (Col 3 as Per Cent of Col 2)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1960-61	2233	1899	193	185	44	85.04
1961-62	2349	2068	185	17	21	88.03
1962-63	2537	2266	222	90	41	89.31
1963-64	2791	2467	267	118	61	88.39
1964-65	2971	2587	357	101	74	87.07
1965-66	3256	3003	287	59	93	92.22
1966-67	3462	3096	365	125	124	89.42
1967-68	3695	3262	370	161	98	88.28
1968-69	4000	3504	442	296	242	87.60
1969-70	4444	3517	595	566	234	79.14
1970-71	4822	3843	774	530	325	79.69
1971-72	5381	4689	762	608	679	87.13
1972-73	6033	5472	746	569	754	90.70
1973-74	7273	6233	1291	661	912	85.70
1974-75	7604	6655	1644	369	1064	87.51
1975-76	7807	6915	2049	924	2081	88.57
1976-77	9798	7218	2302	2599	2321	73.66
1977-78	10941	7387	1880	4532	2858	67.51
1978-79	14083	9001	2367	5431	2715	63.90
1979-80	16573	11804	2746	5388	3365	71.22
1980-81	19443	16443	2976	4775	4751	84.57
1981-82	20975	20440	3717	2706	5888	97.45

Source: Supplement to the Reserve Bank of India, *Occasional Papers*, Vol 3, No 1, June 1982.

This may be the single biggest factor which neutralises the possibility of BP correction through control of money supply.

Notes

[The views expressed in this article are those of the author(s) and not of the institution to which they belong.]

1 Initially, the monetarists felt that since devaluation is a one-shot affair, it can only be a transitory factor in improvement of BP. See Johnson [1972] for instance. They believed that devaluation was inflationary as it adds to aggregate demand. The Fund economists, however, view this MBOP view as a theory which highlights the need for contractionary demand management policies like credit ceiling to accompany a devaluation.

2 The 'Chicago Workshop' views can be found in Frenkel, J A and Johnson, H (eds) (1976), *The Monetary Approach to Balance of Payments* (London, George Allen and Unwin). A collection of research papers of Fund economists is presented in IMF, *The Monetary Approach to Balance of Payments* (IMF, 1977).

3 D A Currie [1976] brings out the implications of sterilisation through fiscal deficits by hypothesising a situation where government deficit equals the BP deficit. In this situation even if the monetary authorities do not intervene in any other way, the drain of high-powered money (H) as a result of BP deficit may be entirely offset by an equal expansion of H to finance the government deficit. Domestic credit will then expand by a multiplicative of H.

4 The vicious circle of cumulative depreciation-cum-inflation is equally likely in the case of the Indian economy where most imports are of intermediate nature. Moreover, since imports are mostly licensed against export commitment, depreciation will also affect export-competitiveness of Indian goods. The stagflationary potential of devaluation and its adverse impact on trade balance in such a case is far too obvious. Output may fall in a dynamic fashion as scale economies are affected.

5 The convention in the literature has been to solve the two equations on reserve flow and sterilisation simultaneously using 2SLS method.

6 Here, we make a distinction between MBOP and the Asset Market Approach (AMA) to BP. AMA is an extension of MBOP. It, however, recognises the alternative to hold funds in form of wide array of financial instruments and so enables one to understand the capital account movements in BP. The AMA propagates that asset market imbalances affect interest rate differentials and expectations of exchange rate changes which affect the capital flows.

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ECONOMIC AND POLITICAL WEEKLY

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- LIBERALISATION ROAD TO ECONOMIC RUINATION

LAND REFORMS LEGISLATION IN KARNATAKA: MYTH OF SUCCESS

ECONOMIC AND POLITICAL WEEKLY

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Invention of Tradition

In contemporary Indian theatre, to what extent has 'tradition' been used in the context of 'handing over knowledge' or 'passing on a doctrine'? And to what extent has it been 'invented' in response to larger political, economic and social factors? **1907**

Myth of Land Reform

Evaluations of the implementation of tenancy legislation in Karnataka without taking stock of the extent of tenancy in the pre-land reform period have tended to overstate the success of land reform in the state. An attempt to assess the gravity of the problem of tenancy in Karnataka at the time of the reorganisation of states in 1956 and, on that basis, to identify the effect of tenancy legislation in changing Karnataka's agrarian structure. **1896**

Too Little Too Late?

The Common Fund for Commodities, which has at last been ratified by the required number of countries and is to be based in Amsterdam, has come into existence a decade too late and a billion dollars too short in terms of the funds at its disposal. **1885**

Planning and the Capitalist Path

The trends of change in Indian society in the last 40 years can be understood properly only if it is firmly grasped that they are the consequence of the specific path of capitalist development pursued by the rulers, their public proclamations of commitment to a socialistic pattern of society, to centralised economic planning and to building up the public sector notwithstanding. **1887**

As economic planning in India approaches the end of its fourth decade, a sufficient time-span now exists to allow an adequate consideration of its longer-term functioning and achievements in relation to both the domestic and the foreign sectors. Report on a conference. **1877**

Cheerless Teachers

The start of the new academic year in Maharashtra has brought little cheer to college and university teachers in the state. Even after two long-drawn and bitter strikes in the last two years, the pay and perks problems of the teachers, which have occupied so much of their energies for the past decade, have yet to be settled and it does not appear that teachers and the leaders of their organisations will be able to turn their attention to pressing educational tasks. **1875**

Lopsided Growth

Dissection of the growth of the electronics industry in India shows that, with investment decisions left to market forces under the government's economic liberalisation policies, much of the investment has been guided towards less capital-intensive and quick profit yielding consumer goods based on imported and penultimate stage raw materials. This lopsided product structure has had its adverse effect on the industry's capability to generate value added, employment and foreign exchange and has also severely restricted the electronics industry's impact on the growth and modernisation of the industrial sector as a whole. **1915**

Gathering Storm

Article 368 of our Constitution is an open-ended invitation to a cynical government, such as the present one, to push through amendments which progressively snuff out democratic functioning. Some recent political occurrences provide ominous pointers. **1871**

Language speaks the political man. Face to face with the general election, prime minister Rajiv Gandhi has found a new language which now speaks him rather than he speaks it. He treated the Lok Sabha to a fascinating taste of the new language of electoral politics on the occasion of the introduction of the urban bodies bill. **1869**

Expert opinion on the state of the economy and the government's economic policies is increasingly tending to converge and economists of different political persuasions now acknowledge the crisis situations building up on many fronts. **1873**

Dowry Debate: Responding to a Misrepresentation

PLEASE refer to the dowry debate (C S Lakshmi, J P Jain, Madhu Kishwar, Veena R Poonacha and Usha R Lalwani). Even after Madhu Kishwar made it clear that she has never argued in favour of treating dowry as inheritance Lakshmi, Veena and Usha continue to misrepresent her and criticise her, and me for supporting her argument. This can only be described as intellectual dishonesty.

Veena and Usha accuse me of wishing away unpalatable facts by refusing to accept the veracity of the example cited by Lakshmi as proof that dowry is something that forces fathers to sell their kidneys. Let me give a few facts in favour of my conviction that *anti-dowry campaign without effective inheritance rights for women is anti-woman.* Let Veena and Usha decide whether they find them palatable.

I have five sisters all of whom are married. The oldest age of marriage was 24 years. Now I am 32 years old and if I calculate the rental value of my parents' house, where I have lived for at least eight years more than any of my sisters, it amounts to much more than the dowry given to any one of them even after taking into account the inflation and interest. Whenever I raise the question of my sisters' shares in this house it evokes the most hostile response from my parents and brothers. My sisters, of course, never dare raise the issue. They in fact dare not think of a right even to stay in their parents' house, even for a week, of their own volition.

When my youngest sister Santosh was married she was, of course, not involved in any decision-making, except the choice of colour and design of her sarees, chappals, etc. My father provided a dowry that was much less than the amount he had promised to her in-laws. This was certainly not for lack of means, because soon afterwards he invested heavily (more than the dowry amount) in buying conveyance for one of his sons and in enlarging his house. My sister had to face harassment at the hands of her in-laws for the breach of promise. Even now, whenever my sister raises this issue with my father, she is shouted down for being too greedy for dowry. Now if my father relates his version to the anti-dowry campaigners like Lakshmi, Veena and Usha, they will be easily duped into sympathising with him without verifying the (unpalatable) facts behind the whole episode.

I will highlight the profile of an anti-dowry campaigner by citing another example. Recently my brother beat his wife (her name is Veena) and she approached a social worker, Savita Dogra. The social worker took her to the police station and despite my sister-in-law's vehemant assertion that there was no dowry demand in this case, she made her lodge a complaint of dowry harassment. She also collected her group of anti-dowry campaigners and raised slogans against dowry in front of my brother's house. The irony of the whole episode is that the social worker told my sister-in-law at the police station that she was getting her daughter married and was going to spend about a lakh of rupees for this marriage. When she was to justify the giving of dowry to her daughter, she clarified that it was not dowry because she was giving it of her own volition and without any demand for it from the groom.

All the cases of bride deaths (suicides and murders) I have come across amongst my relatives, neighbours and acquaintances, were described by the parents as dowry deaths but on slightest of probing none of them was remotely connected with any dowry demand. (I have not revealed the names here for lack of space but if Lakshmi, Veena and Usha are interested I can introduce them to at least six such cases.) My point of contention is that by branding these cases as dowry deaths, attention is diverted from the real and myriad forms of domestic harassment of women and their lack of options, especially the lack of assurance of a place in their parents' house and the consequent inability to walk out of a violent marriage.

It is easy to state for argument's sake that inheritance implies a share in the family property on the death of parents but apart from my own example if they only look around Veena and Usha will see innumerable examples of sons continuing to live in their parents' house even after marriage and taking possession of business, land, shops, etc, and other income generating assets much before the death of their parents.

Lakshmi says that when dowry becomes a condition for marriage the woman also accepts other terms that go with it like working or not working, deportment, responsibility for household work, ritual celebrations, choice of having children, accepting a partner chosen by parents, etc. I would like to know from Lakshmi how many cases of refusal of these terms have followed refusal of dowry. I can certainly give her examples of marriages amongst my acquaintances where young girls have been married to widowers (who have children or who are bride murderers) and to bigamous grooms (Hindus) to save on dowry and to get rid of the girl at the same time.

When Lakshmi says that a working woman's job is also considered dowry, does she as an anti-dowry campaigner recommend that women should not work for income after marriage? Again consider the case of 15-year old Sneh Lata, who immolated herself because her father had decided to mortgage his house for her marriage. I don't imply that her father should have sold his house to provide for her dowry. What I contend is that when the parents who perpetrate the custom of dowry by demanding it for their sons and then criticise it at the same time, the only purpose this criticism serves is to make the girl feel guilty of a 'crime' which she is not even given a choice not to commit. Dowry is a ploy to deny the daughters a right in the property of parents and it can only be eradicated by ensuring inalienable equal property rights to the daughters.

When I ask for the address of the supervisor who donated his kidney to arrange for the future dowry of his daughters, I am not doubting the veracity of an unpalatable fact. I merely want to convince myself that there exists a male victim of dowry because so far I have only heard of female victims of this abominable custom. Even in the example given by Veena and Usha it is a woman who is victimised and I shall not desist from expressing my curiosity to know whether the mother of the maid servant made her sons also sacrifice their careers in the same manner as she made her daughter do.

I have tried to give names in all the examples quoted by me and I am always available to help in establishing the veracity of every example given by me.

J P JAIN

Delhi

ECONOMIC AND POLITICAL WEEKLY

Charade of Debt Relief

WHEN the Brady Plan was first announced, doubts were expressed in these columns about how much difference it would actually make to the third world's debt problem. It may have marked an advance over the Baker Plan in conceding the case for reducing not just the burden of debt servicing but also the burden of debt itself, though the basic objective evidently remained that of ensuring some net inflow of new capital into the countries burdened with heavy external debts. By envisaging debt reduction as well, the Brady Plan could be said to have shifted the emphasis in the matter of debt relief to the long-term. However, the fact remained that if the immediate purpose was to ensure a net capital inflow into the debt-ridden countries, the impact of whatever debt relief plan was worked out on current debt servicing (i e, outflow on account of repayment of principal and interest) had still to be the touchstone. The doubts expressed in these columns with respect to the Brady Plan related to its vagueness not only on the numbers envisaged but also on the size of net capital inflow aimed at in return for the conditionalities imposed on the debtor countries. Of course, the basic argument against the Brady Plan as also its predecessor, the Baker Plan, has been that it takes no account of the debtor country's debt-servicing capacity as reflected in its export earnings. Any plan that ignores this basic statistic is bound to come to grief.

Now, after a long and gruelling process of negotiations extending over a period of four months has emerged an agreement said to have been negotiated under the Brady Plan. In fact, Nick Brady, US treasury secretary, is reported to have been personally involved in the final phase of the negotiations among the parties involved, namely, Mexico and the major lender banks, with the World Bank and the IMF possibly making their inputs from the sidelines. According to the agreement, the commercial banks to whom Mexico owes some \$ 69 billion—out of the country's total external debt of \$ 100 billion—have been offered three options: (1) they may reduce the outstanding existing loans by 35 per cent and swap them for 30-year bonds; (2) they may reduce the interest rate from the present floating rate, currently 9.5 per cent but which has ranged from 9 to 14 per cent, to a fixed rate of 6.25 per cent on 30-year bonds of the same face value as existing loans; and (3) lend new money to the extent of 25 per cent of their current exposure over the next four years. The interest payment on bonds accepted by banks under this arrangement is guaranteed for the next 18 months at least. The World Bank, the IMF and Japan have joined Mexico in setting aside \$ 7 billion to finance the guarantees. The US treasury will provide an immediate bridge loan of \$ 2 billion.

What does it all add up to? When the negotiations started, the Mexicans' target was a 55 per cent reduction in their total bank debt. It now appears that under the plan agreed upon, debt reduction may not exceed \$ 4 billion, i e, a mere 6 per cent of Mexico's total debt to the banks. As for reduction in interest payments, the most optimistic estimate, as put out by the US treasury, is \$ 1.5 billion as against Mexico's annual interest payments bill of \$ 9.6 billion. This means a reduction in interest payments of 15.5 per cent. Whether or not some banks will choose at all to opt for the third alternative, namely, to lend new money without agreeing to any dilution of their existing loan or the interest due thereon only time will tell. But here again the best that can be counted upon is a capital inflow on this score of \$ 2.5 billion. All this does not by any means ensure that Mexico will, at the end of the day when all the details have been worked out, be anywhere in sight of a net capital inflow under the new accord so that the country can think of rebuilding its economy and putting it back on a reasonable growth path.

Mexico was not being over-ambitious in expecting a sizeable reduction in debt and debt servicing. After all, it has been known for some time now that third world debt has been traded in the secondary debt market at discounts exceeding 66 per cent. With guarantees forthcoming under the Brady Plan from the international financial institutions and countries like Japan, over and above the pledging of resources by Mexico itself, it surely was not too much for Mexico to look forward to a 55 per cent debt reduction. But all that Mexico may actually end up with is a debt reduction of a mere 6 per cent. Interestingly, it would appear that if the accord Mexico has been able to work out with its creditor banks is taken as a guide, the situation today is not significantly different from what it was in the period after the Baker Plan was announced in 1985. It is still to be a matter of case-by-case negotiation of some reduction or staggering of the debtor country's current debt servicing liability in return for the country accepting various conditionalities.

This proves the doubting Thomases generally right when they are cynical about these so-called debt relief plans—Baker, Brady or what have you. All these plans are really meant not to help the debtor countries but to give the creditor banks more time to make adjustments. The debtors will continue to be kept on a leash, no matter how high the discount on their debt in the secondary debt market. If anything, the accord on the Mexican debt exposes more plainly the real intent behind these debt relief plans. What is significant is that even the so-called multilateral institutions are ready to play this game. But whoever said that these institutions did not ultimately take their orders from the few rich and powerful nations?

KARNATAKA

Suppressing Peasant Struggles

AURANGABAD in Bihar, Warangal in Andhra Pradesh, Bastar in Madhya Pradesh and now, it is the turn of Raichur in Karnataka. The police have begun to terrorise peasants who dare to fight against the feudal oppression of their landlords.

Over the last few months, several activists of the PYC (Progressive Youth Centre), an organisation which had been leading peasants' struggles in Karnataka, have been arrested, tortured and implicated in false cases by the Karnataka police. The so-called 'anti-Naxal' squads of the Karnataka state government in collaboration with their counterparts of the Andhra Pradesh government (since Raichur borders Andhra Pradesh) are known to have stepped up their operation against peasants' organisations in these areas. On July 6, two activists of the PYC, Chouri and Babu, were arrested from a village in Raichur, and till today have not been produced before any court. On August 3, a young advocate, Narasappa, who had earlier intervened to locate Marappa, the district secretary of the Raichur PYC (who was taken away by the police some time ago), was dragged out from his house by the police, beaten up and taken into custody. Now the Raichur superintendent of police has issued a statement alleging that both Marappa and Narasappa had been involved in a bank dacoity.

The role of the judiciary in Karnataka—as in other states in similar cases—has been deplorable. When a *habeas corpus* petition was filed for the production of Chouri and Babu before a division bench of the high court, the two judges comprising the bench dismissed the petition (on August 2). Incidentally, the same two judges on an earlier occasion had dismissed a writ petition filed by civil liberties activists in connection with the arrest of Veeramani, the state secretary of the PYC, who was handed over to the Tamil Nadu police by the Karnataka police. The Tamil Nadu police implicated Veeramani in a bank dacoity case, but had to release him in January 1989 after three and a half months, when they admitted that he had had nothing to do with the dacoity.

The ire of the Karnataka government against PYC is understandable. Along with its sister student organisation the Pragathipara Vidhyarthi Kendra (PVK), it has been spearheading struggles all through Karnataka against the eucalyptus plantation programme of the government, the Kaiga atomic power plant and other cases of environmental degradation. Since its inception in 1981, it has been active in the struggles of the textile workers and the release of bonded labourers in Kolar district. From 1986, it started organising the peasants in Bidar and Raichur. In Bidar, the Karnataka governent collected thousands of acres of land from the small farmers to promote eucalyptus plantation in order to supply timber to the Birla factory. The PYC launched a struggle for the reoccupation of these lands and to restore foodgrains production there. In Raichur, the PYC organised peasants in some villages to fight against the oppressive landlords there.

State governments, whether run by the opposition, the Congress(I) or the president (as in Karnataka today), never learn from the past. Wherever the authorities had treated peasant's struggle against feudal oppression as a law and order problem and had deployed the trigger-happy police to suppress peaceful democratic demonstrations, and wherever a servile judiciary had refused to protect the victims of such oppression, the poor peasants had been forced to take up arms and seek justice outside the prevalent politico-juridical system. Raichur may be forced to go the way trodden by the peasants of Bhojpur, Aurangabad, Jehanabad, Adilabad, Warangal, and now in the forests of Bastar.

SUGAR

Production Expectations Belied

OVER the last two months, sugar prices have been rising continuously. Although the government has taken a number of steps such as higher monthly releases, restrictions on a weekly basis on the sale and despatch of sugar by factories and imposition of stock limits on traders, it has not been successful in arresting the spiralling prices. Rather the trend has become more bullish in recent weeks. Last month, for the first time in eight years, the open market price of sugar touched Rs 9 a kg at the retail level. This month it has gone up further. Currently sugar prices in the wholesale markets are ruling between Rs 940 and Rs 975 a quintal. Trade circles expect them to cross the Rs 1,000 mark soon in view of the festival season. At the retail level, the prices will be well above Rs 10 a kg. In large parts of the country sugar is no longer available at the controlled prices through the public distribution system.

A number of factors have contributed to the unprecedented spurt in sugar prices in recent weeks. Although the country had started the current sugar season on an optimistic note, there has been a big drop in sugar production in the past few months. Consequently, against the initial expectation of sugar production touching a new peak of 10.2 million tonnes in the current sugar season (October 1988 to September 1989), surpassing the previous season's output of 9.1 million tonnes by over a million tonnes, production may actually turn out to be only about 8.7 million tonnes, even as consumption is expected to cross the 10 million tonne mark. The optimistic projection made initially was based on Krishi Bhavan's forecast at the commencement of the season of a record sugarcane crop of 198 million tonnes, an impressive increase of 18 million tonnes over the previous season's production of 180 million tonnes. As it turned out, the agriculture department's forecast of cane production was wide of the mark. Actual production of sugarcane is unlikely to exceed 185 million tonnes. In fact cane supplies to sugar mills in different parts of the country had almost dried up by April-end and a majority of the mills had to discontinue their operations. The sugar industry had been able to achieve a record production last year mainly because it had managed to corner a larger share of the available cane at the cost of gur and khandsari units by offering much higher prices to farmers. This year, the opposite has happened.

With the big drop in production, earlier hopes of the country becoming self-sufficient in sugar and even emerging as a net exporter have been dashed, and the government has had to consider importing at least five lakh tonnes worth over Rs 500 crore. The delay in the release of foreign exchange for sugar import has added to the upward pressure on prices. There are also reports of large quantities of sugar being smuggled out of the country, accentuating the shortage. These reports may not be baseless as sugar prices in Nepal and Bangladesh are known to have crossed Rs 30 a kg.

The proposed nation-wide strike by sugar industry workers in the coming sugar season on the pending wage revision issue has also added to the bullish sentiment. Naturally, speculative forces have become very active. There is reason to believe that substantial stocks have gone underground in anticipation of the shortage getting aggravated. The government notification imposing restrictions on sale of sugar among wholesalers in Punjab, Haryana, Uttar Pradesh, Bihar, Andhra

Pradesh, Tamil Nadu, Karnataka, Gujarat, Maharashtra and Delhi has had no effect. The hike in the minimum margin requirements for bank credit by the Reserve Bank from July 20 by 7.5 per cent to 25 per cent on sugar stocks with mills and by 15 per cent to 75 per cent on stocks with trade has also failed to curb the rising prices.

WEST BENGAL

Hasty Action

THOUGHTLESS action by the Left Front government has landed its leading partner in a messy situation. All on a sudden and without any sort of notice either to the general public or to the institution/persons concerned and even without mutual consultation within the Front, the local self-government and urban development minister, CPI(M)'s upcoming young leader, Buddhadev Bhattacharya, superseded the Congress(I)-held municipal administration in the town of Behrampore in the Murshidabad district.

The state Congress(I) which had been, presumably on getting the nod from the party high command in New Delhi, trying to put up some sort of a counter-show in CPI(M)-led West Bengal to blunt the edge of the opposition's 'Bharat bachao' campaign, if and to the extent possible, received the Left-Front government's Behrampore ukase as a god-send. Less than a week ago, the state Congress(I) had organised a not at all unimpressive 'jail bharo' campaign on August 2, in the course of which it was able to 'invite' police lathi charges in several places in a number of south Bengal districts. More than 75 Congress(I) workers were reportedly injured and 55,000 arrested, according to official estimates. The state Congress(I) chief, A B A Ghani Khan Chowdhury who had personally led the show in Calcutta called upon his followers "to free West Bengal from the clutches of the CPI(M) and its allies". "There is," he declaimed, "the need to purify the soil of West Bengal and if in doing so some lives have to be lost, so be it".

With this as the immediate background, Chowdhury's party lost no time in responding to the government's provocation, with a wide-fronted counter-attack, ranging from a writ petition to the Calcutta High Court through a series of meetings and demonstration to a quite impressive bandh in Behrampore town and its vicinity. The last was accompanied by the usual quota of police lathi charges. It would be premature to conclude that the agitation has run out of steam.

What compelled the Left Front government/minister to take the drastic step of superseding an elected body at this particular juncture is not at all clear. The official explanation about the prevalence of corruption and inefficiency hardly washes. For these are not unique accomplishments of the Behrampore municipality. The leading municipal institution, the Corporation of Calcutta, presently headed by a CPI(M) mayor cannot be said to have outgrown its well known traditional epithet of 'chorporation'—a thieves' den. Even the CMDA, directly under the minister who initiated the supersession, has recently been castigated by the CAG for similar failings in more than a dozen cases. Let alone public opinion, the minister has failed to carry conviction even with his Front partner, the Forward Bloc.

This light-hearted—and light-headed—action of the CPI(M) minister clearly betrays his—and his comrades'—lack of understanding of the gravity and explosive potentialities of the prevailing situation in the wake of the opposition's withdrawal from the Lok Sabha and the circumspection that the situation demands of the Left leaders.

NICARAGUA

Qualified Victory

'MANIFEST DESTINY' appears to have come a cropper in its own backyard. The Contras have been all but laid to rest with the signing of the Tela agreement by the five Central American presidents—those of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua—and the US, which, having revived the Monroe doctrine, had taken to prowling about the region, has emerged from the caper more than a little embarrassed. The accord, signed ten years after the Sandinista National Liberation Front ousted the effete Somoza regime, offers hope for the termination of the devestating eight-year old civil war between the Sandinistas and the Contras that has left in its wake a trail of destruction. The five-nation pledge disavows the use of their territories for destabilising other states and seeks to prevent aid to armed groups. The accord envisages the demobilisation and repatriation of the Contras to be effected through the instrumentality of the International Commission of Support and Verification, consisting of the secretaries-general and representatives of the United Nations and the Organisation of American States, which is to be formed within 30 days of the signing of the agreement. The com-

TWENTY YEARS AGO

EPW, August 16, 1969

With the outcome so precariously dependent on the frisky consciences of so many self-proclaimed Gandhians, this is not the best time to write about the power struggle in the Congress... The safest course in the circumstances is to go back to the beginning and ask what it is all about. Is it really a fight for the presidentship, stemming from the calculation that in a fluid political situation, such as might emerge after the 1972 general election or much earlier, the president could decisively tilt the balance of power within the party? Or is it the conflict over ideology, with the prime minister deciding that the time had come to translate socialistic slogans into action? Or is it, again, a tussle between those who are surreptitiously seeking an understanding with Jana Sangh, Swatantra and those who are looking for an opening to the Left?... None of these, it appears, is of the essence of the matter. The present conflict really represents the surfacing of issues left unsettled at the time of the supposedly 'smooth' succession after Jawaharlal Nehru. Both Lal Bahadur Shastri and Indira Gandhi had secured the prime ministership with the so-called Syndicate's active support. Apart from the fact that it could not agree on anyone else, Indira Gandhi was supported by the Syndicate because the party needed a vote-catcher for the 1967 election. Relevant as this calculation was, it was not enough to ensure a working relationship between the party and the prime minister. It did not take the Syndicate long to find out that by virtue of her office the prime minister acquired a position in the party which upsets its own king-maker relationship with her. For her part, the prime minister realised that without much greater direct influence over the party, she would be permanently cramped in her role as the head of the government and leader of the party in parliament. For the first time, conflict between the organisational and the governmental wings, which had been confined to the state level during Nehru's time, now emerged at the centre and has persisted ever since... As the developments of the last few days have once again confirmed, when the chips are down effective power in the Congress is with the state leaders... Factional squabbles at the centre encourage factionalism lower down and foster opposition to established state leaders. From this point of view, these leaders have an interest in backing the prime minister because they know that there is practically no stable alternative to her.

mission is to be entrusted with the responsibility of facilitating the demobilisation, repatriation or relocation of the Contras within 90 days of its constitution. The Tela accord follows a bilateral agreement between Honduras and Nicaragua trading off mutually contentious issues. Thus, Honduras agreed to demobilise the Contras in response to the Nicaraguan offer to withdraw the charges it had lodged with the International Court of Justice at the Hague, and drop the demand of compensation for loss suffered due to the activities of the Contras operating from Honduras.

Semantic hair splitting may yet pose a few problems. The word 'voluntary' in the original Spanish text lends itself to differing interpretations. While president Ortega of Nicaragua holds that the word voluntary pertains only to the issue of repatriation and relocation, and that disbanding the Contras is mandatory, both Arias of Costa Rica and Azcona of Honduras have categorically rejected the use of force in the disbanding process. But this discord between the signatories can bring little solace to the Contras. Even if demobilisation is to be a voluntary exercise, the Contras will nevertheless be adversely affected. In the first place there are an estimated 3,000 to 4,000 men forcibly conscripted into their ranks. Consequently voluntary disbanding will find takers among at least a fourth of the total Contra muster of 10,000 to 12,000 currently sheltering in Honduras. Again, the complexion of regional politics has undergone a transformation. Honduras, which played host to the Contras for long, is no longer keen on their continued presence lest it lead to internal instability. The terrain, thus, is altogether too hostile for Contra activities. Bereft of the kind of support that they have been accustomed to receiving from their benefactors, the military potential of the Contras is likely to be severely attenuated. In the face of such odds sheer survival demands the repudiation of armed struggle. Consequently demobilisation is an eventuality that they will have to accept.

Their last hope too has been reduced to mere straw. The Bush administration's last ditch effort to prop up the Contras, by pressurising the other Central American leaders to delay the disbanding until the forthcoming February polls in Nicaragua on the ground that the Sandinistas might renege on their commitment to conduct elections, has yielded no results. With the emphatic refusal to make the demobilisation conditional on the Nicaraguan election the Contras have been left without an option.

The agreement has provoked strong reactions from right wing Republicans, who have criticised the administration for permitting what they term 'a sell out of Contras'. The administration has in response conveyed its displeasure to Arias. However, American displeasure unaccompanied by tangible expressions of it—economic or military intimidation—appears to have had little effect.

The Sandinistas will have every reason to welcome the termination of a war that, in eight years, has ravaged the farm economy, put the exchequer under severe strain and most importantly left 58,000, out of a population of about 3.5 million either dead or wounded. The Contras, likened in Reagan's panegyrics to the 'American founding fathers' and recipients of military training and aid from the US, had made a fetish of attacking schools and health centres and wiping out the landless beneficiaries of the agrarian co-operative reform movement, in an effort to obliterate the visible achievements of the revolution. However, the removal of the military threat is only a partial salve for the Sandinistas' problems. There is, first, the problem of post-war reconstruction, to be undertaken in the face of a sustained US embargo. Moreover the agreement is not likely to stop covert US interference in Nicaragua. For the February 25th election, involving 21 parties including the Contras, the US has been generous in funding the opposition. If anything has changed in the US policy towards Nicaragua it is the form more than content. The Reagan administration's palpably obtuse policy of aggressively transplanting a 'Rambo' fantasy on an unyielding reality derived from an overdeveloped phobia for left wing regimes. The same pathological condition, which sees a security threat in an impoverished nation of 3.5 million people, still lies at the root of the current administration's policy towards Nicaragua. Reagan refused to let reality contaminate his vision and persisted with the military option, which included such disreputable intriguing as the Iran-Contra scandal. The current administration, a little more in touch with Central American reality, recognises that military options short of direct invasion will not produce the desired end. Consequently it will not be unlikely if the US turns to covert activities, at which it is far more adept, in order to destabilise the Sandinistas.

LARSEN & TOUBRO

Focus on Core Sector

LARSEN & TOUBRO has turned in encouraging working results for the 18-month period ended March 1989. Sales have amounted to Rs 1,085 crore against Rs 559 crore for the previous period of 12 months, gross profit is Rs 109 crore against Rs 67 crore and net profit is Rs 42 crore against Rs 28 crore. These figures, however, show significant contraction of profit margins. The directors have recommended a dividend of 30 per cent against 20 per cent paid for the preceding 12 months. The distribution is covered 2.45 times by earnings as against 2.65 times.

Cement production was 23.66 lakh tonnes. The second cement plant at Awarpur went into commercial production in October 1987 and its operations were stabilised by January/February 1988. The shipping division performed well due to the sharp increase in freight rates since the first quarter of 1988.

The company fared well on the export front too. It exported hydraulic excavators to Iraq and suspended particle drying plants for dyestuff to Thailand. It also received an order for two such plants from the USSR. The company has entered the South Korean market for air circuit breakers. Its bottle closures are exported to several countries against stiff competition from established international companies. Castings were exported for the first time to West Germany and Nepal. The company also received an order for export of floppy disk drives to USSR.

The company has developed capability to weld duplex stainless steel used in process skids and modules for offshore oil platforms and x-20 alloy steel used in high pressure piping in thermal power plants. The company's heavy engineering complex at Hazira has become fully operational to undertake heavy and sophisticated fabrication. Located on the water front, it has facilities for load-out and lifting 500 tonnes apiece. The company has successfully diversified into the field of 400 kv transmission lines and its unit for fabrication of transmission line towers at Pondicherry is ready for commercial production.

The company has received a letter of intent for the manufacture of wheeled tractor loader backhoe at Pithampur, MP. The company has entered into collaboration agreements with Sundstrand Sauer, USA, for the manufacture of axial piston units; with Case Vibromax, West Germany, for the manufacture of vibratory compactors and with JI Case, USA, for the manufacture of wheel loaders. A memorandum of understanding was signed between the company and Colas SA of France for setting up a joint venture company for the production of asphalt emulsion. At Mysore, the company is implementing a new project for the manufacture of medical electronics products, viz. electro-surgical equipment, ECG equipment, ultra-sound scanners and patient monitoring systems.

Commenting on the prospects, the new chairman Dhirubhai H Ambani says there are very good immediate prospects of booking orders in the areas of modernisation of steel plants, nuclear power programme, oil and gas, petro-chemical complexes, etc. The company has already booked some large orders since the beginning of the current financial year. The management is also planning to get into new activities related to the core sector of the Indian economy.

ESSAR GUJARAT

Export-Oriented Steel Project

ESSAR GUJARAT has registered all-round growth in turnover and profits in the year ended May 31, 1989. Total income rose from Rs 47.38 crore to Rs 50.8 crore. Gross profit rose to Rs 19.91 crore (Rs 13.82 crore) and net profit after depreciation and taxation was Rs 10.28 crore (Rs 6.10 crore). The directors have recommended a dividend of 35 per cent on the increased equity base.

The three divisions of the company—energy, offshore and construction—continued to maintain their progress in their respective areas. Among the noteworthy achievements during the year were the successful commissioning of four mobile rigs for drilling 120 developmental wells in the Cambay basin, drilling of the country's largest oil producing well on land at Nada in Gujarat and completion of the Off-shore Water Injection Project. The energy division has received a letter of intent for an additional land rig which is expected to start operations during the current year.

The implementation of the first phase of the company's sponge iron project with a capacity of 8.8 lakh tonnes per annum has made good progress. All the major plant and machinery have arrived and it is expected that the plant will start production in the first quarter of 1990, ahead of schedule. With the sponge iron plant going into production the company's turnover is expected to rise significantly.

The company has received a letter of intent for setting up a 100 per cent export-oriented steel plant for manufacturing steel

IN THE CAPITAL MARKET

Bindal Agro Chem

BINDAL AGRO CHEM is setting up a Rs 695 crore gas based fertiliser project at Shahjahanpur in UP to produce 1,350 tonnes of ammonia and 2,200 tonnes of urea per day. The company expects to commission the project in a record period of 24 months from the zero date, that is October 15, 1989. Projects and Development India, a government of India undertaking, has been engaged as prime consultant for execution of the whole complex. Abhey Oswal, chairman and managing director, expects this complex to generate annual turnover of Rs 375 crore. At 100 per cent capacity utilisation, the project will yield cash profit after tax of over Rs 140 crore. Earning per share of Rs 10 will be Rs 10 in the very first year of full operation. To meet a part of the project cost the company proposes to issue fully convertible bonds of Rs 500 crore, subject to approval by CCI. Each bond will be of Rs 200 carrying interest at 12.5 per cent per annum. Out of the total issue, bonds of Rs 100 crore will be offered to the existing shareholders of the company on 'rights' basis and bonds of Rs 400 crore through a public issue. In the public issue, shareholders of Oswal Agro Mills and Oswal Agro Furane and holders of convertible bonds of Oswal Agro Mills will be offered bonds on preferential allotment basis. The company's employees, NRIs and agriculturists will also be offered preferential allotment. Indian public will be offered bonds of Rs 111.25 crore. According to the proposed conversion terms, Rs 50 out of the face value of each bond will be converted into one equity share at a premium of Rs 40 per share on expiry of six months from the date of allotment and balance Rs 150 into 3 equity shares at the same premium on expiry of 18 months. In the case of public issue, Rs 50 will be converted into one equity share of Rs 10 each at a premium of Rs 40 per share on expiry of six months and another Rs 50 on the same terms on expiry of 18 months and the balance Rs 100 on expiry of 36 months.

G V Films

G V FILMS, promoted by G Venkateswaran, a successful flim producer and distributor, is entering the capital market with a public issue of 30 lakh shares of Rs 10 each for cash at par. Out of the issue, 2.5 lakh shares have been reserved for preferential allotment to the employees of the company. This is the first time that a film company has received the consent of the controller of capital issues to make a public issue of shares. The proceeds of the issue will go to finance the company's forthcoming projects. Apart from producing and distributing films, as its long-term objective the company is also exploring the possibilities of entering the communications business, establishing ultra modern studios and cinemas, setting up high-tech video production centres as well as manufacturing cine equipment.

coils at an estimated project cost of Rs 1,400 crore. This project will earn foreign exchange of about Rs 2,500 crore and all the inputs required for the project can be imported free of duty. The profits from this project will be totally exempted from income tax.

GSFC

Higher Lendings

GUJARAT STATE FINANCIAL CORPORATION has achieved all the targets in the year 1988-89. It has sanctioned loans worth Rs 143.74 crore which is 63.8 per cent higher than in the previous year. Assistance rendered by the corporation has generated an investment climate of about Rs 326 crore which will create job opportunities for more than 31,000 people in the state. Scheduled caste and scheduled tribe entrepreneurs have been given financial assistance, under the soft loan scheme at concessional terms, amounting to Rs 591 lakh. Women entrepreneurs have been sanctioned loans of Rs 244 lakh. Of the total assistance sanctioned during the year 66 per cent has gone to backward areas of the state. The disbursement of the loan sanctioned during the year stood at Rs 80.84 crore and recovery of loans amounted to Rs 70.89 crore. The net income of the corporation was Rs 35.47 crore. Managing director Balwant Singh announced that the corporation had evolved a novel approach of arranging spot management screening committee meetings where entrepreneurs could discuss their projects.

VOLTAS

Bonus Shares

VOLTAS' board has recommended issue of bonus shares in the ratio of one share for every two shares held and sub-division of the existing Rs 100 shares into shares of Rs 10 each. The company has turned out good working results for the seven-month period ended March 31 last. According to brief preliminary figures incorporating the operations of Volrho which has been amalgamated with the company effective March 1, 1989, sales including consignment sales, have amounted to Rs 353 crore against Rs 545 crore of the previous 12-month accounting year and profit before interest, depreciation, and tax is Rs 17.85 crore against Rs 29.85 crore. Profit after tax is Rs 8.63 crore (Rs 9.78 crore). The board has not proposed any final dividend. The interim dividend of 14 per cent declared earlier worked out to 24 per cent on annualised basis, as against 22 per cent for the previous full year. The interim distribution has taken away Rs 1.80 crore out of the profits. Transfer to reserves has amounted to as much as Rs 7 crore. As at the year end, reserves stood at Rs 34.84 crore as against the share capital of Rs 13.23 crore. Gross fixed assets were Rs 105 crore and net fixed assets Rs 72.14 crore.

FORM II-A

THE MRTP ACT, 1969

[See Rule 4-A (1)]

Form of general notice to be given to the members of the public before making an application to the Central Government under sub-Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969.

NOTICE

It is hereby notified for the information of the public that INDOFIL CHEMICALS COMPANY, A DIVISION OF MODIPON LIMITED, Nirlon House, Dr. Annie Besant Road, Worli, Bombay 400 025, proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the establishment of a new unit. Brief particulars of the proposal are as under:

1.	Name and address of the applicant	: INDOFIL CHEMICALS COMPANY (A Division of Modipon Limited) Nirlon House, Dr. Annie Besant Road BOMBAY - 400 025. Regd Office: Hapur Road Modinagar - 201 201
2.	Capital structure of the applicant organisation Authorised Issued, subscribed & paid up	: Equity / Preference 20,00,00,000 / 5,00,00,000 7,83,80,570 / 1,45,49,500
3.	Management structure of the applicant organisation indicating the names of the Directors including Managing/Whole-time Directors and Manager, if any	: The Company is managed by the Managing Directors under the overall superintendence of the Board of Directors. Names of Directors are us under: Mr. S. B. Lal — Chairman Mr. K. N. Modi — Director Mr. K. K. Modi — President Managing Director Mr. M. K. Modi — Vice President Managing Director Mr. J. J. Doyle — Director Mr. A. F. Smith — Director Mr. C. O. Metzger — Director Mr. J. T. Subak — Director Mr. M. L. Modi — Director Mr. Prabhat Kumar — Director Mr. S. K. Modi — Director
4.	Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division	: New Unit
5.	Location of the new undertaking/unit/division	: It is proposed to locate the new undertaking in the State of Maharashtra preferably in a notified backward district/area.
6.	Capital structure of the proposed undertaking	: The proposal is to be implemented by the existing Company whose capital structure is given in item 2 above.
7.	In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate:	:
	I. Name of goods/articles	II. Proposed licensed capacity
	1. Fat Liquors	6000 MT per annum
	2. Leather auxiliaries	3000 MT per annum
	3. Synthetic Tanning Agents	3000 MT per annum
	III. Estimated annual turnover	About Rs. 40.50 Crores
8.	In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income turnover, etc.	: Not applicable
9.	Cost of the project	: About Rs. 11.32 Crores
10.	Scheme of finance, indicating the amounts to be raised from each source	: Internal resources, rupee and foreign currency loans from institutions and debentures/deposits.

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

Sd/-
(I. K. GUPTA)
SECRETARY

Dated this Fourteenth day of August 1989

Laying Out of a Rose Garden

Bhabani Sen Gupta

Among the many faults of Rajiv Gandhi's political leadership none is as damaging to himself and to the country as his apparent conviction that he and his party own the Indian state and nation. How can one believe that the prime minister is rearing to take democracy to the frontier village when his government and his party cannot live with a CAG who dares to function as he is required to under the Constitution?

LANGUAGE speaks the political man. Face to face with the national election, prime minister Rajiv Gandhi has found a new language which now speaks him rather than he speaks it. On August 7, he treated the Lok Sabha to a fascinating taste of the new language of electoral politics. The occasion was the introduction of the urban bodies bill, the supplement of the panchayat bill both of which the prime minister determined to pilot himself. He did not speak extempore. Nor from notes. He read a written statement. It is known that the 'speeches' of the prime minister are composed with great care by members of his staff. He himself goes over different versions drafted by different people. The final draft is written under his personal vigil. Rajiv Gandhi rehearses the important 'speeches' he delivers.

This particular speech was remarkable for several reasons. Perhaps the most remarkable about it was a sentence that Rajiv Gandhi spoke with special care. The nation, he implored, should "get out of the colonial categorisation of India into separate rural and urban India by a rural-urban continuum, which threads the furthest rural hamlet to the largest megapolis in a *rudrakshamala* of democracy and devolution".

This single sentence of a very important speech shows up the great toils the prime minister has been making in recent weeks to measure up to the challenge of an election which he has to fight without the great advantage of the assassination of Indira Gandhi. He is himself grappling heroically with the task of discarding his urbane upper middle class image and wearing the mask of a villager. More than anyone else, Rajiv Gandhi needs an urban-rural continuum in his own image. He must be seen by the rural mass of Indians as their *bhaiya.* He must be able to wriggle out of the vintage Rajiv Gandhi image of a technocrat trying to pilot India to the 21st century on the wings of imported technology.

Rajiv Gandhi persuaded himself in 1988 that he was on the trail of the mantra that would transform him from an urban technocrat into a villager. From Rajiv Gandhi to Raju Gonda. All through the year he was in search of grassroots democracy, a flagship on which power could smoothly sail from the 'power-brokers' to the people through the relatively placid waters of a parliament in which his party held a brute majority. In the summer of 1989, he stood formidably armed with two grand pieces of legislation which, passed and given presidential consent, would make periodical elections to village panchayats and urban municipalities and corporations constitutionally mandatory. Proudly he piloted both legislations in the two houses.

If those who wrote the script for him had mucked up history and blotted out facts known to many Indians, it wasn't the prime minister's fault. He has never been a student of Indian history, has he? Did he ever have an emotional or physical problem with 'British colonialism'? True, his parents and his grandfather had gone to jail, and had been at the forefront of the freedom struggle. But he grew up in plenitude and affluence and enjoyed the hospitality of the British educational system to train himself for the career of an airline pilot, though not of a prime minister.

When did the British divide India artificially into urban and rural? They conquered an India that was overwhelmingly rural and they left an India that too was overwhelmingly rural. If anyone divided India into an urban enclave and a rural universe of poor masses, it was Mohandas Karamchand Gandhi, not related to Rajiv Gandhi. The Mahatma brought the two together in the largest and longest freedom struggle waged anywhere in the colonies and semi-colonies without violence. One can quote chapter and verse from the Mahatma's speeches and writings to show how the Mahatma tirelessly and persistently tried to narrow the gap between the two Indias and how he said the failure to do this as one of the major unsuccesses of his lifelong struggle for the emancipation of the poverty-shackled rural humanity.

The British did keep India divided against itself. They divided it by religion. They helped the Muslim League to craft and develop the two-nation vision of India and to sell it successfully as a political reality. They rooted on the dangerous divide of Hindus into 'caste Hindus' and scheduled castes.

The urban-rural divide was a grim reality of underdevelopment. The development model that was chosen by Jawaharlal Nehru with the consent of almost the entire elite and in the tooth of the Mahatma's agony had a clear bias for the cities with its emphasis on building heavy industry and a national base of science and technology. The national leadership discarded the Gandhian developement model woven around molecules of self-sufficient, self-governing villages. Land reform was eschewed as poison. The Americans rushed to help with mountains of grain shipped under the generous terms of PL-480 until Indira Gandhi discovered that the price was support for Washington's Vietnam war or at least non-criticism of Johnson's escalation of the war in the mid and late sixties.

It is not being suggested here that the Nehruvian model was wrong. It had undoubtedly the right kind of developmental thrusts, and these have, in forty years, given some substantive independence to the Indian economy. It would have been more right if rural India was not neglected, if land reforms were added to the building of heavy industry, if food self-sufficiency was aimed at in the fifties rather than at the turn of the seventies. The point that is being made is that the urban-rural divide that accounts for much of India's present discontent is the inevitable result of the development model pursued in India under successive Congress-run governments, from Jawaharlal Nehru to Rajiv Gandhi.

This divide has assumed major political dimensions in 1989. Rural India is no longer the political fortress of the ruling Congress party. The peasants have emerged as the largest and newest politically organised segment of the population. The sweep of the peasant movement extends from Haryana to Maharashtra, covering the political swathe of India where the Congress(I) is most vulnerable. The prime minister has therefore been trying a language of politics which will soothe the ears of the villagers and bring them to the once-pervasive electoral hold of his party.

A fascinating word of that language is *rudrakshamala.* It has a religious soft-tone and a homespun undertone. It symbolises the holy and the pure. It stands for simplicity, the dignity of the humble. It symbolises moral power, derived from a divine source. It stands for peace and harmony. Whoever among the prime minister's speech-writers picked up the word deserves a pat on the back. One can imagine how amused Rajiv Gandhi was to have the word at the tip of his fingers and how delighted he was to think of its potential power to influence the mind of the villager. Here was the prime minister of the country about to link the largest megapolis to the humblest frontier village with the holy, harmonising, peaceful thread of the *rudrakshamala.* He who wields the *rudrakshamala* must be, and is, above corruption and selfishness. He is the epitome of humility.

But did the emotive word reach the people in the humblest hamlets and the most arrogant metropolis? Delivered on the floor of the Lok Sabha, the statement could not be telecast live or even in a recorded programme. Carried in Hindi newscasts, it did not particularly hit its target ears. The peasants who gathered on the banks of the Ganga Canal near Muzaffarnagar under the leadership of Mahendra Singh Tikait were not impressed. Tikait himself did not think much of the two legislations on the floor of parliament that, the prime minister promised, would 'revolutionise' Indian politics. The *Times of India* in a nationwide survey came up with the chilly warning that the panchayat raj argot would not enable the Congress(I) ship to sail through the electoral ocean that is rural India. The ocean is too vast and too turbulent. The flagship means little to the villagers. Despite its heavy cargo of words and promises.

That does not mean that the legislations are not important. They are. They provide India with a democratic infrastructure, the lack of which is the single biggest weakness of our democratic system. The panchayati raj created in the 1950s perpetuated the agrarian *status quo*, giving the kulaks the sway of rural India. Even the partyless elections were not held by Congress governments for 10-18 years. It was the same story with municipalities. Of the 300 odd municipal corporations in the country, more than 60 per cent are superseded, and most of them are in the Congress-run states. If any group of power-brokers have stubbornly refused to transfer power and resource to the local bodies and done everything necessary to perpetuate the rural *status quo*, it is the ruling Congress(I) party.

It is this recorded historical fact that Rajiv Gandhi's long 'fighting' speech or statement in the Lok Sabha deliberately ignored. He pretended that the opposition parties stood between centralised power and the people, that they were opposed to the creation of democratic self-governing bodies in the villages and towns. That too was a deliberate falsification of recorded contemporary history. The example of four opposition-run states building effective, though different, networks of panchayats persuaded the prime minister that he too must proceed in that direction if he were to get the support of rural voters. For understandable political reasons, he had to trivialise the panchayat or zilla administration systems introduced in West Bengal, Tripura, Karnataka and Andhra Pradesh. But he could not have remained indifferent to the fact that these states were the strongholds of opposition parties which, except for Tripura, his party could not snatch away through the electoral process.

The concept of building a constitutionally provided democratic infrastructure in the country has been in the air for several years. In the minds of persons genuinely and honestly concerned with the health and vigour of Indian democracy, this is organically linked with an overall democratic restructuring of the political process, with significant transfer of power and resource from imperial Delhi to the states and then to the local bodies. The pressure for decentralisation grew enormously when the Congress(I) lost Andhra Pradesh and Karnataka in 1983. Indira Gandhi promptly appointed the Sarkaria Commission to review the gamut of centre-state relationships even though she took her own time to issue the commission's terms of reference. At a seminar in Bangalore in 1984, much conceptual and operational work was accomplished to give decentralisation a constitutional frame. The Centre for Policy Research of New Delhi worked as the 'think tank'. The political initiative came from Ramakrishna Hegde, then chief minister of Karnataka.

In June 1986, a group of scholars, drawn from CPR and other bodies, met with the prime minister for a broad exchange of views on domestic and neighbourhood issues. The political presentation underlined the urgency of creating a network of elected bodies in the villages and urban areas. It was argued that there must be a constitutional mandate for holding elections to local self-governing bodies every five years and that the resources to be transferred to these local self-governing bodies should also be identified in the Constitution. In the absence of an infrastructure of democratic self-government, the states were facing popular pressures far in excess of their capacities to endure them, while a great many local issues were being transported to the heart of Delhi to confront the national government. Furthermore, only a network of self-governing bodies at the local level could provide India with a live school for the training of political leaders and administrators tuned to the needs and urges of the common people.

It was not before 1987 that Rajiv Gandhi woke up to the idea. He realised after the state elections of that year that panchayat power alone could make the Congress(I) hold in the country-side strong and durable. He worked through 1988 on the concept, but, somewhere during the process, he was seduced bv the idea that the central government in Delhi must keep as much of the third-tier under control through the obliging instrumentalities of governors and collectors. To the best in knowledge of this analyst, the idea was sold to him by a pack of IAS and IFS officers as the only way to hold India together under the guardianship of imperial Delhi.

The legislations will be on the statute book if they pass the Rajya Sabha. However, Rajiv Gandhi will find it far from easy to actually build the third-tier provided in the bills. If he is returned to power at the centre, Congress(I) chief ministers will take their time to implement the scheme, while the opposition-run state governments will do everything within their power to stall and change the legislations to their liking. It will not be surprising if Rajiv Gandhi's own government loses a great deal of enthusiasm for the power-to-the-people scheme once it were returned to power.

The rural masses have enough intimate knowledge of the Congress Party to expect of it any real transfer of power to their own hands. They will test the will and intentions of the ruling party before allowing their imagination to fly. The power-to-the-people slogan will not have a fraction of the impact the *garibi hatao* slogan had on the poor masses in 1969. Having seen the fate of that slogan, the village voters will refuse to dance to the pop music of power to the people.

The whole thing could have been accomplished with much greater effectiveness if the prime minister did not find himself desperately hustled by the need of an emotive electioneering slogan. He could have engaged the nation in a long, comprehensive debate in order to churn out a consensus. He did indeed engage in marathon discussions with different groups of people. But, the whole thing was an attempt to claim his personal authorship and ownership of the third-tier. Rajiv Gandhi's charge that the opposition chief ministers, with only two exceptions, kept out of discussions is only formally true; they kept out because he would not take them as true partners of a

grand design to give Indian democracy a third popular dimension.

Among the numerous faults of Rajiv Gandhi's political leadership nothing is as damaging to himself and to India as his apparent conviction that he and his party own the Indian state and nation. That's why his men in parliament can hurl the worst possible invectives at opposition members. That is why his political style has had the effect of undermining India's democratic institutions. There is unfortunately a crisis of confidence. How can one readily believe that the prime minister is rearing to take democracy to the frontier village when his government and his party cannot live with a CAG who dares to function as he is required to under the Constitution?

In a rare moment of candour, so much unlike Rajiv Gandhi after 1986, but so much like Rajiv Gandhi of 1985, the prime minister told a gathering of ad men in New Delhi on August 10 how his efforts to change the system came to nought. "When I tried to change the system, to push it to deliver, I came up against vested interests which just would not let go. Every time I thought I had identified the solution, I could not convince those at higher level, whether in politics or in the administration".

Elaborating on his failure, Rajiv Gandhi continued, "We worked at opening up the economy to involve more people in the development process...At every step, we found that there was somebody telling us that this was all wrong and shouldn't be done...and he had enough friends in the system to block it even if it went through the cabinet...and the parliament. At the real life level, it didn't work because people were not interested in allowing things to change."

These pathetic words reminded this writer of what one of the closest advisors to the prime minister told him in 1987, "The point is that we cannot get anything done through this machinery. Orders issued from PMO get lost 250 yards from this place."

Did Rajiv Gandhi expect the system respond to his innovative initiatives without resistance? Did he take the people into confidence with his initiatives? Did he, like Gorbachev, try to enlist the support of the people against the system, to change the system with the help of the people? Or did he withdraw into his cocoon and reverse to the beaten track of power, manipulation and secrecy? What makes him hope that the system will work out his People's Raj project without resistance?

The pathos of pathos, he turned to advertising men to take the image of his reforms to the people. Ad men to package Power to the People for sale at election time! To package the language of politics, so that the language can speak Rajiv Gandhi sweetly and convincingly to the people.

Calcutta Diary

AM

Article 368 of the Constitution is an open-ended invitation to a genuinely cynical government, such as the present one, to push through amendments which snuff out democratic functioning. Some of the latest political occurrences provide ominous pointers.

A NATIONAL constitution which permits itself to be mauled on sixty-five different occasions in the course of less than thirty-nine years must be *ipso facto* bad. The procedure for passing amendments, as laid down in Article 368 of our Constitution, is extraordinarily lax. The urge to amend this or that article, which for some reason inconveniences the authorities, is therefore difficult to resist. With elections decided according to the first-past-the-post principle, for a particular party to run up a two-thirds majority in the Lok Sabha is not that difficult. It may obtain such a majority even when barely one-third of the votes are cast in its favour. The problem is trickier in the case of the Rajya Sabha. But there is that provision of nominating eminent citizens as members. The ruling party has, in recent years, unabashedly chosen quite a few of its servitors to seat in the august second chamber: eminence, after all, depends on how you define it. Once the two-thirds majority has thus been contrived in both houses, the government is in a position to pass constitutional amendments almost at will. It is on only a few specific matters that the amendments also need ratification by one-half of the state legislatures. That is not much of a hurdle provided the two-thirds majority in parliament has been successfully arranged for. Since such balmy days might not last for ever, the regime could then be tempted to rush with a long list of amendments. The present regime has been so tempted.

But there is never a shortage of doubting Thomases. A two-thirds majority in parliament or no, it is not that easy for a government, it will be argued, to amend the Constitution in such a manner as would qualitatively transform the polity. Has not the Supreme Court, for one, refused to go along with any change in the Constitution's 'basic structure'? Which of the proposed changes constitutes or does not constitute a mutilation of the 'basic structure' is however also a matter for the Supreme Court ultimately to decide upon. By appointing judges who hold certain specific beliefs, the regime can always hope to 'manage' the decisions of the court. Franklin Delano Roosevelt showed how this can be done, if not with finesse, at least with a certain panache. We live in a non-genteel milieu. Most things are here done with a degree of crudity; the packing of courts too has assumed a more direct form. It is the outcome that counts. It will be altogether naive to assume that the judiciary as constituted at present will stand in the way of constitutional amendments however outrageous their nature. The judges are by now accustomed to play the role of the complaisant husband, the government, with its unending package of amendments, has succeeded in rendering the Constitution into a document which need no longer be taken seriously.

What is done, counsel the wise men, can also be undone. Well, not quite. True, the Thirty-ninth and the Forty-second Amendments, rushed through in 1975 and 1976 respectively, were followed close on their heels by the Forty-third and the Forty-fourth; most of the infamous clauses Indira Gandhi had inserted were taken out. Still, inertia is inertia, a few of the clauses remained, and at the end of that period of turmoil, the Indian Constitution became much more officious in its general bearing than it was earlier.

Article 368 in any event is an open-ended invitation, its use for non-zero sum pastime is patently unlikely. Once a genuinely cynical government, such as the current one, comes along, sooner or later it is bound to push through amendments which snuff out democratic functioning altogether. Consider, for example, some of the latest political occurrences. Spirits are running low in ruling party circles because of the report of the Comptroller and Auditor-General on the Bofors transactions and all that has happened in the aftermath. Suddenly, the party's electoral prospects appear to be rather dicey. But never say die, exciting ideas are again afloat. Surely there must be some stratagem whereby the elections could be postponed at least for some months and yet it would look as if the constitutional proprieties have not been breached. Never mind the withdrawal of the opposition, could not the present Lok Sabha itself meet for a brief session in the early part of January and pass a vote on account for the first few months of 1990-91? True, it would immediately cease to be. So what, since, according to the Constitution, six months can intervene between sessions of the Lok Sabha, once the vote on accounts is passed, the date of the Lok Sabha poll could be pushed back to somewhere as late as next June; meanwhile, hopefully, the electorate might be persuaded to forget the catty comments appended by that abominable creature, the CAG. Were a manoeuvre of this nature to be ruled out for whatever reason, since crisis time is crisis time, even more impatient suggestions could emerge from the wings. These could well include proposals of a breathtaking genre involving drastic amendments of the Constitution. The life of the Lok Sabha might be proposed to be extended from five to ten years. Or, fasten your seat belt, notwithstanding the other provisions of the Constitution, this being Jawaharlal Nehru's centenary year, an amendment could be introduced under Article 368 to the effect that no descendant of Nehru, once appointed as prime minister, be removed from that office until his death or unless he voluntarily abdicates. Did you say this is bizarre and full of flummery and could never happen? The Thirty-ninth

Amendment of the Constitution, passed with much eclat in September 1975, was however hardly any less bizarre; it forbade the standard legal processes which applied in the case of others, for challenging the election to the Lok Sabha of the incumbent prime minister and the incumbent speaker. Authoritarian proclivities have developed further in the course of the past dozen years; it need not any longer be considered as absurd that the Constitution should spell it out explicitly that this fief, India, owes its existence and survival exclusively to the Nehrus, the latter household must therefore have a permanent niche in the governance of this nation. Since the Lok Sabha has been rid of the opposition, and, with some fudging, it might be possible to contrive a two-thirds majority in the Rajya Sabha, an amendment of this nature might pass without much effort. It might not do too much damage to our reputation as the world's largest democracy either, for democracy is how Foggy Bottom and *Wall Street Journal* define it. We have, besides, done, over the past few years, so much damage to that reputation that this extra bit could even pass almost unnoticed.

But forget this depressing, what they call, scenario. Suppose elections to the Lok Sabha did actually take place according to schedule. It is likely to be a no-holds-barred poll, with thousands of crores of rupees invested to ensure a victory. Killings as much as booth capturing can be expected to take place on a large-scale. Consider however one situation that could emerge at the end of the gory exercise. The ruling party is beaten comprehensively in the south, fares equally badly in the east, loses in both Haryana and Delhi; its success in Maharashtra is neutralised by its reverses in Gujarat; the Hindi heartland however once more delivers, so that the regime just squeaks through with a bare majority. Or it does not even manage to do that. But since a Jakhar of a speaker can always interpret the Anti-Defection Law to suit the ruling party's interest, a number of those elected on the ticket of the opposition parties are bought over, so that the ruling party remains in power. A demoralised opposition then crumbles, and we are back to square one: the technology of the twenty-first century continues to be deployed to propagate the glory of medieval authoritarianism; even without a constitutional amendment, the Nehrus stay for ever, or so it would seem.

In terms of this scenario, the ruling party might obtain barely one-third of the total votes cast in the country, it might lose in as many as two-thirds of the states, it would still form the government at the centre. That is to say, as long as one or two key states continue to turn their face against the forces of progress and enlightenment, the rest of the country would have to go along. In the United Nations Security Council, a handful of major powers can exercise the veto whenever they dislike a particular move or resolution. A couple of states could begin to exercise a similar veto on the Indian destiny. Because these states would not move forward, the rest of the nation must also stay stuck in the milieu of the Middle Ages. Because these states would be held in thraldom by a particular dynasty, the rest of the nation must continue to put up with some of the most offensive rituals of sycophancy and obeisance. And, rest assured, in these circumstances the persons likely to come up as the government's principal decision-makers would continue to be bigoted, narrow-minded, and devoid of imagination. Having just pulled off a what-at-one-time-looked-to-be-patently-impossible electoral victory, they would also be haughty to the core. Such individuals are in all seasons incapable of seeing beyond their noses. To try to put it across to them that democracy is an emotional concordat, and that a formal majority in parliament might not mean much unless one also took into account the morphology of the majority, might be totally futile.

It could then be a Tripura-like situation, but on a magnified, national scale. In that eastern state, the Left Front obtained a clear majority of the popular votes in the last assembly elections, but failed to win—or was denied—a majority of the seats in the assembly. Tripura is a puny, little piece of real estate, hardly the size of a regular district. Should what was made to happen to her be repeated on a national scale, the reaction is however unlikely to be docile. Many unsavoury things might then occur. Questions might be raised, nagging, sullen, impatient questions, such that why must the people in the south, or Bengal, or Assam, or Punjab, or Haryana, agree to proceed in a particular direction, even when they knew in their heart of hearts that that could do them no good, merely because a couple of other states think that direction to be lovely? Why must they go along with the Indian army's misadventures in Sri Lanka when they realised in their heart of hearts that nothing could be a greater evil? Why must they put up, day after day, with the idiocy and insolence of Doordarshan and All India Radio? Why must they concur with the policy of officially organised orgy of murder and mayhem in Punjab and the consequent brutalisation of the Sikh youth? Or with the planned extermination of the landless in the northern and central states? Or with the sale of the national economy, lock, stock and barrel, to dishonest industrialists, fly-by-night operators, foreign banks and trans-national corporations? In other words, the social contract that is the Indian nation would be in danger of breaking down.

Even were one an atheist, one would be sorely tempted at this juncture to pray, to pray that good sense dawns upon those who are the ultimate purveyors of decisions within the portals of the ruling party, so that the Lok Sabha poll is allowed to be held on schedule. The atheist might also be equally tempted to pray that the party which has ruled over this nation, almost uninterruptedly, over the past forty years receives a comprehensive drubbing in that poll, for, as things now stand, only such a denouement could still save the polity.

But, then, an atheist is not normally given to praying; dark, tough days, lie ahead for the nation. Unless, of course, certain developments take place irrespective of the presence or absence of prayers, because the masses, in a sudden, nation-wide surge, decide that enough was enough, the crooks had a sufficiently long innings, this country now deserved better. That is, the people might choose to give themselves a break and side with what, sniggers notwithstanding, qualifies to be described as the historical process.

NEW DELHI

Liberalisation Road to Economic Ruination

B M

Expert opinion on the state of the economy and the government's economic policies is increasingly tending to converge and economists of different political and ideological persuasions now acknowledge the crisis situation building up on many fronts.

THE Indian economy is facing a serious crisis. This warning was sounded by some 40 distinguished economists at a meeting sponsored by the *Social Scientist* in New Delhi on August 7 and 8. Their opinion was, of course, in sharp contrast to the euphoria that the leaders of the government and official spokesmen and publicists have been trying hard to create about the state of the Indian economy and the progress that is claimed to have been made as a result of official policy and management under the leadership of the prime minister. The official side may indeed like to argue also, in order to blunt if they can the impact that the criticism by the experts may make on public opinion, that the economists who met in New Delhi were by and large of leftist persuasion and were not friendly to the present government and its leadership. This would not, however, be a wholly correct view of the New Delhi meeting of economists.

There were indeed significant divergences in their views and assessments of the state of the economy, the social forces at play in the economy, society and polity and the pressures and tensions that have to be reckoned with. There were some, for instance, who felt that it would be wrong not to take into account the new demands and sentiments of the middle classes in India who no longer are swayed by such patriotic slogans as 'buy Indian' regardless of quality. They felt that the television culture had indeed taken hold of large numbers in the country and this fact, disquieting though it may be, cannot simply be wished away. Then there were others, prominent among them L C Jain, who has just received the Magsaysay award for public service, taking seemingly a strong Gandhian stand (but actually inspired by the Mahalanobis model) on protection of handicrafts and village industries from the official policy of promoting indiscriminately and recklessly capital-intensive industries and production structures.

There were indeed many shades of opinions which were articulated by the economists in their meeting in New Delhi. But they were all agreed that the economy was not in good health and that the economic policy and management of the government was misconceived and harmful to the development of the economy in keeping with the needs of the mass of the people. They issued at the end of their meeting an agreed statement sharply critical of the government, refuting the claims of progress, pinpointing the weaknesses and distortions that the economy is suffering from and offering an alternative set of policies, beginning with "restoration of faith in planning, purposeful interventionism and public investment policies aimed at immediately reversing the present trends". In the short term, the statement emphasised, "import restrictions are a must to prevent further burgeoning of external and internal debt which has already touched unmanageable proportions". Further, till such time as demand can be managed in keeping with the potential of the economy, "the splurge in consumption by a few at the expense of the majority must be curbed".

The government and its publicists and propagandists will only be fooling themselves if they dismiss, as is their tendency, the sane and sound advice of such a large group of economists on the ground that they are not friendly to the government and do not occupy advisory positions in the present government set-up. The fact to be reckoned with by the government as much as by the people is that expert views about the state of the economy and the government's economic policies and management are tending now to converge.

This was demonstrated forcefully at a seminar at Jaipur on August 3 and 4 organised by the Jaipur Institute of Developments Studies on the external debt problem. The participants in the seminar were indeed a variegated lot, some of them holding official positions and some with even strong political sympathies for the ruling establishment. But they were no less distinguished as economists as those who met at New Delhi. The seminar was inaugurated by Sukhamoy Chakravarty, former member of the Planning Commission and at present chairman of the prime minister's economic advisory council. The keynote paper which held centre-stage at the deliberations was presented by Ajit Mazoomdar, a former secretary, planning and expenditure, in the union government.

What was remarkable about the discussions in the seminar was that starting with a meticulous exercise in determining the exact quantum of India's foreign debt and its composition, they extended to criticism of the liberalised economic policy of the government. The criticism was as trenchant and wide-ranging as that voiced by the later meeting of economists in New Delhi who declared that "the future of this country is being mortgaged and its economic sovereignty threatened". The position of Ajit Mazoomdar, which won near-unanimous support at the Jaipur seminar, was equally forthright in calling for a reversal of the present official policies. In his view, "if investment priorities and macro-economic (including fiscal) policies remain as in the last five years, the outcome will be a continuing increase in the current account deficit, accelerated foreign borrowing and a rise in the debt service ratio well over 30 per cent". He added, with his characteristic penchant for understatement, that "more than a new plan document will be required to reverse these trends". Sukhamoy Chakravarty, while declaring that there can be no general theory of borrowing had cautioned that the growth rate of foreign debt should be lower than the growth rate of the economy. He also drew attention to the rise of consumerism in society and of energy-intensity in production. Most significant was his warning that the drive for exports at all costs was no panacea either.

Participants in the Jaipur seminar were all agreed that the position in regard to external indebtedness was already alarming. The lone dissenter was an advisor of the Planning Commission who argued that the present level of foreign debt was 'of grave concern' but not 'alarming'. This feeble dissent was obviously inspired by his reluctance to admit that given the present official policies and the government's failure to mobilise domestic resources, playing around with a high growth target for the Eighth Plan would be dangerous and would amount to an exercise in recklessness and deception on the part of the planners as much as the government. It became obvious at Jaipur that the proposed 6 per cent growth target for the Eighth Plan, within the present economic policy regime, would gravely enhance the dependence of the Indian economy on foreign crutches with the inflow of foreign capital rising to more than 2.6 per cent of the GDP in contrast to 1.8 per cent of GDP at present. This is in contrast to the facile assumption of the planners that the foreign capital inflow can be scaled down to 1.6 per cent of GDP in the Eighth Plan. Given the persistence of the government with its present socio-economic policies and the projection of a 6 per cent and even higher growth target for the Eighth Plan, the country will surely be pushed into a foreign debt trap and will lose its economic, and eventually its

political, sovereignty. All healthy social forces and political formations have thus to be on guard and halt the drift to disaster which is under way under the present government.

It is indeed significant that what weighed most with the economists in both New Delhi and Jaipur is the danger before the country of getting caught in the foreign debt trap with all its grave consequences, economic, social and political. It is for the first time in recent years that economists with different social and political approaches and affiliations have raised their voice powerfully against the so-called liberalised economic policy and squarely blamed it for bringing the economy to the brink of disaster. Nobody takes the official figure of Rs 68,000 crore trotted out by the government in parliament as the true size of the country's foreign debt. At the Jaipur seminar careful calculations with the aid of RBI data showed that the foreign debt stood at over $60 billion, without taking into account debt incurred for defence imports and NRI deposits. The repayment liability on foreign debt already stands at about 30 per cent of India's foreign exchange earnings and is likely to rise further next year. No less disconcerting for economists of all shades is the fact that side by side with the rise in external debt there has been a relentless increase during the eighties in the internal debt because of the failure of the government to mobilise resources and control its expenditure. The result is that the prospect of growth of the economy as well as social equity stands blighted. The economists meeting in New Delhi rightly emphasised that official policy seeking to provide greater economic space for the private sector and foreign capital had sharply eroded the role of the planning process and the problems of unemployment, poverty, slow rates of growth and external vulnerability had been aggravated.

It is, however, remarkable that Rajiv Gandhi at the head of the present government, even as he has been engaged in recent months with an eye on the coming general elections with a great deal of populist gimmickry on a variety of issues, has not faltered in his commitment to the economic liberalisation policy and to an open economy. He has indeed been steadfast on these scores in spite of the deteriorating payments position and the rising external and internal debt. The acceleration of the rate of industrial growth is advanced by him and his publicists as the justification for the liberalisation policy comprising the removal of what are called unnecessary and unproductive regulatory controls, liberalised imports and wider opportunities for foreign investment. But economists have sounded the warning that while the acceleration of the rate of growth of new industries from a very low base, which finds a significant reflection in the new index of industrial production, may generate some euphoria about industrial growth in the short run, it does not amount to an upswing in the rate of industrial growth which can be sustained. The growth in the industrial sector has tended to be better in the case of industries engaged in the production of items of elitist interest, even as production of development inputs and essential goods of mass consumption has suffered big shortfalls. The new production capacities which have been set up have a very high import content. The idea that screw driver technology and a production structure based on heavy imports would enlarge and modernise some segments of industry and bring about a spurt in the growth of industrial production as a whole was misconceived to begin with and has been found to be unworkable in practice. If official spokesmen and some business circles like to gloat over the growth of the automobile industry, especially the sector catering to demand for private transport, as a 'pace-setter for industrial growth', and reliance is placed on the so-called 'sunrise industries', such as entertainment electronics, for boosting industrial growth, the fact has to be faced that industries producing essential consumption goods such as basic drugs and relatively cheap cloth and those producing development inputs such as steel and capital goods have remained stagnant. In the case of capital goods, which provide essential inputs for self-reliant and self-sustaining industrial growth, there has been a sharp slump. The prospects of industrial growth in the coming years can hardly be considered bright in the wake of these developments.

What has really happened under the liberalisation regime is that indigenous capacity and capability in the public and private sectors for undertaking the essential tasks of development of the economy have been emasculated. The ground is being prepared for handing over industrial and infrastructural development to foreign interests, which will necessarily rely for social and political support on the already powerful compradore political and business interests in India for operating in the Indian market. This is what further liberalisation and a more 'open economy' would add up to. The implications, economic, social and political, of these policy trends are indeed ominous.

The working of the Indian economy in response to official policy as brought out by the economists of different shades of opinion has an important bearing on the run-up to the general elections. The economists meeting in New Delhi emphasised as of the utmost importance the accountability and integrity of the government. They declared that "we are at present told too little by the government about economic realities and very important decisions, with major implications for the nation's future, are reached clandestinely. This must stop." Another issue of great importance that they forcefully raised was that of "greater degree of decentralisation of economic decision-making with an appropriate devolution of financial powers from the centre to the states and further to local bodies so as to further the process of development based on local resources and needs". They also emphasised the importance of land reforms accompained by co-operativisation and a guaranteed minimum wage for a "viable and vibrant agriculture".

Teaching Teachers a Lesson?

J V Deshpande

The Maharashtra government is clearly in the mood for a confrontation with college and university teachers. Unfortunately, the leadership of the teachers' movement in the state, trapped in the debris of recent ill-considered agitations, appears unlikely to be able to rise to the challenge.

THE start of the new academic year in Maharashtra in June has brought no cheer to the college and university teachers in the state. After two long-drawn and bitter strikes in the past two years, it looked in March-April that the pay and perk problems of the teachers, which have occupied so much of their energies for the past decade, will finally be settled at least for some time to come, so that the teachers and their leadership can turn their attention to the pressing educational problems on the campuses. But this has not happened.

College teachers in Maharashtra had joined the strike called by the all-India college teachers' body in 1987. It was only after a long strike that the governments agreed to implement the new salary grades for college and university teachers. A year later, late in 1988, when there was no further action on the issue by the state government in Maharashtra, teachers in the state had to resort to another indefinite strike. This was withdrawn only after extracting a firm commitment from the government that the relevant notification would be issued by the end of February 1989. However, teachers had to pay a price for this. They had to accept a marginally heavier workload; but more significantly, they also had to give up the protection on this point that they earlier had, in the form of an agreement signed in the high court in the seventies.

It was expected that after the government notification the new grades would be forthcoming within a few weeks. Much to the surprise of the college teachers, this has not happened. Six months after the notification, teachers are still waiting for the government and the university authorities to complete the 'administrative details'. Even now, it is not clear whether the teachers will start getting the new pay-packet in the next three months.

Even more surprising is the recent government decision to put—"for the time being"—every lecturer in the lowest of the three new grades open to them. As per the original decision, a college teacher could also get the senior or the selection grade in the new scales, depending upon his experience and qualifications. Now the teachers will be left to argue out their cases for the superior grades individually at a later date. This is being done ostensibly to expedite the implementation of the new grades. It is worthwhile to remember that no other state has found the administrative details of the transition to new grades as difficult and time-consuming as Maharashtra.

This has come as a bitter blow to rank and file college teachers in Maharashtra. What is more, apart from the non-payment of the new grades to the degree college teachers, several other steps clearly indicate that the state government, if not out to break the morale and the unity of the college teachers, is certainly bent upon driving a hard bargain with them.

In 1987 teachers in the degree and junior colleges had joined hands and gone on strike together—the former for the new grades and the latter for parity of pay with the degree college teachers. In fact, the strike was continued in Maharashtra for about three weeks more, after the settlement was reached at all-India level regarding the new scales of degree college teachers, in support of the demands of the junior college teachers. it had finally to be withdrawn without any satisfaction on the major demand of the junior college teachers.

The leadership of the college teachers' unions adopted a different mode of agitation in 1988. Even though, nominally, the teachers in both degree and junior colleges are part of the same union in Maharashtra, especially in Bombay, the strike action was launched only by teachers in the degree colleges and by a section of university teachers. At about the same time, the same leadership launched a separate agitation of teachers from the junior colleges, calling upon them to boycott the examination work connected with the two major state-wide examinations —the SSC and HSC Board's final examinations. This was for the separate charter of demands of the junior college teachers.

The response to the call for boycott was fair only in Bombay city, with the result that the HSC results from the entire state and the SSC results from all divisions except the Bombay division were declared more or less on time. Taken as a whole, not only was the call for the examinations boycott a failure but the teachers involved in it had other unpleasant surprises in store for them when they reassembled for the new academic year in June.

In Bombay, the teachers in junior colleges who had boycotted the examination work were not allowed to resume work. Although this order was withdrawn by the government after a few days, several thousand teachers in junior colleges have been refused salary for the vacation period on the ground that they had refused to help in the examination work. To add insult to injury, the government has arbitrarily reduced the number of days of leave available to a junior college teacher from 15 per year to 12. It is also likely that the student strength in many classes will increase from the already high figure of 80 to 120.

The inordinate delay by the state government in putting into effect the new pay-scales for degree college teachers and its deliberately provocative attitude towards the teachers of junior colleges should ordinarily have galvanised any active leadership into immediate protest action. That this has not happened is a sorry comment on the disarray that the teachers' movement finds itself in Maharashtra. The fact that the union is inactive even when a few thousands of its members are denied salary for two months or more shows the extent to which disillusionment has set in among the college teachers about the efficacy of their united actions in the past. Even a 'morcha' planned late in July had to be called off for want of support. Only recently, the government of Maharashtra has relented on the issue of vacation salaries, but not on account of any exertions on the part of the established leadership of the college teachers.

Several reasons can be cited for this sorry state of affairs. For over a decade now the college teachers' organisations in Maharashtra have been concentrating almost exclusively on the 'pay and perks' problems of their membership, totally neglecting the problems of basic educational reform. The same decade has also seen a precipitate decline in not only educational standards but even in the routine functioning of universities and colleges. The problems of teachers have ceased to be of much relevance to the rest of the community. In the recent strike and the boycott of examinations, the public was very clearly resentful of the teachers' actions. No agitation against the government can succeed without public sympathy, if not active support.

It has been argued in the past that in

the long run a meaningful united front of the teachers at all the stages of education can sustained only when such a front concerns itself with basic educational problems common at all levels. The events of the past two years have amply borne this out and now we see a union, ostensibly representing the teachers of both junior and degree colleges, reduced to launching two separate agitations for the two sections, for separate sets of demands. One may well wonder what is the purpose of having one union for both except perhaps to provide a solid vote-block for the leadership. It is noteworthy that when so many of the junior college teachers are facing a difficult financial situation, not even a relief fund has been started in degree colleges by the leadership. So much for fraternal camaraderie!

Apart from the total commitment to economism on the part of the leadership, there are other factors also which repel many persons, normally sympathetic to the teachers' movement. One of these is undoubtedly the mindless militancy of the present leadership group. It is now clear that the continuation of the strike in Maharashtra in 1987, when a settlement had been agreed to at the all-India level (by the same set of leaders) was nothing less than a blunder. It achieved nothing more and created sharp divisions in the fraternity of teachers. The same blunder was repeated at the state level in 1989 by the Bombay group, which insisted on continuing the boycott of examinations in the city even when the other units in Maharashtra had withdrawn it. Once again, without achieving anything, it created further serious dissensions, thus weakening the movement further. The result is that today, when action is needed most, the generals find themselves without an army.

With the state government clearly in a mood for a confrontation, it is all the more necessary for the teachers to close their ranks and work patiently and unitedly for solving the larger problems of education, which, *inter alia*, will also solve the problems of teachers in Maharashtra. This would require a great deal of patient work on part of the leadership to explain to the members the role of a responsible trade union movement in society not only for the economic betterment of the members but also for social upliftment. The present leadership, trapped as it is in its past firebrand rhetoric, is not expected to rise to the task. On the other hand, the way the affairs of trade unions are generally manipulated, it is also not expected that a new leadership with a broader vision will be able to emerge without a bitter struggle. All in all, the college teachers' movement in Maharashtra may be expected to remain in the doldrums for quite some time.

The State and Development Planning in India

As Indian planning approaches the end of its fourth decade, a sufficient time span now exists to allow an adequate consideration of its functioning and achievements over the longer term in relation to both the domestic and the foreign sectors. Within this perspective a recent conference organised by the School of Oriental and African Studies, London, explored the strengths and weaknesses of the planning process and experience in India. A report.

THE conference on "The State and Development Planning in India" organised by the School of Oriental and African Studies, University of London, from April 21 to 24 was not a part of Nehru's centenary celebrations but could easily have been the best tribute to the man. In exploring the strengths and weaknesses of the planning process and experience in India it underscored the uniqueness of that experience and offered critical and balanced perspectives on it. As Terry Byres, conference convenor and chairperson explained in his invitation to participants at the conference, "As Indian planning approaches the end of its fourth decade of operation, a sufficient time span now exists to allow an adequate consideration of its functioning and achievements over the longer term, in relation to both domestic and foreign sectors". Byres posed a set of questions offering a broad outline to the scope of the conference: "Are the supposed inefficiencies in resource allocation—in relation to both the internal and external spheres—as serious as some neo-classical economists make out? Are these, to the extent they exist, the inevitable concomitant of planning? Are they compensated for in terms of other criteria? Has planning generated a set of strategies which have been harmfully inward-looking? Would a more full-blooded espousal of market-oriented policies have achieved greater success? Has planning satisfactorily confronted the agrarian question? Has it produced a sound industrial base? Has it successfully mediated the town-country relationship? How has it impinged upon India's changing class structure, in town and country? Has planning secured the kind of structural change associated with successful economic transformation? Has the development of capitalism proceeded on a secure basis? Is the observed persistent poverty that which inexorably accompanies early capitalist development? Or could it have been markedly reduced with more effective planning? How has the planning process proceeded and developed in India? And with what result in terms of the mechanics of planning? What have been the major features of the institutional evolution of the Planning Commission? And what the determinants of that evolution? Is the nature of the Indian state such as to facilitate or impede successful development planning?" Unfortunately, though understandably, the papers presented at the conference did not answer all these questions. Nevertheless they offer a comprehensive and fairly balanced critique of Indian planning.

I
Historical Context

The historical context for planning in India came up for brief enquiry in at least two papers, those of Meghnad Desai and Utsa Patnaik (see appendix for full list of papers). Both located the role given to the state in development planning in the context of late industrialisation in a post-colonial economy confronted with the legacy of de-industrialisation and drain of surplus. Desai argued that "the pre-independence analysis of the root cause of India's underdevelopment was partial and flawed. It emphasised the imperial seizure of the economic surplus (the drain) rather than analysed the size of the economic surplus. It underplayed the issues of production and presumed that upon transfer of power and halt of drain, a correct allocation of the surplus to the appropriate sectors would solve the problem of Indian industrialisation." Thus the faith in planning and state intervention at the time of independence and its preoccupation with allocational issues neglecting productivity and the need to increase the overall size of surplus. Further, by viewing the problem in agriculture in largely institutional terms the early planners neglected the need to increase agricultural productivity and fell prey to the "neglect of agricultural growth as a *prerequisite* of industrialisation in the then prevalent theories of growth". He saw agricultural growth under the stimulus of the green revolution as having occurred independently of the planning process as an "exogenous shock" which has allowed capitalism to take over as the dominant mode in the countryside. "This transformation occurred outside the Mahalanobis perspective. The Planning Commission did play its part as it happened but did not initiate this change. Its focus was principally on industrial transformation. The bigger structural change in the Indian economy came independently of planning, outside its framework. What is more, this change undermined the presumption that plannin[g] would be an instrument for bringin[g] socialism to the country."

Utsa Patnaik cited various estimates (in[-]cluding her own) of the "drain of surplus" and questioned Desai's contention that th[e] absolute size of the surplus was either smal[l] or shrinking. More importantly, Utsa Patnai[k] argued, it was the legacy of colonialism i[n] India which necessitated state interven[-]tionism and planning as pre-conditions fo[r] economic development. What was thi[s] legacy? As Patnaik summed it up, "We se[e] several closely inter-related and inter[-]dependent phenomena emerging from the 1820s onwards which persist until the 1930s: de-industrialisation and de-urbanisation of India accompanied by industrialisation and urbanisation in Britain; the transfer of a portion of the Indian taxation revenues to Britain entailing a continuous excess of domestic investment over domestic savings in Britain; the realisation of this transfer through a continuously maintained merchandise export surplus from India with, on the obverse, a continuously maintained merchandise import surplus into Britain; and finally commercialisation of agriculture following the drive to expand the production of exportables in India (essential for realising the transfer) in the form of primary commodities entering as raw materials and wage goods into expanding industrial production in metropolises." In this context she saw the achievements of Indian planning as stemming from the "recognition that the unrestricted operation of market forces and openness of the economy in an ex-colonial country, given a world still dominated by predatory international capital, would only perpetuate industrial backwardness". Given the legacy of imperialism it was correctly seen that state intervention was essential to the strategy of independent, albeit capitalist, industrialisation in a post-colonial economy.

The discussion during the session focused upon the concept of economic surplus as it came up in Desai's paper and the relationship between the size of economic surplus and its mode of utilisation. The discussant for Desai's paper, Amit Bhaduri, said that in the Indian case, the Mahalanobis model assumed a fixed real wage, as is usual in surplus-maximising models of growth, while it was in fact a questionable assumption. If real wages are downward flexible then the size of the surplus was not as rigidly determined as the model had supposed. On the other hand, he suggested, one reason for the assumption of downward rigidity of the real wage in India may have been India's relatively high sensitivity to inflation, which in itself requires an explanation.

II
Political Dimension

A paper that directly addressed itself to the political role of planning in India was that by Partha Chaterjee. He examined the question of how the assertion of the "technical discipline" of planning can become an

instrument of politics. In late-colonial India, the Congress Party's, and Nehru's, attitudes to planning was not only a part of the anticipation of power by the leadership of the Congress, it was also an anticipation of the concrete forms in which that power would be exercised within a national state. More specifically, planning was used to legitimise the requirements of capital and the debate on the need for industrialisation was politically resolved by successfully constituting planning as a domain outside the "squabbles and conflicts of politics". According to Chaterjee, "A developmental ideology then was a constituent part of the self-definition of the post-colonial state. The state was connected to the people-nation not simply through the procedural forms of representative government, it also acquired its representativeness by directing a programme of economic development on behalf of the nation."

Rejecting the dichotomy between "planning in theory" and "planning in practice" and the claim that it is in implementation that planning has failed rather than in conceptualisation and formulation of the appropriate strategy, the paper sees a dialectical relationship between the two suggesting that the "failure" of planning is directly linked to the political logic of the "passive revolution" (*a la* Gramsci) which sought to promote industrialisation without taking the risk of agrarian political mobilisation. This was an essential aspect of the hegemonic construct of the post-colonial state: combining accumulation with legitimation while avoiding the 'unnecessary rigours' of social conflict. To quote Chaterjee, "While the planner thinks of his own practice as an instrument for resolving conflict, the political process uses planning itself as an instrument for producing consent for capital's passive revolution."

In his response the discussant, Gautam Sen, argued that while politicians have short-term objectives involving their immediate political survival the "autonomous Planner" is supposed to have the long-term objective in view with no personal stake in the short term. This was however not possible because while planning was intended to "legitimise" certain political processes, it is the politicisation of planning which has in fact made economic issues like planning a political phenomena. In the discussion that followed the following points came up: In any analysis of the post-colonial state it is important to capture the role of imperialism and the anti-imperialist content of state policy. State intervention in post-colonial societies, while obviously serving the interests of the dominant class, often had an anti-imperialist dimension which should not be neglected. It was asked if planning in a "strategic" sense had actually been replaced by short-term "crisis-management" given its inability to cope with interest group lobbying and political bargaining. Was planning in India ever anything more than a process facilitating accumulation for and legitimisation of capitalist development? Even if this was so, it was asked, had either of these functions been adequately performed? Finally, it was suggested, it is wrong to view planning in such a uni-dimensional way since the bourgeoisie had after all not accepted planning in its entirety and at least some part of the legacy of planning, especially of the First, Second and Third Plan periods, had become matters of contention between conflicting political tendencies. After all, planning had created a space for non-capitalist and non-market forms of economic activity which are difficult to wish away in contemporary India.

Some of these themes were taken up in Ajit Mazoomdar's paper which offered a useful and comprehensive overview of planning in India. It drew attention to the fact that the "national consensus" which had existed for planning in early post-independence years had yielded to increasing divergence in attitudes towards the planning process in general and the planning machinery within the government in particular. He emphasised the need for a wider historical perspective in current attitudes to planning in India and drew attention to the political philosophy underlying the concept of planning in India. Mazoomdar regretted the increasingly "party political" character of five-year plans and offered suggestions for strengthening the machinery of planning with greater decentralisation.

In his remarks the discussant, Jan Breman, contested the view that planning could be an apolitical, technical exercise and did not find it surprising that it was in fact partly political. It is the mistake of economists to view planning as a technical exercise and this was due to the fact that planning was seen as the domain of the "technocratic economist" rather than that of a "social scientist". Economics is inherently an "interventionist" discipline, unlike the other social sciences, and believes in the "makeability of the social fabric—that it can somehow be manufactured and shaped through state intervention". In this sense, post-independence planning in India was a continuation of the apolitical style of bureaucratic interventionism of the colonial period. In the ensuing discussion the following points were made: that the problem of planning in India was not one of technical capabilities of the system and its functionaries but had to do with the nature and levels of decision-making which was too bureaucratic and centralised; that the planning process has been diluted from one of long-term strategic planning to (a) arbitrating over inter-state resource transfers and allocations; and (b) overseeing inter-departmental conflicts in allocation of public resources; that planning at the macro-level was discredited by failures of the control system at the micro-level; that "planning" as much as "non-planning or liberalisation" were equally "political or ideological" categories and that it was wrong to see the case for a market economy as a non-ideological one; finally, it was argued that while planning and state intervention may be "inefficient" in economic terms they tend to be socially or politically "efficient" in the sense that they try to promote social harmony and reduce inequalities. The shift from a planned to a free market system may promote growth and efficiency but this would be at the cost of increased economic inequality and social conflict. The choice for any society would have to be between such alternatives.

Another dimension of the politics of planning examined in the paper by Sukhamoy Chakravarty (a chapter from his book on development planning in India which was introduced by Sanjaya Baru in the author's absence) was the dichotomy which is seen to exist between planning in theory and planning in practice. A simplistic way of viewing this dichotomy is in terms of the neglect of the "feasibility" of plans. Chakravarty suggests that a "good plan must minimally attempt a proper appraisal of the feasibility of what it normatively postulates". A second interpretation of this dichotomy would be in terms of the level of aggregation involved in macro-economic planning and its inability to influence the very large number of actors involved in implementation of plans. One possible explanation for this failure is that plan models have been improperly specified, in the sense that they have failed to capture the true state of underlying structural relationships. The paper considers other explanations as well like "information failure". Considering such distortions, is the solution to be found in the free operation of market forces and the price mechanism? Chakravarty is sceptical of this alternative and votes in favour of more effective planning. While it is true that state intervention has given rise to directly unproductive rent-seeking activity, Chakravarty does not believe that an open-trading market system can provide the needed set of signals, especially in the area of technological change, for a developing economy. After listing out the kind of reforms that need to be undertaken to make planning more effective the paper draws attention to the "fiscal crisis" in the Indian public economy and the need for a major attempt at resource mobilisation on a national scale as a pre-condition to any attempt at reinstating the importance of the planning process within the economy as a whole.

The discussant, David Taylor, while conceding the failure of a market mechanism in tackling the problems of a developing economy, was not sure if planning had all the answers. Indeed, despite planning inter-regional and inter-class inequalities do not seem to have reduced in India. In the discussion the problem of information availability and the quality of the available information came in for close scrutiny. The declining quality of data in India was attributed to an increasing "deafness" in the bureaucratic and political system which was not interested in generating the required information

because it was not willing to "listen" to what this information had to say. The availability of information is not independent of its utilisation and the political consequences thereof.

III

Agriculture

Trends in Indian agriculture were examined in papers by Krishna Bharadwaj, J Mohan Rao, Utsa Patnaik and Ravi Srivastava. Mohan Rao provided an overview of developments in Indian agriculture and the role of government policy. Not only was there little "strategic planning" in agriculture during the first three plans but there was unwarranted "rural optimism" and the government exhibited a peculiar non-interventionism, especially in the area of agrarian reform, which was not so evident in the industrial sector. While industry was subject to more regulation and planning, agriculture was left largely on its own till the green revolution strategy was adopted. This has been one of the major areas of failure for Indian planning and while famines have been avoided and the long-term rate of growth of foodgrain production has been pushed up above the pre-independence level, India has failed to increase per capita food consumption on a sustained basis. Rising food prices along with rising income inequalities have contributed to this. "Government interventions in the food market have, especially in recent decades, favoured the well-to-do net sellers of food and worked against the interests of the mass of the net food buyers, both rural and urban."

In his comments the discussant, James Boyce, built up a case for "democratic" as opposed to "technocratic" solutions for India's agrarian sector. Other reactions included disagreement with the author on his observations on trends in income inequality and its link with growth. It was also suggested that the "rural-urban" dichotomy was increasingly losing its significance both in the capital and labour markets with greater integration occurring as a result of the widening and deepening of capitalism in the economy.

The second part of Utsa Patnaik's paper was devoted to an analysis of agrarian change in India in the recent period. In her view, "the major failure [of planning] is embodied in the historic compromise reached by the Indian capitalist class with the landlords, in which any effective and radical land redistribution was shelved . . . It is this failure to break the monopoly of productive resources in a few hands which has determined the character of capitalist investment in agriculture and the consequent perpetuation of unemployment and poverty for the majority of the rural population". Given the historical legacy of colonialism in India a rational strategy of growth, in her view, "demands measures to expand rapidly employment and, therefore, the mass *internal market* for capital", and both early planners like Mahalanobis and contemporary policy-makers are accused of having failed to understand the importance of the unemployment problem and the strategy of development required to tackle it in a large ex-colony like India. The legacy of the strategy pursued thus far was summed up in several tables which present data on trends in unemployment, land ownership, food production and consumption, shares of wages and property-incomes in NDP and inter-regional inequalities in the agricultural sector. Finally, the paper presents a set of "rational" policy alternatives aimed at generating employment and redistributing income and assets. Short of land redistribution the only alternative was the formation of co-operative organisations of the rural poor. The author also builds a case for co-operative utilisation of rural resources from an ecological point of view.

In his detailed comments on the paper Michael Lipton agreed with the broad thrust of Patnaik's policy recommendations but was sceptical about her analysis of the statistical trends. Her conclusions were not "wrong statements but over-statements" which, in his view, exaggerated the negative impact of colonialism and of the role of "institutions" in the agricultural sector neglecting the role of "technical factors". Lipton believed that land reforms were still feasible in India provided the urban economy was willing to bear the burden of compensation for farmers financed by higher taxation of urban incomes. In the discussion it was pointed out that any experiment with rural co-operatives could succeed only if it was supported by a strong peasant and agricultural labour movement; otherwise such institutions would be dominated by the existing vested interests.

Krishna Bharadwaj's paper offered an analysis of agricultural price policy within the overall context of agricultural planning and the emerging inter-regional, inter-sectoral and inter-class conflicts in India. Prices are not simply manipulable variables since they are thrown up by a specific structure of production and exchange relations. Any planning or policy-making body which seeks to set prices that do not reflect these underlying forces will only be frustrated in its effort of effecting changes in income, production and consumption profiles. "Given the diversity of production conditions and relations as well as the geophysical and natural resource positions of various regions and the differences in technical advances in production methods of various crops, as well as the diverse pace of commercialisation of regions, or of crops and of producers, prices are formed reflecting this diversity of conditions . . ." While price policy has been an important component of agricultural policy in India it has not always succeeded in meeting the stated objectives because the policy framework has not come to terms with the extant structure of production and exchange which have often distorted the transmission of price and non-price signals in the economy.

The discussant, Ajit Ghosh, pointed out that agricultural price policy became an important aspect of official policy only in the mid-sixties, with the initiation of the green revolution strategy, and was never an important instrument of planning up to then. Indeed, at a time when the government began fixing agricultural prices macro-economic planning was itself in a crisis and early planners, including Mahalanobis, had neglected the role of agricultural prices and inter-sectoral terms of trade in macro-economic planning. The policy of setting agricultural prices, it was pointed out in the discussion, had only helped to stabilise fluctuations and had not helped in determining the absolute price level which was determined by institutional factors rather than by the policy framework.

In a well-documented and interesting analysis of uneven spatial development Ravi Srivastava examined the record of one of the major goals of macro-economic planning in India, namely, to reduce inter-regional inequalities. The paper brings out the inability of government policy to counter the impact of historical and contemporary institutional and demographic factors in shaping the nature of spatial development in India. In Srivastava's view "the planning process and the public investment strategies have played an important role in making the 'feasibility' of a certain change relatively more widespread. But the range of this opportunity itself varies from region to region. Moreover, whether certain classes reorient their strategies also depends crucially on the pre-existing modes of surplus appropriation" and other factors such as demographic changes and class formation in agriculture. The paper finds disparities in agricultural growth more marked than in industrial growth and these disparities have in fact widened over time. Significantly, regions with a greater proportion of middle-level households in agriculture with weaker landlord domination are shown to exhibit stronger growth tendencies. In summing up his analysis Srivastava is struck by the fact that "forty years into planning, the pattern of growth should still bear a substantial correspondence with the historical location of relatively more dynamic class formations," and is sceptical about the possibility of the "trickle-down" effects of uneven capitalist development reducing this spatial imbalance.

The discussant, Biplab Dasgupta, wanted greater attention paid to the role of state

policy, especially in the agricultural sector, in explaining inter-regional variations in growth. In the discussion it was suggested that the picture of inter-regional growth can be altered depending on how one classifies the data and alternative hypotheses can be supported by a regrouping of the same information.

IV

Industry

The session on industry discussed papers by Amiya Bagchi and Isher Ahluwalia. Bagchi's paper on the public sector in India postulated that one way to approach the macro-economic and macro-social setting of public enterprises in Indian industry is to look upon them as an answer, not the answer, to the problem of private investment failure. That is, "the inability of private merchants and industrialists to invest on an adequate scale in projects that have long gestation lags, require high levels of initial finance, and durable contracts with other supplying or consuming enterprises for them to be viable in the long run". In current debates on the public sector the "strategic" role of the sector is not often recognised by its critics. Bagchi argued that an important component of the lobby in favour of privatisation would be the non-resident Indians and foreign businesses who would like to see India's external indebtedness increase as a means of weakening the relatively autonomous basis of industrial growth in India. Having said this, it must be conceded that the overall record of the public sector, despite several and important exceptions, has not been a good one especially in the area of technology transfer, adaptation and development. The chain of "dynamic adaptability" of technology, from innovation or import to further innovation or adaptive upgradation and so on, has been broken at all possible points even in the case of the public sector, not to mention the private sector, accounting at least partly for its poor track record. Finally, Bagchi argued, the solution to the problems besetting the public sector cannot be purely managerial since many of its problems are political and social.

The discussant, Nigel Crook, emphasised the need to focus more clearly on the "changing relationship" between the public and private sectors. The "hidden agenda" of the public sector has been (a) to bear some of the "social costs" of industrialisation, and (b) to protect or promote employment in the economy. While the public sector has served the former objective it has failed to do so in the latter case and in the more recent period employment in the public sector had ceased to grow. In the discussion it was asked how one could explain public sector inefficiency (high costs of production) if it was in fact required to subsidise the creation of assets for the private sector. One way of explaining this obvious paradox was to argue that over time the public sector and its employees have acquired a relative autonomy within the system and they are increasing their share of the cake through rent-seeking. The political importance of the middle class, or of "intermediate regimes" (*a la* Kalecki), and their ability to demand higher wages and salaries could explain this and also the problem that capital faces in "privatising" the public sector. Part of the reason for the public sector entering into certain lines of activity, it was suggested, had to do with inter-corporate (or inter-business house) rivalry in India whereby rather than concede a licence to a rival business house the public sector was asked to invest.

Isher Ahluwalia's paper provided an overview of the strengths and weaknesses of the strategy of industrialisation pursued in India and the contribution of planning. She argued that the early five-year plans, including the Second Plan, had not built a case for protection based on the "infant-industry" thesis; consequently protection was blanket and this combined with export-pessimism of the early planners had created an insular and inefficient industry. In his response the discussant M R Bagavan suggested that export-pessimism in the 1950s could easily be explained given (a) the absence of any historical experience, at the time, of export-led growth in the third world (this was to occur only in the 1960s and 1970s); and (b) the strong influence of the success (at the time) of Soviet industrialisation experience. The thesis of "export-pessimism" may be relevant for the sixties or seventies but clearly not for the fifties, and yet after the foreign exchange crisis there was hardly any export-pessimism among policy-makers. If Indian exports did not increase during this period it was not due to policy blinkers but due to the strong lure of the domestic market in almost all commodities which India could have exported. He saw the need to distinguish between the government's "fiscal crisis" and an overall "resources crisis", the latter did not exist in India and the former was largely of the government's own making. Finally, Bagavan drew attention to major structural changes in Indian industry and said that while Indian industry had built up an impressive manufacturing capacity it had not succeeded in creating the requisite design capacity and here the impact of import and investment liberalisation in recent years could only be deleterious to the long-term interests of the industrial economy.

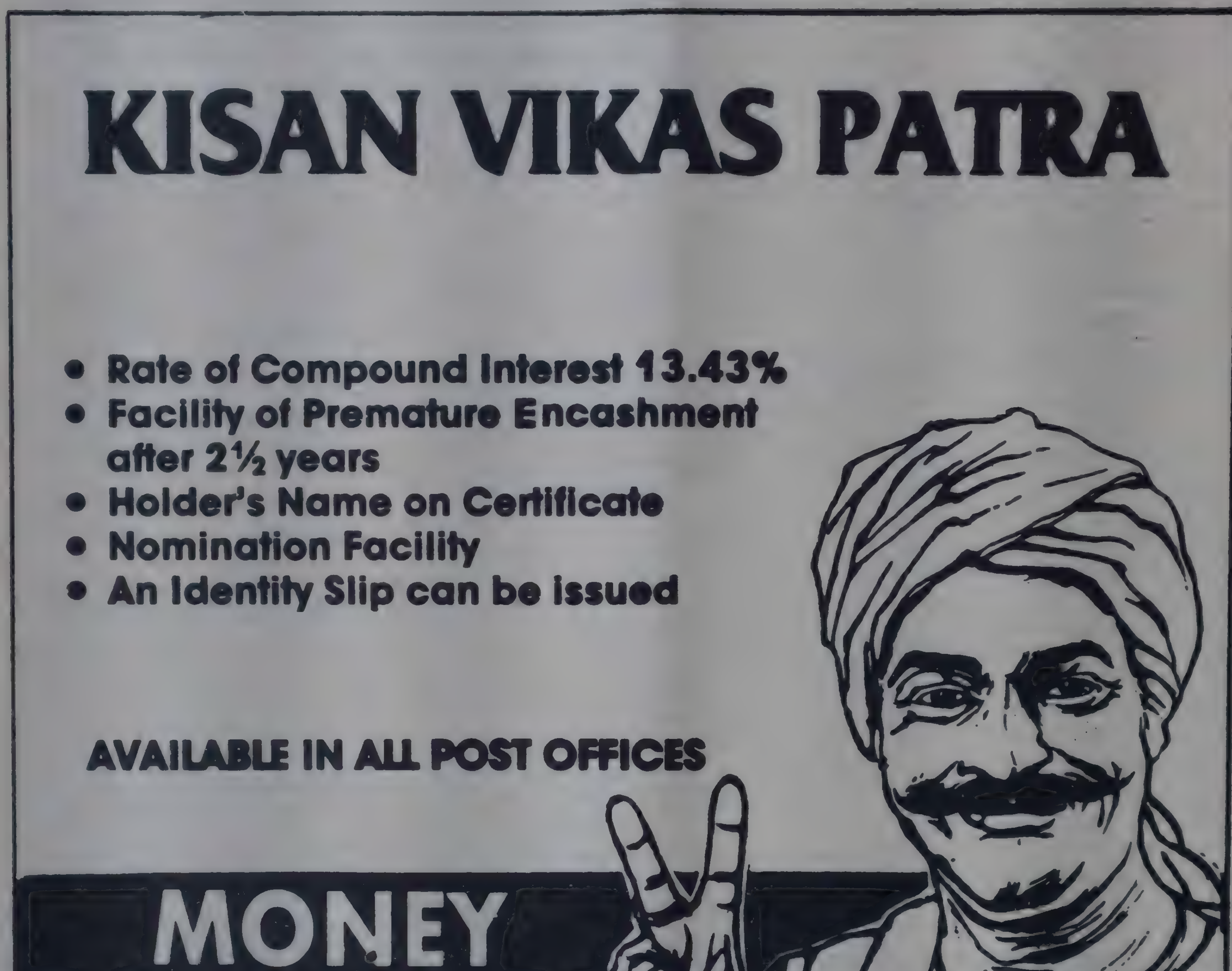
V

Foreign Trade, Aid and Investment

This session discussed papers by Deepak Nayyar, Nirmal Chandra and Pramit Chaudhuri. Deepak Nayyar's paper examined the role of the foreign trade sector in the wider context of planning for industrialisation in India, the interaction between the macro-economy and the foreign trade sector, and provided a simple analytical framework of the macro-economy of the external sector. Nayyar illustrated the nexus between exports and investment at the macro-level thus, "Exports provide an external market on the demand side and enforce a cost discipline on the supply side, whereas investment creates a domestic market on the demand side and transforms the industrial structure on the supply side. Hence, there is a possible cumulative causation that arises from the interaction between the effects of the foreign trade multiplier and of capacity creation combined with industrial cost-efficiency. On the demand side, high investment and high exports together induce market expansion and may be conducive to high growth. On the supply side, a high or rising proportion of investment in GDP may provide flexibility through more rapid supply-side adjustment, while a high or rising proportion of exports in GDP may provide discipline by enforcing cost-efficiency. Such a virtuous circle of cumulative macro-economic causation would be associated with a rapid growth in GDP, industrial output and manufactured exports."

"In large countries such as India", Nayyar summed up, "where the domestic market is overwhelmingly important, sustained industrialisation can only be based on the growth of the internal market. On the other hand, in small countries the possibilities of industrialisation may be limited by the size of the domestic market. In the ultimate analysis, large economies must seek to externalise internal markets whereas small economies must endeavour to internalise external markets. Therefore, industrialisation may stress manufacturing for the domestic market through import-substitution or manufacturing for exports to external markets. The emphasis, as also the quantitative and qualitative significance of the foreign trade sector, would depend on the size of the economy and the stage of its development. Unfortunately, this basic issue has often been reduced to a debate about trade policies for industrialisation or the choice between import-substitution and export-promotion."

In his response the discussant, V Bhaskar, questioned the view that import-liberalisation would induce efficiency and bring dynamic gains in the long run even if it meant that short-term costs would have to be incurred. The effect of trade on the economy would depend on the internal structure of the economy. If the domestic market is small and economies of scale are high then exports can help in achieving scale efficiency but this would be at the cost of exposure to the world market. Hence, there are both costs and benefits attached to a strategy of growth based on the external market. In the ensuing discussion the following points were made: that no general theory of the relationship between external trade and macro-economic growth can be constructed; that price-competitiveness was not adequate in judging the ability to export given the importance of a variety of non-price barriers to trade ranging from marketing ability and product quality specifications


KISAN VIKAS PATRA
• Rate of Compound Interest 13.43%
• Facility of Premature Encashment after 2½ years
• Holder's Name on Certificate
• Nomination Facility
• An Identity Slip can be issued
AVAILABLE IN ALL POST OFFICES
MONEY DOUBLES IN 5½ YEARS
SMALL SAVINGS
SS
SERVE THE STATE & YOUR FAMILY
Directorate of Small Savings
MAHARASHTRA STATE
D.C.I.P.R.

to political and non-tariff barriers; that the concept of the "size of the internal market" was nebulous; and that any attempt at trade liberalisation should not be made when the internal economy was not otherwise sound since this could result in increasing external indebtedness and domestic inflation. This point came up for greater discussion in the last session.

Pramit Chaudhuri, in his survey of the contribution of foreign aid to India's development strategy, drew attention to the former's quantitative insignificance and its marginal role in influencing the objectives of planning. Foreign aid did give the government of India added economic power by placing at its disposal a key resource which was neither available to state governments nor to the private sector. On the other hand, despite its quantitative insignificance it did have the effect of blunting the radical stance adopted by the government in the early years of planning. Foreign aid had, however, no positive impact on any of the major goals of Indian plans, namely, achieving self-reliance, poverty removal and the establishment of a "socialistic pattern of society", though it has helped in crisis-management from time to time or in promoting special programmes like Operation Flood.

The discussant, Deepak Lal, saw the role of foreign aid as one of "bailing out" the planners from the problems created by the inefficiencies of the control system and preserving the "interest group equilibrium" that rent-seeking had given rise to. In the current context he saw little prospect for any increase in foreign aid to India so that the government, rather than being "bailed out", would have to resort to either of the two solutions to meet the extant economic situation: (a) reduce government expenditure, or (b) remove controls and unleash supply-side effects. Lal believed both were difficult options and so the government was being forced to borrow heavily abroad and thereby "mask the fiscal crisis". Increasing foreign borrowing, Lal suggested, was an "early signal of things to come", which in his view was a "Latin American type situation of hyper-inflation". A "positive" outcome of such a situation, in Lal's view, would be that the impending economic crisis would force politicians to take "necessary measures to fight the vested interests and break the interest group equilibrium". Rather than opt for this "reckless alternative" the government would be saner in opting for reduced external borrowing and fiscal deflation at home.

In the discussion that followed there emerged an interesting consensus across a wide theoretical spectrum on the dangers inherent to the current policy of the union government of resorting to heavy external borrowing along with import and foreign investment liberalisation at a time when inflationary pressures were relatively strong and the government's fiscal scenario was far from stable. There was disagreement on Lal's characterisation of the alternatives. India did not require a Latin American style hyper-inflation for political crisis to set in given the higher sensitivity to inflation here. Further, the kind of crisis outlined by Lal need not necessarily end up with the breaking up of the so-called "interest group equilibrium", rather, it could force such groups to close ranks and resort to more "authoritarian" forms of political control aimed at securing their share of the surplus.

Nirmal Chandra's paper probed the relative importance of foreign capital in the private corporate sector in India, the performance of foreign firms and the implications of recent changes in policy toward foreign capital. The paper documents the poor record of foreign firms both in import-substitution and in export-promotion and contrasts the Indian experience with the Japanese. It concludes, "If the Japanese story has a moral for India, it is that India's striving for an indigenous technological base cannot succeed without a long phase of purposive planning and protection against foreign goods, technology and direct investment." In his comments the discussant, V N Balasubramaniam, argued that India had a "love-hate" relationship with foreign capital and that the choice between "repatriation" and "reinvestment" of profits was not an easy one. Repatriation raised protests of capital outflow while re-investment raised fears of increased control of productive capacity. Drawing attention to increased Indian investment abroad he wondered why Indian firms seemed to perform better abroad than in India, had it to do with the burden of the control regime at home? In the ensuing discussion it was pointed out that the question of access to technology was central to any debate on foreign capital. Foreign investment was not bad in itself but it was the terms on which it came that were questionable.

VI

Macro-Economic Framework

Papers dealing with the macro-economic framework of Indian planning, by Prabhat Patnaik, Ashwani Saith, Vijay Joshi and I M D Little, confined themselves largely to an analysis of the Mahalanobis model and to a critique of recent policy changes. Prabhat Patnaik offered a critical examination of the Mahalanobis strategy arguing that it did not take cognisance of the fact that the production structure and the structure of income distribution, in any economy, are interlinked. In Patnaik's view, the trajectory of development in the Indian economy suggests that the naturally reinforcing changes in each of these structures have pushed the economy in a direction where its labour reserves may never get used up perpetuating widespread un- and under-employment. Mahalanobis' conception of the Indian economy, it is argued, had not only overlooked the possibility of such cumulative movements, by assuming, what Patnaik terms, "fiscal omnipotence" on the part of an absolutely autonomous and benevolent state, but had also assumed that the production structure would be rigid against the pulls of a demand structure thrown up by an income distribution structure generated and sustained by the former. In Patnaik's view the political economy discussion in India had committed a similar mistake as the technocratic view had done by postulating a one-way causation running from the income-distribution side to the production structure, with the former seen as independent of the latter and assuming "fiscal impotence" of the state *vis-a-vis* the propertied classes. Given domestic income and asset inequalities and an international demonstration effect an economy like India is bound to face pent-up demand for luxuries (a constant demand for "new goods") which would force the production structure to be moulded by the structure of demand. Given technological rigidities in the production of such goods, the capital and import intensities of production, a labour surplus economy like India is bound to be stuck with the problems of massive unemployment.

In his comments the discussant, S K Rao, noted that the outcome of the model was dependent on two assumptions: (a) that the production of "new goods" was a capital-intensive process and that additional employment created in this process was high-wage employment generating further demand for "new goods"; and (b) that the technology required for the production of these goods is constantly changing, necessitating continued imports. If such "new goods" could be manufactured with labour-intensive and domestically generated technologies then it would still be possible to solve the problem of unemployment even if the structure of income distribution had not significantly altered. Further, the model was seen to rest on the assumption that the technological gap between India and the developed countries, producing these "new goods" was not being bridged. In Rao's view, an important factor that influenced the demand for "new goods" was the structure of agricultural production. If land concentration was high and marketed surplus was generated by a small number of affluent farmers then the agrarian sector's demand for "industrial new goods" would be greater than if the agrarian sector was more egalitarian generating a pattern of consumption in which the demand for "new goods" was lower. In short, the smaller the number of farms and farmers from which the marketed surplus had to be extracted, the larger the volume of "new goods" that would have to be offered in exchange for this surplus. Rao also wanted the dynamics of the model to be linked to the problem of external indebtedness which had emerged as a major by-product of the present economic policy regime in India. In the discussion the following points were made: the process of industrial development in India has been such that on the demand side, income distribution has been distorting the pattern of consumption as assumed in the Mahalanobis model, and on the supply side, the lack of indigenous technological capability to meet this demand was forcing the country to im-

port the required technology and goods. Thus the capital-intensity of production in India was not simply a product of government policies, as often alleged, but of the extant structure of income-distribution and the consequent demand pattern. Parallels between the Indian and Brazilian experience (dubbed as the inequalising spiral strategy) were also drawn.

Ashwani Saith examined various critiques of the Mahalanobis model in relation to its treatment of distributional issues. Unlike in Gandhian and Maoist strategies of development where labour-intensive rural technologies are viewed statically and as alternative technologies, Mahalanobis saw them as a component part of modern industrialisation in a labour-abundant economy. The employment that heavy industry strategy could not provide was to be generated by rural, small-scale industries in this model. If this did not actually occur the fault was not with the model but lay with the political system—there was not enough political pressure in favour of rural industries or poverty-alleviation programmes as there was, for instance, in favour of the public sector. Saith thus believed the Mahalanobis strategy did not really take off because only one half of the strategy was implemented, creation of the heavy industrial base, and the other half, rural industrialisation, was not.

The discusant, Pranabh Bardhan, argued that all policy modelling on poverty was done in a political vacuum since no government has in fact been committed to a serious programme of poverty-eradication. He dwelt at length on the shortcomings of NSS data on consumption in estimating inequalities and suggested that given the under-representation of the rich in NSS consumption expenditure surveys, the under-estimation of inequality was in fact increasing over time. Consequently, inter-temporal studies understate the increase in inequality. Further, he presented a strong case in favour of combining different variables, like demographic data, and different methodologies, like macro-level statistical exercises with micro-level anthropological studies, to provide more realistic estimates and analysis of poverty in India.

While Vijay Joshi and I M D Little tabled a paper already published in *EPW*, they made an impromptu presentation of ongoing work on macro-economic trends in India. This is part of a 17-country study and Little brought out the contrasts between India's record and that of other countries. Indian macro-economic policy was seen as the most "conservative" of the 17 countries in as much as it allowed for the lowest rate of inflation, a tight monetary policy and had a good record on external debt. In the long-term, however, India's record was poorer in terms of GDP and export growth in comparison with ASEAN, Brazil and Mexico. Little also provided estimates that suggested a weak, if absent, link between public and private investment in India contradicting a widely held view on this relationship. Joshi's survey of macro-economic policy handling during different episodes of "crisis" in the economy (1965-66, 1973-74 and 1978-79) showed changing attitudes towards inflation with the government willing to allow higher rates of inflation to prevail instead of administering the monetarist squeeze. In contrast to "muddled" responses to crisis in the mid-sixties Joshi saw more maturity in later periods. Nevertheless, the Indian record was vastly different from that of most third world countries and it was not clear why India had such a low toleration level for inflation.

In his comments the discussant, John Toye, saw the Indian experience as being touted in defence of monetarism. He also emphasised that thus far it appeared that the benefits of controls seem to have outweighed the costs and that the timing of liberalisation was important since it could have different repercussions at different times given the internal and external economic environment. He saw the paper giving far too much importance to Indian bureaucracy in macroeconomic policy formulation and crisis-management and ignoring the role of the political leadership. In the discussion it was pointed out that better crisis management in the late-1970s, as opposed to the mid-sixties, was more on account of fortuitous developments like an increased inflow of foreign exchange remittances and improved external trade and payments trends, rather than due to policy reasons. The paper's analysis of inflation was seen as too monetarist, not taking account of the role of institutional factors, such as administered price increases, in inducing inflationary pressures. While India's record on growth may have been worse than other countries on a long-term basis it was important to remember that its ability to absorb external shocks and handle crises in the world economy was better largely on account of the policy of self-reliance pursued in the past. In his response, Joshi conceded that it is dangerous for any country to liberalise externally when the government is losing control on public finances and was building up a huge deficit and a debt burden, as was in fact the case with India currently.

VII

Summing Up

The conference concluded with a summing up of themes by Amit Bhaduri and Pranab Bardhan. Bhaduri drew attention to the manner in which the discussion repeatedly threw up the question regarding what constituted endogenous and exogenous variables in economics. This figured in three specific areas: information, investment and terms of trade. Was "information" exogenous to the economic system or endogenous to it (a manipulable variable)? Unless one is clear about the nature of the information one was using a lot of empirical analysis would be faulted. Further, mainstream (neo-classical) economic theory had not yet found a way of analysing the transition process from one state of equilibrium to another. So when one was analysing economies in transition (transitions in policy regimes, production and trade regimes, structures of proportionality between sectors, and so on) it was still not clear how to handle the problems of transition within these methodologies.

Pranab Bardhan was struck by the repeated conflict that seems to come up in the studies on India between the findings of macro- and micro-level enquiries. How does one reconcile the two? He argued in favour of a coming together of disciplines, the need for economists to use the tools of the anthropologist in arriving at a deeper understanding of the processes of change. He emphasised the need for incorporating trends in the political and social arena into economic analysis and outlined a list of areas in which economists could do more work.

A view was expressed that the conference had neglected to look at the impact of planning on the position of workers, in urban and rural areas, on women, tribals and the environment. Terry Byres will edit a volume of these conference papers and the book should be available next year.

Appendix: List of Papers

Ahluwalia, Isher J: Contribution of Planning to Indian Industrialisation.

Bagchi, A K: Public Enterprises in Indian Industry: A Macro- and Meso-level Analysis.

Bharadwaj, Krishna: Agricultural Prices Policy for Growth—Emerging Contradictions.

Chakravarty, Sukhamoy: Problems of Plan Implementation.

Chandra, Nirmal: Planning and Foreign Investment in India.

Chaterjee, Partha: Development Planning and the Indian State.

Chaudhuri, Pramit: Foreign Aid and the Planners in India.

Desai, Meghnad: Indian Planning—Techniques, Perspectives and Context.

Joshi, Vijay and Little, I M D: Indian Macro-Economic Policies.

Mohan Rao, J: Agricultural Growth and Planning's Contribution.

Mazoomdar, Ajit: (i) The Rise and Decline of Development Planning in India; (ii) The Political Economy of Indian Planning—A Note.

Nayyar, Deepak: The Foreign Trade Sector—Planning and Industrialisation in India.

Patnaik, Prabhat: Critical Reflections on Some Aspects of Structural Change in the Indian Economy.

Patnaik, Utsa: India's Agricultural Development in the Light of Historical Experience.

Saith, Ashwani: From Mahalanobis' Fourth Sector to Indira Gandhi's 'Garibi Hatao'—The Treatment of the Distributional Dimension in Indian Planning.

Srivastava, Ravi: Planning and Regional Disparities in India.

Stabilising International Commodity Prices
Too Little Too Late?

Satish Jha

The Common Fund for Commodities, first proposed in 1974, has at last been ratified by the required number of countries. However, the fear is widely shared that the Fund has come into existence a decade too late and a billion dollars too short in terms of the funds at its disposal.

IT has taken fifteen years to find a seat for the Common Fund for Commodities. This July the first governing body meeting of the Fund at Geneva decided to locate its offices at Amsterdam in Netherlands and appointed Budi Hartantyo of Indonesia (a former Dutch colony) its first chief executive. But considering that the Common Fund is the only concrete symbol of the idea of a new international economic order and should have meant a great deal for the developing countries, its birth was a rather quiet affair. Moreover, the process of giving it the final touches has left a few questions about its functioning and the future.

Amsterdam had to be chosen for its office in preference to Brussels even though the latter came up with a far more generous offer than Holland, offering office space virtually free of cost for ever compared to Netherlands' concession of free office for six years only. Secondly, a compromise had to be made in choosing its chief executive in favour of a country which belongs to OPEC and has led the negotiations for the Common Fund since the beginning, leaving aside a somewhat more suited candidate from India who had led the Common Fund cell in UNCTAD earlier this decade and was thought to have an edge over his competitors for the job. India did reach the third and final round of election only to get about a quarter of the votes. What is worse though is the virtually forced appointment of the candidate from Denmark as one of the three senior staff members of the Fund after he had been defeated in the first round itself. His biodata circulated at the time of election does not show any financial or commercial expertise that he may need to help run the Fund. This when the Scandinavian countries were in the forefront of the negotiation process leading to the founding of the Fund. Moreover, all the developed countries had been asserting all along that professionalism must not be compromised. This leaves the Fund with little continuity or the necessary first-rate professionalism so badly needed to make it a success. The governing body also failed to appoint two of its twenty-eight executive directors because those electing were not very familiar with the rules, thus leaving the developed countries with more votes in the executive committee than the developing ones even though it is supposed to be a body created to help the developing countries.

To top it all, the member countries, rather than work out the ways to make the Fund an effective instrument to achieve its set objectives, are worrying about whether the deadline for paying in the pledged capital should be Friday of the third week of August or Monday? Reliable sources expect up to 15 member countries defaulting in paying the pledged subscription. These points have left some of those concerned about the Funds' future a little despondent. In any case, for now the first account dealing with the buffer-stocking operations is unlikely to be an active account. In the beginning greater emphasis is going to be placed on the second account that will help find out how poor countries can improve their commodities and processing. The Fund itself is much smaller than it was originally expected to be. Rather than beginning with a capital of $ 1 billion proposed more than a decade back it is starting with half as much a decade later. It has taken so long to start that the initial enthusiasm for it has waned. Even UNCTAD does not seem too upbeat about it. The recent collapse of coffee prices, the experience of tin in particular and OPEC in general and the state of commodity markets in general have left little room for optimism. Still the Common Fund of Commodities is a reality. It may be interesting to look at how it was brought about.

As things stand now the Fund is going to function with $ 315 million of capital and about $ 230 million of voluntary contributions to the second account. It will function with Budi Hartantyo as the managing director and Henrik Skouenborg, a Danish foreign service officer, as chief of operations. Two more senior officers are to be appointed by Hartantyo with a budget of $ 0.5 million for salaries, etc. All countries are supposed to pay up their pledged contributions by August 18 and the managing director should assume charge by mid-September. Only two international commodity agreements based on buffer-stocking principle—rubber and cocoa—are to join the Fund to begin with. However, there are doubts as to how much can be achieved by such a small secretariat with such a small kitty. But some of the senior negotiators associated with the Fund's formation argue that while its capital is smaller, it will also be handling fewer commodities than were expected originally. Moreover, right now the second account involving research and development, quality and productivity improvment and market development will be the more active one. Still doubts persist due to the novelty of the experiment and those chosen to lead it failing to inspire enough confidence. However, what is seen by many close observers of the Common Fund negotiations is the fact that the Fund is there at last.

First proposed in 1974 under United Nations General Assembly resolution 3202 (S-VI) calling for an integrated programme for commodities and discussed in UNCTAD papers through the next year it was adopted at the UNCTAD meeting in Nairobi in 1976. Its protagonists trace the idea of a Common Fund back to Keynes who first proposed an international institution for regulating world commodity markets in 1942. A quarter century later the second UNCTAD meeting at New Delhi considered setting up a Central Commodity Stabilisation Fund. But the first proposal to establish a Common Fund was mooted formally by UNCTAD on December 12, 1974 following the UN resolution 3202. In the background was the overall failure of the commodity procedures to have international agreements to stabilise the prices or establishing floor prices. In the three decades following the birth of the UN system only a few international commodity agreements (ICAs) with economic provisions were concluded. Some of these pertained to wheat, sugar, tin, coffee, etc. Even UNCTAD could not do much better managing to have only one agreement by 1975—the International Cocoa Agreement.

It was then thought by the UNCTAD secretariat, which was supposed to be functioning as the secretariat of the developing countries as well, that buffer-stock financing was the major stumbling block in concluding ICAs. Therefore

availability of necessary finance for buffer-stocking could be an effective way of intervening in the international commodity market while serving the goals of UN resolution 3202. So the Common Fund was thought of as a way of financing individual commodity organisations' purchase and stocking of commodities whenever prices fell below a certain level and sale when prices turned favourable or for intervening in the market with similar intent. As the situation improved and stocks could be sold the loans would be paid back to the Fund. Spreading its role over more than one commodity could spread the risk, offer a possibility of profits and generally stabilise and/or improve prices. For the same reasons it was also seen as a more workable idea than a single commodity fund.

So originally the Common Fund was supposed to finance ten core commodities mainly exported by the developing countries. These included sugar, cocoa, coffee, tea, rubber, cotton, jute, hard fibres, copper and tin, two-thirds of whose exports originated in developing countries. Eventually other commodities could have come under the wings of the Fund. Original calculations for buffer-stocking the 10 commodities were estimated at \$ 5 billion and including 'non-core' commodities \$ 6 billion was supposed to be sufficient to launch the Fund effectively. However, initially the Fund was to start functioning with only \$ 1 billion as paid-up capital and \$ 2 billion to be generated from loans. The other half of the estimated \$ 6 billion was to be needed and generated later in the same fashion.

The required equity was to be generated by country subscriptions on the basis of an agreed set of criteria that were to include the benefit accuring to the country, GNP, per capita income and its share in the world commodity trade. Loans were to come from governments, international financial institutions and the capital market. For this it was necessary to make the Fund a financially viable institution. This was also the time when OPEC had come to acquire surplus funds. It was expected that in the name of solidarity OPEC would come up with substantial concessional loans, etc.

Once the idea had been spelt out, it was followed by a long drawn-out negotiation process with the governments and their delegations, presiding officers of the conference and its various committees and the UNCTAD secretariat as the principal actors. Negotiations were conducted according to the group system prevailing in UNCTAD—the Group of 77, Group B (OECD countries), Group D (East block) and China. Some innovations were also made in this negotiation process. Generally the chair-personship of the Group of 77 in Geneva rotates every three months. But to provide continuity to the Fund negotiations the group decided to establish a permanent group of 33 countries, with 11 coming from each region. Indonesia's Ali Alatas was elected the first chairman of this permanent negotiating group and though he had to leave the chair to take up a ministerial assignment in his country and a nominee of Philippines replaced him, he continued to be the main negotiator and spokesman. Later, to make the group even more compact, a committee of six was founded and was then expanded to include six more countries. Even this group was chaired by the chairman of the Group of 33. However, in the name of transparency any country could participate in the deliberations of either group.

The main negotiations, however, took place between the Group of 77—with Group D and China declaring their agreement with the idea—and Group B which was led by the French ambassador to the UN in Geneva. This did not reduce the internal conflicts though. Group of 77 was not a homogeneous group with Africa on the one hand and ASEAN and Latin American commodity exporters on the other. The autonomy of the existing ICAs also had to be defended. Moreover, some of the G 77 countries were also importers of these commodities. Within the Group B as well there were major differences—among the US, the hard core opponent of the idea, the UK which was divided between its ideology, short-term interests as a major commodity importer and the burden of meeting the pressure of the Commonwealth countries, and the Nordic countries which were generally sympathetic to the cause of the G 77.

The major difference, however, could be seen in the composition of the negotiating groups from G 77 and G B with the latter coming from technical ministries while the majority of the developing countries were represented by their lay diplomats. Group B also had the advantage of a competent secretariat in OECD while G 77 could bank on the help of UNCTAD which, unlike OECD, had to appear to be less than wholly partisan. Besides, at the pre-negotiation stage the US sent Henry Kissinger himself to kill the idea of a Common Fund and instead propose an alternative idea of International Resources Bank (IRB) with an initial capital of \$ 1 billion, to guarantee against political risks that may be associated with investments to produce commodities. West Germany proposed stabilising earnings rather than prices and the French suggested the idea of ex-post pooling. These differences continued from the pre-negotiation stage to the agreement being signed and after. The US, though a signatory to the agreement, is not a party to the Fund as it did not send the agreement for ratification by the US Congress.

The major differences were on the concept itself, with the G 77 pressing for prior finance and Group B favouring the concept of pooling, and within the G 77 disagreements on the method of assessing the contribution, commodity coverage and how the ICA and the Fund were to relate. Also, most developing countries could not agree to subscribe to the Fund's capital significantly as their commodities were not covered by ICAs and it was seen as a transfer from one developing country to another. All these differences led to a compromise position which allowed for some pooling as capital of the fund was to be increased by the association of ICAs by direct subscription of guarantee capital from the country-members of ICAs. The second account of the Fund was also a result of efforts to give it a broader appeal, including to the countries which did not have exportable commodities belonging to the existing ICAs.

It was not before the 1980 UNCTAD that an informal agreement was reached and voluntary pledges were invited for the second account. It took nearly a year to draft the Articles of Agreement and on June 27, 1980 the agreement was finally adopted by consensus establishing the Common Fund for Commodities.

However, it has taken these countries nearly twice as long to make the agreement effective by 90 countries accounting for two-thirds of the capital ratifying it. It is suggested by those closely associated with the negotiations on the Fund that after the collapse of oil prices many countries were not as enthusiastic about the Fund. Abdelaziz Megzari, the senior advisor to the Common Fund in UNCTAD, argues that ratification was a problem because developing countries mostly sent diplomats to the negotiations while ratification involves technical departments as well. Some others see a coincidence between the change of leadership at UNCTAD, its decline and the Fund being relegated to the background. A senior negotiator argues that UNCTAD virtually lost interest in Common Fund to the extent that while addressing the Group of 77 in 1987 at Havana the UNCTAD secretary general did not even refer to the Fund while president Mitterrand of France was enthusiastic about the Fund. Some others, having successfully negotiated it, would like to see it function well but are far from optimistic about it. It would seem as though the Fund is born a decade too late with a billion dollars too short.

Trends of Change in Indian Society since Independence

A R Desai

The trends of social change in India in the last forty years can be understood properly only if they are seen as a consequence of the specific path of development pursued by the rulers.

RAJIV GANDHI and his (ever changing) team are proclaiming, through their massive and expanding TV and radio network that during the remaining 15 years of the 20th century a face-lift will be given to Indjan society by ushering in changes of a far-reaching nature through economic policies, technological thrusts, educational and cultural programmes as well as by making governance clean and efficient. This promise of a face-lift is described as ushering Indian society, within a decade and half, into a computer-laser-age founded on high productivity and efficient and clean management.

The Rajiv regime has also proclaimed that it is generating specific trends of change in Indian society by making drastic alterations in the ethos of the Seventh and the subsequent Five-Year Plans. It has announced that to accelerate high technology production, transport and services and to lift the productivity of Indian economy, polity, education and administration to qualitatively higher planes far-reaching measures are being adopted in various fields. Similarly, it also promises that with a view to removing the poverty of the vast mass of Indian people living below the miserably low poverty-line accepted by the rulers, a poverty-removal programme is being launched to counteract the after-effects of the policies pursued up to now which have generated grave problems in terms of widening the gap between the beneficiaries of the plans and those who are more and more adversely affected by their operations.

With a view to stimulating an 'optimistic', 'forward looking' and 'cheerful' atmosphere and a mood permeated with the scientific temper among the people, Rajiv Gandhi has launched a highly expensive series of festivals and cultural extravaganzas both in India and abroad—in France, the US, West Germany, Russia, Japan, etc. Also, spectacular displays to mark 'Forty Years of Freedom' in the form of torch-processions by film stars, sports heroes and others, culminating with Rajiv Gandhi and his wife heading the spectacle.

Similarly, with a view to evoking Indian—i e, upper caste Hindu—pride and appealing to their spiritual ethos, massive displays extolling what is described as 'our great spiritual heritage' are undertaken. These take the form of publicising temples, religious festivals and melas, pujas and yagnas and holding exhibitions of art, dance and sculpture-architecture. This propaganda is now being carried out on a scale which transcends all such endeavours even by the late Indira Gandhi.

More than four years passed since the Rajiv regime began to introduce various programmes to prepare Indian society for a take-off to prosperity in the 21st century. The Seventh Plan has completed four years of its operation and a mid-term appraisal of the plan was undertaken. Preparation for the Eighth Plan is under way. However, the mid-term appraisal of the Seventh Plan, conducted officially, does not confirm the rosy picture of the inauguration of a march towards efficient, more productive, equitable and socially just socio-economic and politico-cultural development publicised by the Rajiv regime.

The four years of the Rajiv regime and its programmes in different spheres have hardly been, even according to official and other appraisals, path-breaking as proclaimed by the rulers. Instead they reveal merely a continuance of the basic alarming trends generated by the policies adopted by earlier regimes since independence. In fact they reveal that the programmes espoused by Rajiv regime have, in a short period of three or four years, accelerated these alarming trends. The measures adopted by the Rajiv regime have exhibited their pro-rich, pro-propertied, anti-poor and anti-toiler orientations more openly and more ruthlessly than those of the earlier regimes.

With a view to properly assessing the transformation that is taking place under the Rajiv regime it is necessary at the outset to grasp the fact that the Rajiv regime is pursuing with greater tenacity (as suited to the changed circumstances) the path followed by the rulers since independence, viz, the capitalist path of development. This path was chalked out in the Constitution as well as in the plans and policies of the government right from independence. The trends of change in Indian society and the profile of Indian society that is being contoured can be grasped in their essential features only if we trace them basically to the capitalist path of development pursued by the rulers.

I have pointed in several of my studies with evidence from the Constitution (with all the modifications in it since its formulation), from the principles guiding planning, from the operation of the economic, educational, politico-administrative and legal-judicial measures adopted by the rulers that they have from the inception of independence, in fact from the process of framing the Constitution, chosen the capitalist path of development. I emphasise the need to realise that the path pursued is capitalist for a number of reasons.

First, it alone helps us to make a clear formulation of the type of socio-economic formation which is being evolved from 1947 and which continues during Rajiv regime. Second, it is necessary to grasp that the path pursued is capitalist because both the rulers and the overwhelming section of the intelligentsia still try to propagate the myth that Indian development is attempted to be moulded on non-capitalist lines or some variant of the socialistic or the Gandhian pattern. Third, the rulers as well as their ideologues comprising administrators, policy-makers and a majority of academics and researchers create a myth that the Indian state is a supra-class welfare agency operating as or capable of operating as a gigantic funnel which endeavours or is capable of endeavouring to transfer resources and purchasing power from the higher to the lower income and the no income groups in society, even though it operates within the matrix of production for the market and for profit relying on the proprietary classes as crucial agents of growth and development. Fourth, the rulers and the ideologues supporting the path pursued by the rulers want to hide the basic fact that resource-generation and allocation by planning is contoured by the major premise of the development strategy—that the private owners of the means of production are to be treated as the major agents of growth and development and that only within the limits of class inequality implicit in this can the state endeavour to redistribute income to the non-owning classes. The state is encouraging the acquisition of the lion's share of resources both extant and to be generated by the property-owning classes. This is done by permitting them to augment their wealth through interest, rents and profits or through gigantic direct and indirect assistance given by the state in the form of loans, subsidies, tax concessions and administered prices or by the state shouldering the responsibility of providing expensive infrastructural facilities, of making available inputs and of ensuring markets for final products. Finally, refusal to recognise that the path pursued by India since independence is the capitalist path helps the rulers and their intellectual supporters to create an illusion of all-round progress and development through the massive and expanding media for communication and propaganda. The limited luxury and armament led growth strategy adopted

since the beginning of the eighties and pursued with greater zeal and opennes during the years of the Rajiv regime is sought to be depicted as beneficial to all sections of society and is likely to lead to poverty removal and upliftment of the vast sections of the toiling poor.

A few incisive scholars have pointed out the basic features of this luxury and armament led growth strategy. This strategy involves the state providing enormous facilities to the private sector by adopting what is called the liberalisation policy as well as by actively cutting out a small enclave provided with more purchasing power and inducements to purchase luxury goods produced by the private sector. The provision of purchasing power to this special enclave is achieved by adopting measures like raising salaries and perquisites of selected strata engaged in services, trade and manufacturing, by schemes of tax exemption and tax reductions, by policies of public borrowing at enticingly high rates of interest, by pumping sizeable amount of public money via loans at subsidised interest rates to promote markets for luxury goods. Some sensitive observers have also pointed out how this armament and luxury led growth strategy, by pumping purchasing power into a limited enclave, is leading the state into a deficit trap with large foreign and internal borrowings and other categories of financial liabilities, on which the payment of interest and repayment of principal is becoming almost an unresolvable dilemma confronting the rulers.

I have emphasised the need to recognise the path of development pursued by the rulers as the capitalist path because during last forty years certain crucial, consistent trends of change in Indian society are taking place which cannot be explained in any other terms. Nor can one explain the process of social transformation generated since independence.

All of us are aware that the objective of the rulers of independent India has been to transform the poor, backward and underdeveloped social order left by the British rulers into a prosperous, independent, developed modern society based on technologically efficient industrial, agrarian and service sectors. The path adopted to realise this objective has been 'planning'. We already have the experience of a series of plans with their erratic unfoldment. The first three five-year plans were followed by three years of plan holiday which were followed by the Fourth Plan and a stormy Fifth Plan. We then witnessed the shortened Sixth Plan formulated by the Janata regime, characterised as the Rolling Plan, and the reformulation by the Indira regime of the Sixth Plan. We have also experienced the operation of the Seventh Plan with its proclaimed new thrust to generate social processes which will prepare the Indian people for the technological modernisation of the economy and society as they enter the 21st century.

Every five-year plan has been commended in different flamboyant terms. Some were hailed as plans to evolve the socialistic pattern of society. Some were described as instruments for ushering in 'growth with social justice'. At a later stage they were considered effective instruments for 'garibhi hatao'. In the short post-emergency spell of Janata rule it was proclaimed that the five-year plan being evolved by that regime would usher in a society based on the Gandhian principle of Sarvodaya, a path considered to be different from the Nehruite concept of development. The subsequent plans formulated under the Indira regime and modified during the Rajiv regime have been characterised as plans to develop a strong and independent India with 'garibhi hatao' as one of the main planks. Subsequently the emphasis shifted in favour of a liberal dispensation in terms of providing open incentives and facilities to the private sector and streamlining and cutting to size the public sector to make for efficient productive profit-earning and technological modernisation. In spite of the high-sounding goals proclaimed by the rulers for the various plans, the overall trends of social transformation which in spite of minor zigzags reveal a certain constancy during the last forty years. From mid-seventies and particularly during the eighties and much more during the last four years of the Rajiv Gandhi regime, these social processes and trends of social transformations have been accelerating at an alarming pace.

These social trends can be broadly summed up as follows:

(1) India has remained one of the poorest countries in the world both in terms of GNP and per capita income, even after forty years of development.

(2) Within this overall picture, the inequalities of wealth and income distribution are increasing. Gradual enrichment of the capitalist class comprising industrial, commercial and financial groups; a segment of the rural rich comprising of landlords operating in a new setting, kulaks and rich farmers; and a section of the higher echelons of professionals and employees connected with the rapidly expanding service sector. B V Krishnamurti described this sector as the 'U sector'.

(3) Further, within this sector, keen competition to capture markets and gain control of government facilities and assistance is resulting in further asset and income concentration in the hands of smaller and smaller groups. As pointed out earlier, this process of asset and income concentration has been accelerated by the new policies adopted by the Rajiv regime which has been rightly described as armament, defence and luxury led growth.

(4) The state faced with greater and greater difficulties in mobilising resources in the context of its policy of assisting the rich tends to use a variety of measures to throw greater burdens on the common people. This is done for pumping out more resources to be placed at the service of the newly emerging propertied classes considered as agents of growth and development. Deficit financing, increasing resort to borrowings, both internal and external, greater and greater reliance on indirect taxation, making public sector facilities more and more costly and economising by lowering the quality and quantity of public sector products and services are some of the important measures adopted by the state pursuing the capitalist path of development.

(5) One of the significant trends generated of late is the result of a policy deliberately adopted to transform and streamline the organised sector in the name of efficiency, higher productivity, and greater profit. This policy is resulting in a sizeable segment of industrial and service units falling sick or closing down. This causes tragic social consequences. Thousands and lakhs of workers lose their jobs or now work under conditions wherein their security benefits and other perquisites and facilities are set aside. Workers and employees affected by such measures are placed in a situation where they are underpaid, over-exploited and forced to work under insecure, unprotected and hazardous conditions at their work places. These insecure, unprotected conditions of work are glorified by the government as the income-generating, labour-absorbing 'informal' sector.

This shift from secure, stable and legally protected work in the organised sector to the proliferating informal sector has, as brought out by a number of studies, had a very devastating impact on women, dalits, the tribal populations, petty craftsmen, agricultural workers and other segments of the poor and propertyless population.

The operators of the informal sector, including the government, use the helplessness of the employees to foment caste, communal, linguistic and gender tensions in the course of selectively employing them or providing loans or other facilities. The emergence of a chain of contractors, middlemen, musclemen as well as other categories of intermediaries to recruit, regulate, discipline and even terrorise the employees who demand some relief or attempt to unionise is another important social process with the expansion of the informal sector.

(6) Another trend generated, particularly after the completion of the Second Plan, is to make the public sector increasingly subservient to the 'U sector', helping to strengthen and augment its economic, political, social and ideological hold over society.

(7) The number of the unemployed and the under-employed reaching staggering dimensions is another social trend which has developed since independence, particularly after the Second Plan. The growth of the unemployed and the under-employed and its differential impact on different castes and linguistic, regional and religious groups and on adivasis and women is generating fierce competition among these groups and sections within these groups. This has resulted

in a social process of ever increasing violent internecine clashes for procuring minimal survival needs as well as for securing limited jobs and services. The employing classes utilise the situation to promote various types of organised and unorganised criminal processes for their gains and to keep these strata divided and increasingly prone to internecine struggles. The accentuation of unemployment and under-employment reveals how the path pursued by the rulers—development by 'betting on the rich'—is unable to utilise the vast human resources available and crying to be used productively and for economically gainful purposes.

(8) Another process generated since independence and continuing is the process of pauperisation and proletarianisation of the vast majority of the population.

(9) The above mentioned processes, in the context of the rapidly growing market and money matrix, have trapped more and more people in the coils of the market which are being elaborated systematically by the rulers pursuing the capitalist path. This market net comprises a bizarre and corrupt network of ration shops, fair price shops, open markets and black markets. This complex and corrupt constellation operates as a strangulating noose around the vast mass of common humanity, hurling them into an eddy of insecurity and forcing them to indulge in various illegal and criminal activities even for bare survival as human beings.

This constellation also provides an excellent venue to reap enormous gains and illegal earnings at various levels by suppliers of commodities and services, generating an unholy complex of profiteers and the law-enforcing authorities, breeding corruption and illegality all the way from the smallest market unit to the national and international commercial and trade complexes.

This social trend is becoming stronger and more widespread with the passage of time as plans based on pursuit of the capitalist path have unfolded themselves in the last forty years. During the four years of the Rajiv regime, against the background of its liberal policy of supporting the private sector and its emphasis on industrialisation based on capital-intensive sophisticated technology, this social trend has been aggravating at an alarming rate with its frightening consequences in terms of prices soaring higher, corruption growing at exponential rate and inflationary trends acquiring an unprecedented tempo.

(10) The policies pursued to develop and modernise society by adopting the capitalist path, against the background of a labour surplus situation, are resulting in deterioration of the condition of the overwhelming majority of women, scheduled castes and scheduled tribes. They have also resulted in the acceleration of regional disparities.

(11) Another trend which is acquiring alarming proportions is the corrupt liaison between the political machinery, business and the emerging lumpen strata in society. This liaison has assumed such brazen forms that the political, economic and socio-cultural processes themselves have become highly criminalised, authoritarian and corrupt.

(12) The vast mass of workers, peasants and other categories of the exploited, oppressed and poor people who made immense sacrifices and contributed substantially to the anti-imperialist struggle expected that freedom would at least ensure them security of jobs, adequate purchasing power in the ever-expanding market-economy, availability of essentials necessary for dignified existence, provision of minimum needs in the form of education and medical facilities and removal of caste, communal, ethnic, class, gender and linguistic discrimination, exploitation and oppression. They expected to have more active participation in vital affairs concerning the Indian people. The consequences of government policies, based on the pursuit of the capitalist path, slowly generated a sense of disillusionment and discontent among the people. The illusion of growth resulting in trickling down of benefits to the poor was getting shattered. The discontent acquired greater poignancy and articulation after the mid-sixties. The decade of the seventies intensified the feeling of discontent and disillusionment and became a decade of growing protests and struggles by the exploited, petty proprietary and non-proprietary classes, both in the urban and rural areas. The decade of the eighties has almost turned into an epoch of explosive outbursts with the struggles of the people acquiring massive dimensions and taking resort to more and more militant forms.

The rulers are resorting to increasing use of extraordinary anti-democratic laws and are launching repression of a more and more brutal nature. This is mainly to contain and suppress the accelerating protest movements and crush the organisations spearheading and building up such movements, even if they be for very elementary demands like access to jobs, security of services, humane conditions of work in work places, cheaper and hygienic shelters and medical facilities, supply of at least the basic wage-goods at reasonable and fixed prices and universal and free education and other means of acquiring knowledge. In fact the state is itself actively involved in the non-implementation of laws already passed, like those dealing with untouchability, the prohibition of exploitation of child labour, minimum wages and protection of women. The rulers are increasingly resorting to the perfidious practice of sponsoring and supporting trends which would generate internecine conflicts among the oppressed to prevent the masses from being unified for their main struggles. As pointed out by Upendra Baxi in his *Crisis of Indian Legal System*, the rulers are the most significant violators of laws enacted in the country. They are resorting to massive operations to suppress the movements of the people in the name of maintaining 'law and order' and counteracting the forces which, according to them, are threatening national integration. From 1968 a spate of repressive legislation in the form of draconic ordinances and enactments have been resorted to by the rulers. Similarly, more and more ruthless and complex forms of repressive operations in the form of arrests and detention without trial, increasing atrocities by the police, the semi-military police formations and even the army itself, including resort to murders masked as 'encounter deaths'. These repressive operations have been highlighted by democratic rights organisations, by a number of fact-finding committees as well as a growing body of reports and accounts of the organisations conducting the struggles of the people.

During the last four years of the Rajiv regime this anti-democratic and authoritarian trend of repression has gathered momentum, threatening to transform the last decade of the 20th century into a decade of explosive struggles by different strata of Indian poor on the one hand and emergence of a highly authoritarian, criminalised, corrupt and pro-propertied regime on the other. This will place the people under an iron fist couched in a velvet glove of promises of a take-off to a prosperous, modern society into which the Indian people would supposedly enter with the beginning of the 21st century.

The trends of social change in the last forty years indicated above can be grasped properly only if they are understood as a consequence of the specific path of development pursued by the rulers. Genuine improvement in the condition of the toiling people and their active participation are possible only if endeavours are made to generate and assist social processes which would break the shackles of the present capitalist path being pursued by the rulers of India.

External Resources and Self-Reliant Growth

Arun Ghosh

Foreign Money in India by B P Mathur; Macmillan India, 1989; pp 281, Rs 120.

B P MATHUR exemplifies the rare breed of civil servants capable of independent thinking and sustained scholarly analysis; additionally, he has demonstrated the strength of character required to pursue research investigations and studies in the face of enormous practical difficulties and at considerable personal cost.

The subject he has chosen is a controversial one, for he has dared to take up cudgels against the accepted theory of development, against the extant policies and philosophy of the government of India, against the superficially obvious advantage of external finance for bridging the gap between the needs of domestic investment and the availability of domestic saving so as to speed up the growth of the economy. And having reached the conclusion that external finance—in the manner it is available—is detrimental to the long-term interest of the recipient country, having had the benefit of observing why this happens as a player in the game within the government, he has shown enormous tenacity of purpose in piecing together all available data to prove his point that foreign funds, in the form and manner available to developing countries, help only to sustain the exports of the capital exporting countries to the detriment of the recipient countries. And even though some of his conclusions are not backed by data but only by logic, he has hit up on a cardinal truth—that self-reliance calls for the mobilisation of internal effort and resources for which there is no substitute; that exceptions to this golden rule, pace assistance under the Marshall Plan to post-war western Europe, do not provide evidence of the unimportance of domestic mobilisation; and that the flow of external resources today is primarily motivated by the self-interest of the capital exporting countries rather than by pure altruism (leaving out a few notable exceptions). Mathur has been able to collect evidence on two important areas of the flow of external funds: one, US food aid under PL 480, and the other, the net balance of external payments, insofar as India is concerned, arising from foreign investment in India.

There has been considerable debate among researchers in the past on the precise impact on Indian agricultural growth of the availability of concessional foodgrains from the US under PL 480. It is not either necessary or relevant to go into details of that controversy here, for Mathur has approached the problem from a wholly new angle: what impact did the export of agricultural products (at concessional prices) under PL 480 have on the US? And in this context, Mathur has been able to demonstrate (a) that the real value of the supplies under PL 480 was no more than the concessional price charged by the US for these exports; (b) that these exports were able to sustain incomes and (agricultural) production in the US which would otherwise have seen a collapse of the type witnessed during the Great Depression of the thirties; (c) that as a result of PL 480 exports, the US was able to *increase* its share of agricultural exports in the world over a longer period, so much so that many developing countries having got used to imports under PL 480 became commercial importers (of agricultural commodities) from the US, to the exclusion of other exporting countries; and (d) that the rapid increase in agricultural productivity in the US in the post-war period was due in no small measure to the price (and income) support provided through the mechanism of PL 480 by offloading burdensome surpluses of the US. In the absence of PL 480, the Commodity Credit Corporation would not have been able to sustain the price support provided to US agricultural producers. Indeed, so telling has been the marshalling of data by Mathur that one finds that the US—a marginal producer of rice—has of late become a major rice exporter in the world (on commercial terms), to the exclusion of the traditional rice exporting countries of south-east Asia. This is primarily because PL 480 enabled the US to maintain stability of export prices which shifted the market away from the traditional exporters; the availability of concessional imports also encouraged many importing countries to switch their import pattern, and once this had been achieved, commercial imports continued from this newly established source of supply.

For wheat, wherein productivity gains have been startling in the US, PL 480 gave an adequacy of total world demand (for US supplies) which provided the main stimulus for increased production, the real pay-off coming later with the very large demand for wheat as animal feed from the USSR. But, quite apart from the gain to the US, the general atmosphere of availability of supposedly concessional supply of wheat from the US induced in many developing countries an atmosphere of smugness which militated against growth of production in these countries. This latter effect has been established by many scholars insofar as the Indian experience is concerned.

Mathur's other detailed inquiry pertains to the balance of payments effect of foreign investment and foreign collaboration in India. In this part of his analysis, there are admittedly some flaws; Mathur has correctly analysed the generally pernicious role of transnational corporations, but his analysis of the impact of foreign investment and foreign technical know-how import is only partially valid. It is certainly correct to state that the primary objective of a transnational corporation is to maximise global profits; and because of divergent tax rates in different host countries, there is widespread practice of manipulative transfer pricing with the result that most developing countries—at least those that seek to raise resources for development through direct taxation—are left with a negative balance of payments impact arising from the operations of transnational companies. It is also correct to state that by and large such companies bring in little by way of investment funds; they tend to capitalise know-how fees, royalty, and sale of capital goods (at inflated prices) and they take advantage of a protected market for palming off outmoded technology.

All this is well known. Mathur has cited the example of the multinational drug companies whose record of exploitation of developing countries has been analysed by many authorities and scholars in the past. In fact, even other than drug companies, the record of foreign companies in India has been somewhat dismal generally. For example, even *100 per cent foreign owned companies* like Goodyear and Firestone debited their Indian subsidiary companies for technical know-how obtained from the headquarters even though it later transpired that—certainly for Firestone—both the

TABLE: GROSS PROFIT AS A PERCENTAGE OF CAPITAL EMPLOYED

	1977-78	1978-79	1979-80	1980-81	Average
1 Subsidiaries of foreign companies	17.9	17.3	17.3	14.8	16.8
2 Minority participation foreign companies	11.9	12.1	12.6	11.8	12.3
3 Foreign controlled rupee companies (313 companies)	15.4	16.2	16.2	14.7	15.6
4 Indian controlled companies (2,438 companies)	9.6	10.2	11.4	11.1	10.6

equipment and know-how used by them (in India) were outmoded, inefficient and high cost. In fact, the remittance of such payment for know-how goes directly counter to the claim of protagonists of foreign investment that the inflow of foreign funds in the form of equity is cheaper than foreign borrowing because the former involves risk capital. In the instant case cited, there was not only no risk (in a protected market), there was a wholly unwarranted payment for technical know-how by a subsidiary of a wholly-owned foreign company.

Mathur is also correct in evaluating the latest changes in the Foreign Exchange Regulations Act (FERA) as entirely counter-productive. The requirement to reduce foreign equity in non-Appendix I industries to 40 per cent, at the same time conferring on them a status at par with wholly Indian companies—thereby allowing them all facilities for expansion and diversification—has in fact resulted in increasing payments (and repatriation) of dividends abroad, and at the same time keeping control over the companies in foreign hands.

Although Mathur is correct in highlighting the historical necessity for capital to seek investment opportunities abroad, as stated earlier, he is yet only partially correct in this part of his analysis. In the first place, one cannot, one should not, rule out the flow of foreign technology. This is not to say that our present technology import policy cannot be faulted; in fact, of late our policy in this regard has, in many ways, been both unplanned and erratic, and we have not paid adequate attention to the problem of developing our capability to absorb, adapt and develop imported technology, without which the import of technology has no long-term positive results.

Mathur's focus is, of course, different; he is only highlighting the net balance of payments impact of the import of foreign capital and foreign technology. Even here, however, it would be incorrect to include payments for royalty and technical know-how in the aggregate receipts and payments in regard to foreign capital, since know-how payments are largely made by wholly Indian firms whose net balance in regard to external payments we are not able to isolate. Even though Mathur has shown all three types of remittances separately—namely, the net outflow in respect of subsidiaries of foreign companies, of minority participation companies, and purely technical collaboration companies—the net payments balance in respect of the last mentioned group is added to derive the overall share of these three in the current account payments deficit. This procedure is not warranted.

Nonetheless, even if we were to remove the outflow of foreign exchange in respect of royalty and technical know-how fees, the net payments balance of subsidiaries of foreign companies and minority participation foreign companies would account for 26 per cent of the overall balance of payments deficit of the country on current account during the decade 1960-1961 to 1969-70. If one were to consider only the last year, namely, 1969-70, these companies would account for as much as 92 per cent of the overall current account deficit in the balance of payments of the country that year. Unless one is to presume that the contribution of these companies to India's overall economic growth has been outstanding—and there is no reason to make this supposition—it would be seen that notwithstanding the earlier restrictions on foreign investment, imposed since the early years of planning (prior to the introduction of FERA, 1974), foreign investment has proved to be a significant net drain on the Indian economy.

Mathur's analysis does not extend to the post-1974 FERA period. However, judging from the figures of profitability of foreign-controlled and minority participation foreign companies relative to the profitability of purely Indian companies over 1977-78 to 1980-81, one may reasonably surmise that in spite of FERA—may be because of it—the net balance of payments impact of the former has if anything worsened. The figures of profitability of different types of companies, cited by Mathur, are worth reproducing here (see the Table).

One has to add that these are balance-sheet figures. Profits earned through manipulative transfer pricing (by foreign controlled companies) are not part of the profits shown above. In the latter context, Mathur has quoted a study by a US economist (Roland Muller) to suggest that "the dictates of global profit maximisation would lead one to expect underpricing of exports averaging 40 to 60 per cent and overpricing of imports ranging anywhere between 20 per cent and 8,000 per cent... In many cases, the transactions involve a 'triangular trade', being routed through a holding subsidiary located in an offshore tax haven such as Panama or Monaco."

What lessons emerge from Mathur's painstaking study? The conclusion is inescapable that there is no quick short-cut to development; that the path to self-reliance calls for discipline, strength of purpose, and the will, the determination to make the sacrifices necessary to increase the rate of saving in the economy and to apply all available resources for the overall national good. That in turn requires certain domestic policies which need not detain us for the present. But heavy dependence on external finance has its own booby traps. That is not to say that a country must become 'isolationist'. But the effort calls for, first and foremost, development of the capabilities of the people of the country; and that, in turn, requires care and discrimination in regard to dependence on external support. External finance—especially external finance which is superficially and deceptively easy and cheap but which has its own insidious effects in the longer run—can sap the 'will' of developing countries to make the effort required to achieve self-sustaining growth. This is also emphasised by Mathur when he says (with Swamy Vivekananda) that "nations like individuals must help themselves".

B P Mathur's analysis of three sub-sets of the problem of foreign funding—the rationale and impact of US assistance under PL 480, especially for promoting US exports; the activities of foreign drug companies in India; and the net balance of payment impact of foreign companies (both wholly owned and minority participation) in India—is a valuable contribution to the existing literature on the subject of foreign finance as a means of bridging the gap between domestic investment and savings in developing countries.

Overlooking the Essentials

Padmini Swaminathan

The Voice of Enterprise: 150 Years of the Madras Chamber of Commerce and Industry by R Tirumalai; Macmillan India Ltd, 1986; pp 464 + xxii, Rs 150.00.

THE book under review purports to chart out a definitive history of the Chamber against the background of the economic growth and development of the southern region. The author has divided the stretch of 150 years into four periods: first, from 1836 to 1900—the period of the formation of the Chamber, and its 'intense activity for creating the infrastructure'; second, the period 1900-1920—the period of the reforms and the Chamber's reactions which the author characterises as a 'revolutionary phase in its history'; third 1920-1950—characterised by a transition from a colonial administration to the constitutional set up of free India; and fourth 1950 to 1986—the era of modern industrial growth and commercial extension.

The author views his work as being set against a broader canvas—not a mere 'in-house history' of the Madras Chamber but one encompassing the growth and development of commerce and industry in their several facets in the Madras Presidency (as it then was) and later in Tamil Nadu state. The activities of the Madras Chamber are sought to be superimposed on this canvas. ("It can hence have a wider appeal to the general public interested in aspects of the economic history and the industrial evolution of the region".)

The composition of the Madras Chamber (almost up to 1950) is revealing. Unlike the Calcutta Chamber and the Bombay Chamber which had a fair sprinkling of Indian merchant houses, in the Madras Chamber, however, of the eighteen founding members only two were Indians. The number decreased to one in 1917. In the centenary year (1936) it still had only two Indian members (p 31). Even in 1955 although the majority of the members were firms in which British capital had predominated, most of them were rupee companies with Indian investments (p 322).

The significant contributions made by the Chamber to the creation of infrastructure has been elaborately described—the organisation of postal and telegraph services, the building of the Madras harbour and the extension of railway lines. Besides, the Chamber articulated its standpoint and pressed for a number of reforms with regard to legislation concerning direct and indirect taxes, import and export duties, currency and exchange, banking, labour legislation, local and judicial administration.

What is conspicuous by its absence is a critical examination of the facts. The book displays an inability to go beyond mere description and probe, if not at least hypothesise, what motivated the Chamber to go in for particular kinds of activities, particular decisions, particular standpoints, etc, at various junctures in the course of its long history. Meticulous attention to details concerning taxation, infrastructural facilities and the like has been achieved. The book however, overlooks, almost completely, the intense debates that took place at specific points of time over certain issues, a discussion of which would have shown the Chamber in its true colours.

At various points in the book one does come across statements such as:

(a) The Chamber objected to an Indian succeeding a European collector of income-tax (p 66).

(b) The Chamber was intent on retaining the original jurisdiction of the Madras High Court unabridged, ostensibly because international, commercial and mercantile laws had to be applied, but underlying that was the antipathy to Indian judges and magistrates hearing cases involving the Europeans and the foreign firms (p 84).

Such passing statements conceal not only the lengthy debates that took place, but more important, fail to convey the whole ethos of the period in question. For example, the subject of the industries carried on in jails, with special reference to their competition with similar industries carried on by private enterprise, was a bone of contention between the Chamber and the government right from 1880s to the 1930s, so much so that even the Conference of Chambers of Commerce of the Empire held at Sydney in 1909 passed a resolution in these terms:

> Whereas private enterprises has the right to be protected against the competition of articles manufactured by convict labour at an artificially lowered cost of production; and whereas there are indications of a tendency in certain parts of the Empire to develop the commercial element of jail labour to the injury of private manufacturers, this Congress approves the principle that the produce of jail manufacture shall be used in government service only, but in no case should power machinery be employed in jails for the production of articles of trade.[1]

The colonial government's disagreement with the Chamber on the whole issue was spelt out in no uncertain terms:

> the commercial community in general appears to hold the opinion that, as soon as an individual is placed in jail, his labour would be lost to the country and he is no longer entitled to earn his living. There is a large prison population for which some suitable labour must be found, and I consider that the ordinary tax payer may reasonably expect that the labour shall be as far as possible remunerative, and that the prison population should be to some extent self-supporting, and this cannot be done without some interference with private enterprise... The whole truth of the matter is that Messrs Binny and Company consider that they have a grievance against this jail (Central Jail, Coimbatore) because we have taken up several government contracts which I believe, used to be in their hands. Whether we are justified in taking up government work is a matter of opinion upon which the jail department and private firms are not likely to agree. I maintain that government is justified in using prison labour for meeting the requirements of its own labour.[2]

The Chamber's opposition to the efforts of the Madras government to foster indigenous industries and in helping in the development of new industries and demonstrating their commercial viability has received a slightly more elaborate treatment (pages 118-120). But nowhere does the book capture the acrimonious tone of the debates between the Chamber and the government and between the Chamber and Indian merchant/educated classes. For instance, decrying the attitude of the Chamber of Commerce, Madras, towards government involvement in the chrome tanning industry, Chatterton (an official in the Madras government) stated vehemently:-

> It seems to me obvious that from the strong opposition offered by the Chamber of Commerce and from the European mercantile community to the policy of government assisting in the development of new industries they fear that the fostering of indigenous industries will place Madras in the same position as Bombay and that the Indians will gradually acquire a commanding position in the mercantile and manufacturing industries of the Presidency. This, I submit is eminently desirable... It seems to me impossible that the present state of things should be allowed to continue indefinitely. In the past the European mercantile community have displayed no great amount of energy and ability in building up the industries of the Presidency and there is less hope in the future that they will be able to achieve a better result. There is, I have reason to believe, a good deal of Indian capital seeking investment and there is undoubtedly an ever increasing number of youths turned out by our university system for whom it is difficult to find employment suited to their education and capacity for work. Mr Chambers (of the Madras Chamber of Commerce) complains in regard to training that men of the required character and knowledge are not obtainable and yet he would have the government tannery in which such men are being trained shut down. Only a few years ago the Chamber of Commerce advocated a *laissez-faire* policy. Now that it has been demonstrated that something can be done and that some practical results have been achieved, they say we are going too far and all that is necessary is to establish technical

institutions for the training of workmen for non-existent industries.[3]

Such references do not find a place even in the bibliography.

It is here that the composition of the Chamber, the anxiety of its members to safeguard their interests against mounting opposition becomes relevant. The book is also silent about the formation of the nationalist business organisation, the South India Chamber of Commerce and the hostile attitude of the European business community to the former.

It is not just a question of the author's perception versus the reviewer's since, throughout, the history of the Chamber is recorded with practically no allusion to the growing politicisation and conflict within the private corporate sector, particularly since the 1920s, as reflected in the emergence of rival all India unions of British and Indian commercial interests. Again, insofar as post-independence India is concerned while the Chamber's contribution along with/through ASSOCHAM is mentioned the formation of the FICCI, the relationship between FICCI and ASSOCHAM, and the recent turmoil that shook these all-India organisations do not receive even a passing reference in a work that calls itself a 'history of commerce and industry'.

The organisation of the book makes reading very tedious. Further the periodisation does not make it any easier to pinpoint the significant achievements/contributions of the Chamber in any particular period. The tone of the chapter 'The Future, Perspective Projections and Role of the Chamber' is almost pontifical inasmuch as the author sets out the tasks that he thinks the Chamber should be undertaking such as assisting institutions like SIPCOT, SIDCO, TIIC and the like in formulating industry-wise programmes for growth and expansion, collection of statistical data, licensing data and other relevant documentation, primary information on industry and commerce and in the provision of a good well-stocked library, etc, etc. Precisely because it was never intended to be a critical study the author refrains from asking why an institution of 150 years standing has not done all this and much more. Unless questions such as these are raised and examined the constraints (political and otherwise) under which institutions such as the Chamber function will never become debatable public issues. The best service the Chamber could have done to itself and to society was to have commissioned a self-evaluative rather than a self-adulatory study of its existence these last 150 years.

Notes

1 Government of Madras, GO No 1097, July 21, 1919, Judicial Department.

2 Government of Madras, GO No 1814, October 21, 1907, Judicial Department.

3 Government of Madras, GO No 641, October 6, 1908, Revenue Department.

Land Reforms Legislation in Karnataka

Myth of Success

C B Damle

A fundamental lacuna in most assessments of the impact of tenancy legislations in Karnataka is that they ignore the size of tenants as a class in the agrarian social structure on the eve of framing of the 1961 Tenancy Act. An attempt is made here to trace the gravity of the problem of tenancy in Karnataka that existed at the time of reorganisation of states in 1956. The analysis is extended to identify the effect of the tenancy legislation in changing the agrarian structure.

'HE evaluations of the implementation of enancy legislation in Karnataka without aking stock of the extent of tenancy in pre-and reforms period have either tended to how complacency over the rate of implementation of the Tenancy Acts of 1961 and 974 or have depicted how the benefits have een reaped by the economically well-off grarian sections such as dominant class enants. For some, however, tenancy was elatively a lesser problem in Karnataka to ave any significant impact on its agrarian tructure by the implementation of tenancy egislation. In fact, the political genesis of and reforms as a populist measure and also he role of dominant castes in framing and mplementing the legislation have been effectively traced by some studies. But the most important lacuna found in all these assessments of the impact of tenancy legislations in Karnataka is that they have ignored the size of tenants as a class in the agrarian social structure on the eve of framing the 1961 Act. Hence an attempt is made in this paper to trace the gravity of the problem of tenancy in Karnataka that existed at the time of reorganisation of states in 1956 and on that basis further analysis is done to identify the effect of tenancy legislation in changing the Karnataka agrarian structure.

The present Karnataka state has been formed during the linguistic reorganisation of states in 1956 by joining the different Kannada speaking areas of Madras, Bombay and Hyderabad states with the Old Mysore and Coorg provinces. In all these states, there had been different sets of laws governing their respective systems of land tenure, tenancy, land rent and revenue.[1] Since these land legislations were in vogue side by side, the new state administration had to face enormous problems while dealing with competing, often conflicting, interests of various categories associated with cultivable land.

Although the tenancy acts passed in different states appeared overtly to be in favour of the tenants they covertly gave enough scope to the landlords to resume the tenanted land for personal cultivation and the latter aptly used the given opportunity to set right the records to their best advantage. So from tenants' point of view, the tenancy legislations which were promulgated to bring progressive changes were no more than mock measures. Even the implementation of the Mysore (Personal and Miscellaneous) Inam Abolition Act of 1954 resulted in formalising the two strata of overlords upon the tenants, i e, the state as a 'super landlord' and the erstwhile *inamdars* as the intermediary category of oppressor who paid the tax to the state and was left free to fleece tenants-at-will whose insecurity was a growing and grave problem.[2] Hence the need for integrating the diverse legal and administrative structures relating to land control and utilisation had become urgent in Karnataka. But the measures adopted in this direction were neither scientific nor realistic. Political expediency compelled the government to go in for the easy way out and to introduce a uniform law for the reorganised Karnataka state by summarily suspending the tenancy acts of Bombay, Hyderabad and Madras states with an amendment to the 1952 Mysore Act through an ordinance dated March 11, 1957. This amendment allowed all the leases which were supposed to have expired on December 31, 1957, to continue for a further period of five years and later the same were annually extended up to 1965.[3] Thus by a stroke of pen, the *status quo* was maintained and almost all the measures providing protection to the tenants in the Karnataka state proved to be temporary because the progressive measures initiated under the Bombay, Madras and Hyderabad Acts were declared nullified.

Though the 1961 Land Reforms Act had received assent of the president of the Republic of India on March 5, 1962, its implementation actually started on October 2, 1965.[4] The main purpose of this act was to provide security to tenants against eviction and to prevent landowners from taking over plots which their tenants had cultivated long. The act was also designed to abolish tenancy, ban on further leases, fix fair rents with respect to the then existing leases and to impose ceiling on landholdings so that surplus land could be redistributed among poor cultivators and needy landless agricultural labourers. The act also had banned the acquisition of land by anyone except cultivators and agricultural labourers *unless a buyer planned to take-up self-cultivation.*[5]

The implementation of the 1961 Act as a measure of agrarian transformation, however, left much to be desired. There was a conspicuous delay of eight years in implementing the act (in 1965) which was originally framed by the Jatti Committee in 1957. This delay facilitated mala fide transfers of land under different names. Further, the act had almost failed to create a lasting impact on transforming the agrarian structure due to the gross misuse of concessions given to widows, minors, etc, to hold ownership over the leased-out land, and a similar misuse of the provisions granting landlords the right of resumption of land for *'personal cultivation'*—a phrase which was very loosely defined in the act. The exemptions from ceiling were granted to co-operatives, sugar mills, joint farming societies and the like, and these loopholes were fully exploited by the big landowners to escape the application of ceiling legislation. Consequently, the dominant classes with vested interests in the rural areas got abundant opportunity to use their muscle power for evicting tenants and to manipulate land records whereby the leased-out lands were converted overnight into lands under 'personal cultivation'.[6] The tenants on the contrary, had to claim their rights *vis-a-vis* their landlords by filing applications before the land tribunals whose procedures were cumbersome and could easily be circumvented. In the period following 1968, the tribunal officials were invariably over- burdened with work and were intimidated by local politicians who represented vested interests of the dominant class of landowners.[7] This shows the lack of political will on the part of politicians who made common cause with the landed interests. Thus the 1961 Act had the laudable objectives of transforming the agrarian structure but its provisions were rendered ineffective by the built-in loopholes which thwarted that change.[8]

The next leap forward came only in 1974 when the so-called radically amended legislation, the 1974 Act finally abolished all leasing of lands for cultivation (except in cases of soldiers and sailors); it abrogated all the existing leases, abolished the provision for resumption of leased-out land for personal cultivation and imposed a reduced ceiling on the size of landholdings as prescribed by the central guidelines of 1972. However, still the

plantation lands had been exempted because of their importance to the state's economy. Further, the act declared that every piece of land which was subject to lease on March 1, 1974, stood vested in the government. The tenants were asked to file their declarations before the land tribunals formed under the 1974 amended law. It is said that the 1974 Act displayed an intense concern for the interests of the tenants. It gave special powers to the tribunals to issue interim orders, a temporary injunction addressed to the parties or appoint a receiver to administer the land and that these orders were revocable and alterable under the tribunal's own power. The act, however, provided for compensation to be paid to the landlords by tenants; for this purpose it incorporated the fixation of rent on leased lands to calculate the amount of compensation payable to landlords.[9] Because the renewed land reforms attempted to plug the loopholes in the 1961 Act, the 1974 Act became the most publicised and progressive measure. It promised to acquire and redistribute surplus lands and thereby created hopes of drastic changes in agrarian scenario of Karnataka.

The 1974 Act provided the following facilities to the tenants:[10]

(i) Repeated extensions of the last date to file declarations for claiming ownership right which was finally extended up to June 30, 1979;

(ii) Exemption of stamp duty on all formal applications and affidavits filed by the tenants;

(iii) Free legal assistance to poor tenants wherever necessary for establishing their claim for ownership;

(iv) Consideration of declarations by the tribunals even if details such as clear survey numbers and extent of the tenanted land were not furnished by the tenants;

(v) The land tribunals were empowered to issue interim orders to prevent any forcible displacement of tenants, and if necessary, to appoint a receiver to administer the land since the tenant was vulnerable to even a temporary interruption of his farm operations;

(vi) The compensation to the landowner, fixed at minimum rate, was made payable in instalments to be deposited in the land development bank. Thus, the tenant was released from the direct subordination relationship to his erstwhile landlord. Subsequently even the remittance of compensation amount has been waived in the cases of tenants below the poverty line (i e, those below Rs 2,000 income per annum);

(vii) After obtaining the ownership rights, however, the tenants were forbidden from selling the plot for at least 15 years.

How many tenants were there to enjoy these concessions and privileges granted by 1974 Act? To answer this question, it is necessary to examine the size of the problem of tenancy in Karnataka to have any significant impact on agrarian structure in the state by the implementation of the tenancy legislation.[11] As we shall see later in this paper, it is difficult to agree with this view since it tends to distort the actual effects of 1974 Act.

The 1974 Act has been considered a very important watershed in the agrarian developments in Karnataka, though it was quintessentially an amendment to the 1961 Land Reforms Act, because its radical provisions and genuine concern for the tenants had had far-reaching consequences for agrarian rela-

TABLE 1: DISTRICTWISE DISTRIBUTION OF TENANTS, THEIR APPLICATIONS FOR OCCUPANCY RIGHTS AND SUCCESS OF TENANCY LEGISLATION IN KARNATAKA

Sl No	Regions and Districts	No of Tenants in 1957	No of Applications Received from Tenants upto 30.8.1970	No of Tenants in 1971	Tenancy Applications and Decisions upto August 31, 1987		Per Cent Tenants in 1971 to Total Tenants in 1957 $\frac{C}{A}\times 100$	Per Cent Tenants Who Applied upto 1979 to Total Tenants in 1957 $\frac{D}{A}\times 100$	Percentage of Success	
					No of Applications Received	No of Applications Decided in Favour of Ex-tenants			$\frac{E}{A}\times 100$	$\frac{E}{D}\times 100$
		A	B	C	D	E	F	G	H	I
I	**Coastal Region**									
1	Dakshina Kannada	4,90,571	50,923	70,591	1,76,235	1,36,880	14.39	35.92	27.90	77.67
2	Uttara Kannada	1,81,239	52,410	72,456	98,976	80,968	39,98	54.61	44.67	81.80
II	**Malnad Region**									
3	Chikmagalore	35,154	6,893	7,515	19,533	11,132	21.38	55.56	31.66	57.00
4	Hassan	18,474	6,297	5,769	29,326	13,882	31,23	158.74	75.14	47.33
5	Kodagu	23,071	260	530	3,760	1,052	2.30	16.30	4.56	28.00
6	Shimoga	1,11,780	22,180	31,688	59,568	33,149	28.35	53.29	29.65	55.60
III	**Northern Region**									
7	Belgaum	2,27,845	29,951	47,511	70,300	51,042	20.85	30.85	22.40	72.60
8	Bidar	32,405	816	2,446	6,091	1,647	7.50	18.80	5.08	27.04
9	Bijapur	1,00,009	14,042	24,353	41,597	24,291	24.35	41.59	24.29	58.40
10	Dharwad	1,42,306	30,752	49,021	60,733	37,407	34.45	42.68	26.28	61.60
11	Gulbarga	86,989	1,468	22,952	61,265	10,933	25.97	70.42	12.56	17.84
12	Raichur	41,179	1,307	8,477	21,754	4,796	20.59	52.83	11.65	22.05
IV	**Southern Region**									
13	Bangalore	69,302	8,728	12,184	50,626	21,781	17.58	73.05	31.43	43.02
14	Bellary	44,841	648	7,504	18,066	6,618	16.73	40.28	14.76	36.63
15	Chitradurga	33,054	336	2,620	7,452	2,544	7.92	22.54	7.70	34.13
16	Kolar	38,590	1,479	13,078	24,669	12,776	33.89	63.92	33.10	51.79
17	Mandya	20,228	5,000	4,218	14,833	8,282	20.85	73.32	40.94	55.83
18	Mysore	75,646	9,468	9,720	36,692	20,707	12.85	48.50	27.37	56.43
19	Tumkur	40,471	1,997	4,769	14,309	5,532	11.78	35.35	13.67	38.66
	Karnataka State	18,13,154	2,44,955	3,97,402	8,15,785	4,85,419	21.90	45.00	26.77	59.50

Sources: Column A: *Census of India*, 1961, Vol XI, Mysore Part I-A, General Report (Chapter X), pp 671.
Column B: Statement on Land Reforms in Mysore State made in Chief Ministers' Conference on Land Reforms held at New Delhi on 26.9.1970, p 13 (taken from Collections of Vidhana Soudha Library, Bangalore).
Column C: *Census of Agricultural Holdings in Karnataka 1970-71* (1974).
Column D and E: Monthly Report of Land Reforms Progress in the Karnataka state upto the end of August 1987. Prepared by under-secretary to government, Revenue Department (Land Reforms), Bangalore.

AN INTERNATIONAL DEVELOPMENT ORGANISATION IN ORISSA AND WEST BENGAL HAVING RURAL AND URBAN PROJECTS, WITH AN ANNUAL BUDGET OF APPROXIMATELY 4 MILLION US$, IS LOOKING FOR DYNAMIC, COMMITTED AND RESULT-ORIENTED CANDIDATES TO FILL UP STAFF POSITIONS AS FOLLOWS:

1. **DEVELOPMENT PLANNER (One Post):**

Job description

To develop and simplify planning methods and tools. Coordinate planning, implementation and monitoring activities and train staff at all levels; prepare relevant reports and documents.

Qualifications

Postgraduate in Development Planning, Economics or relevant Social Sciences.

Experience

Minimum 5 years in micro level planning, preferably with voluntary organisations.

2. **MANAGEMENT INFORMATION SYSTEM (MIS) EXPERT (One Post):**

Job description

To consolidate data base and manage information system with a view to strengthen planning, implementation, monitoring and evaluation activities at all levels. Process, analyse, present data and draft reports.

Qualifications

Postgraduate in Economics & Statistics, with sound knowledge in Computer.

Experience

Minimum 5 years in similar lines, preferably with voluntary organisations.

3. **WOMEN DEVELOPMENT SPECIALIST (One Post):**

Job description

To help the Women's Desk and field staff. Coordinate and monitor women related development activities.

Qualifications

Postgraduate, specialised in Women's Studies/Social Work.

Experience

Minimum 2-3 years, preferably with voluntary organisations. Field experience essential.

4. **SYSTEMS ANALYST (One Post):**

Job description:

To formulate, design, develop and implement software systems in a PC/XT/AT environment using standard application packages towards Management Information Systems.

Qualifications

Postgraduate/Graduate in Computer Science with statistical background.

Experience

Minimum 3-5 years experience in system design and programming.

5. **DEPUTY PROGRAMME CO-ORDINATOR (One Post):**

Job description:

Together with project staff help people to build planning and implementation capabilities and leadership with a view to make them self-reliant. Assist the Programme Co-ordinator in planning, implementation and monitoring of the project. Prepare relevant reports and documents.

Qualifications

Postgraduate/Graduate in Social Work with specialisation in Community Development in the urban sector.

Experience

Minimum 5 years with voluntary organisations in urban areas.

6. **FIELD STAFF (30 Posts):**

Job description

To work with the poor and help in building their planning and implementation capabilities and leadership, with a view to make them self-reliant through appropriate interventions.

Qualifications

Postgraduate/Graduate in Social Work with specialisation in rural development Community Development and/or Women's Development.

Experience

Minimum 2-3 years for Postgraduate and 5 years for Graduate, with voluntary organisations in rural/urban areas.

N B

1. Sl.Nos. 1-4 are for positions in Calcutta at the Organisation's Head Office to start with, which will also involve frequent field visits to the project areas. Command over English and familiarity with Bengali and Oriya essential.
2. Sl.No. 5 is a Calcutta-based position. Leadership qualities as well as communication, motivational and analytical skills are essential. Command over English and Bengali is also essential.
3. Sl.No. 6 is for positions in the rural areas of Orissa and West Bengal. Ability to work with the poor, adaptability to local conditions as well as communication and motivational skills are essential. Command over the local language and familiarity with English is essential. Half of these positions are earmarked for women candidates.
4. Salaries are negotiable for all the positions.
5. Candidates are requested to send their full Bio-Data along with a note on their relevant experiences to : **G.P.O. Box 2313, Calcutta-700 001, by 10/9/1989.**
6. The post applied for should be indicated on the envelope.

tions in rural Karnataka as a whole and in the DK district in particular. Also, the evaluative studies of the Karnataka land reforms have focused attention mainly on the implementation of the 1974 Act and have not probed adequately into the latent effects of the 1961 Act, whose formulation had taken four years (1957-1961) and actual implementation took another four years (1962-1965). Daniel Thorner has rightly observed that Karnataka was one among 'the areas of least change'.[12] To James Manor three factors explain such an inertia in rural Karnataka.[13]

(i) There was low incidence of gross inequalities in the land distribution in Karnataka.

(ii) The state had the highest proportions of owner-cultivators and the lowest incidence of landless in the sub-continent.

(iii) The prominence enjoyed in state politics by representatives of the two dominant landowning castes, namely, the Okkaligas and the Lingayats.

It is difficult to accept Manor's first two explanations which have not been adequately justified with evidence. He fails to explain the absence of demand for land reforms from below. It is necessary to probe the grassroots level factors that prevented the demand from below manifesting itself in agrarian discontent.

The third explanation given by Manor, however, is important. The interests of dominant landowning castes were represented in the legislature and safeguarded by bureaucracy which could use pressure tactics in specifying the goals of land reforms (particularly land ceiling) in Karnataka in such a way as to provide built-in safeguards for the landowning dominant castes. As we shall see later in this paper, it was nothing short of a political manipulation that the 1974 Act was projected as a radical legislation with its frontal attack on tenancy. In reality, however, the land leases had been reduced to a great extent (11.2 per cent) in the state except in the two coastal districts of Karnataka. Hence, the seemingly revolutionary act had little left to be revolutionalised on the agrarian scene. However, the 1974 Act practically ignored the issues of landless agricultural labourers and also the work of redistribution of surplus land acquired after the implementation of ceiling legislation so as to benefit the poor sections. As such 'land to the tiller' has remained largely as an empty slogan in Karnataka.

To evaluate the impact of the land reforms legislations on the agrarian structure and relations in Karnataka, it is necessary, at least, to assess the following three interdependent aspects:

(i) Tenancy legislation—1961 and 1974;
(ii) Land ceiling and redistribution of surplus land; and
(iii) The impact on agricultural labour.

Tenancy Legislation

The main objective of the tenancy legislation was to bestow the ownership rights on tenants on their leaseholdings. The underlying rationale was that the tenants were exploited by the absentee landowning class through appropriation of a bulk of the surplus agricultural production, and sometimes whole of it, in the form of rent. Hence, when the tenants were made owners on the same holdings for which they had paid rent so far, it was expected not only to eradicate intermediaries, but also to give rise to a class of owner-cultivator to augment surplus production for marketing.[14] Thus, the tenancy legislation, if implemented successfully, was purported to achieve both social justice and higher production.

In Karnataka, the implementation of the 1974 tenancy legislation has been viewed as very impressive since more than 60 per cent of the tenants, it is claimed, have secured occupancy rights on their leased-in land.[15] Considering the tenancy issue, Theodor Bergman thinks that the implementation of land reforms is closer to the letter and spirit of law, though he comments that in Karnataka the tenants did not yearn for land as much as the tenantry elsewhere in India did.[16] However, other critics argue that it is the dominant class tenants who have taken the maximum advantage of the tenancy legislation in Karnataka except in the coastal region where small holding tenurial leases were more widespread. Hence, in this game of muscle show, the small landowners and the poor tenants, i e, lease holders of small plots, in southern and northern regions of Karnataka were the main losers.[17] There is, of course, a danger inherent in viewing all the tenants as belonging to the exploited category. M V Nadkarni has drawn our attention towards the tactics of dominant class tenants who had leased-in lands excessively from small and marginal landholders with the opening of new irrigational facilities in northern Karnataka. This class of landowner-turned-tenant being well represented in the government, could strike the iron when it was hot, and could thus reduce their small and poor landowners to the position of landless labourers.[18]

Almost endorsing Nadkarni's views Narendar Pani has argued that the 'significant' rate of the implementation of tenancy legislation in Karnataka does not mean that justice was brought to the doorstep of the poor and oppressed tenants; in reality it favoured the dominant class tenants. According to Pani, it is only in Dakshina Kannada, Uttara Kannada and to some extent in Shimoga districts, that the small tenants have benefited by the tenancy law.[19] In our opinion, this generalisation of Pani states only a partial, and not the whole, truth because his primary interests was confined to the evaluation of the impact of the 1974 Act. Hence, he has totally ignored the effects of the 1961 Act. Further, Pani has taken the 1970-71 Agricultural Census report (and its statistics on number of tenants, etc) as the basis for evaluating the rate of implementation of tenancy legislation in different regions and districts of Karnataka. This again should not be the real starting point to evaluate the impact of tenancy legislation in Karnataka, because the state intervention in the tenancy matters had started much earlier through tenancy acts in the early 1950s.

Against the number of tenants reported in the Agricultural Census, 1970-71, Pani has compared the number of tenants, who responded to the 1974 Act by filing declarations, with the number of tenants who were granted occupancy rights on the leased land by the land tribunals. This exercise led Pani to conclude that in six out of the nineteen districts of Karnataka, the rates of implementation were above 100 per cent. The districts are Bangalore (100.64 per cent); Chikmagalore (135.55 per cent); Kodagu (189.25 per cent); Mysore (140.55 per cent); Hassan (151.25 per cent) and Dakshina Kannada (118.9 per cent). To him, such an overwhelming response by the tenants to the 1974 Act can be explained in two ways:

(a) The underestimation of tenancy in the 1971 Agricultural Census; and
(b) The increased practices of owner-farmers entering into new tenancies after 1971, in spite of the ban imposed by the 1961 Act on fresh leases of land especially where dominant class tenancy existed.

The boom of declarations from tenants between 1974 and 1979, according to Pani was due to the fact that a large number of

Table 2: Cultivators and Agricultural Labourers in Karnataka (1961, 1971, 1981)

Category	1961	1971	Percentage Increase 1961-71	1981	Percentage Increase 1971-81
	A	B	C	D	E
Total Population	2,35,86,772	2,92,99,014	24.20	3,71,35,714	26.7
Cultivators	58,06,664	40,72,879	−29.85	52,22,032	28.2
Agricultural Labourers	17,61,110	27,17,537	54.30	36,55,197	34.5

Sources: Column A: *Census of India*, 1961, Vol XI, Mysore, Part I-A, General Report (Chapter X) p 687.
Column B: *Census of India*, 1971, Series I, Part II-B (i), General Economic Tables, pp 42-45.
Column D: *Census of India*, 1981, Series I, Part II-B (i), General Population Tables, pp 174-233.

tenants, initially afraid of even disclosing their tenancy in 1971, eventually got over their inhibitions and apprehension and subsequently filed their declarations in the land tribunals and won them.[20] Though this assumption is quite valid, it gives an impression that most of the hitherto suppressed tenants came out boldly in 1974. We must note that all the tenants who had reported their status in 1971 should not necessarily have applied for ownership rights on their tenurial lease holding after 1974. It has been found during our field trips that some ex-tenants did not apply because they were intimidated to keep quiet by their 'goonda' landowners; some ex-tenants and their landlords had entered into compromise and thus the leased land had been resumed by the landowner against some mutually agreed compensation to the tenant; and in some cases the tenants have purchased their tenurial lease-holding from their erstwhile landowners. In our view, however, the greater and more bold response of tenants during 1974-1979 could be attributed to a special clause in the 1974 Act which provided for the inclusion of a new class of tenants, namely 'the deemed tenants'; 'whoever cultivating the land belonging to another, bearing the risks of cultivation was a deemed tenant if he did not belong to the landowner's family, nor he was a wage worker for a fixed wage in cash or kind'.[21] This provision in the 1974 law might have emboldened the majority of *genidars* (tenants) to file declarations who were without *geni-chits* (written lease-documents) and who greatly outnumbered the tenants who had reported their status in the 1971 Agricultural Census (see Table 1).

One cannot rule out Pani's apprehension that false applications might have been filed by vested interests to achieve undue advantages of the land reforms legislations.[22] But in our opinion, the size of such false declarations might not be as large as he imagines. Because false declarations arise in situations where the vested interests are involved in creating tensions in the villages, either to trouble other landlords or to sabotage and prevent the real tenants from getting the benefits of the land reform laws. It is generally agreed that such agrarian tensions were not a statewide phenomenon in Karnataka, but were confined to the DK district.[23] Hence, it seems that the active response from the tenants after 1974 was mainly due to the nature of the act that gave not just security but also ownership rights to the tenants on their leased-in holdings, thereby helping ex-tenants to break all the shackles of servitude.

We argue that if the rapid changes in the agrarian structure in Karnataka following the tenancy legislation of 1974 are to be understood, then the statistics of 1971 Agricultural Census do not constitute sufficient basis to explain the noticeably high rate of implementation of the land reforms legislation.[24] In the official evaluation of the implementation of land reforms, it was customary to calculate the proportion of the number of cases settled in favour of tenants to the total number of tenants petitions. This proportion was then compared with the total number of tenants as were recorded at the time of 1971 Agricultural Census. In fact, in his analysis, Pani also adopts uncritically the same method of calculating the rate of implementation. We have, however, shown with the help of statistics presented in Table 1 that if the 1971 Agricultural Census is taken as the basis of our calculation, then it gives misleading results with vastly inflated success rates of implementation as has happened in Pani's analysis. Our contention is that it is necessary to look at the problem of tenancy and its eradication not only in terms of the prospective effects of the 1974 tenancy legislation, but also its effects retrospectively since 1957. Clearly the landlords have always been more tactful than the tenants due to the former's economic domination, superior status, education and links of patronage and protection from political and administrative circles. Thus, implementation of a progressive land reform enactment would be the last thing they would put up with. In fact, landlords were well prepared to face the 1974 Act, having manipulated all possible readjustments in the land records. In other words, a large number of tenurial leases had been withdrawn by the landlords to be shown as 'under personal cultivation' which was not illegal under the unamended 1961 Act. Hence, there is a need to probe deeply into the size of tenants who were already evicted under the provision of 1961 Act and were thereby deprived of the subsequent opportunity to take the full advantage of the 1974 Act. We believe that for any real assessment of the extent of agrarian social transformation in Karnataka, following the 1974 enactment, it is necessary to use the statistics on tenants as they were recorded in the year 1957. To do so some caution and clarification are called for.

During the period immediately preceding the reorganisation of states in 1956, various acts for protection of tenants and fixation of fair rents had been enacted and also implemented in Bombay, Hyderabad and Madras states in which Kannada speaking regions were scattered. Although figures are not available, it can be surmised that some tenants from Karnataka must have taken the advantages of the provisions of different provincial legislations before the Karnataka state came into existence. ı ven granting that it is not possible to estimate the exact impact of these legislations on the Karnataka tenantry in the pre-reorganisation period, it does not weaken the strength of our argument that the number of tenants as recorded in 1957 in Karnataka (as available in the 1961 Census) is the most appropriate basis for the calculation and evaluation of the implementation rate.[25] This is substantiated by a comparative study presented in Table 1.

It is evident that the number of tenants who responded to the 1961 Act is infinitesimally small (see Table 1, column B), compared to the total number of tenants that existed in 1957 (see Table 1, column A). Regrettably though, it suggests that the tenants were either forcibly evicted by their landlords for resumption of leased lands for self cultivation or were coerced to forgo their legal claim (so as to appear as voluntary surrender) in return of protection to be sought by tenants applying for the security of tenancy provided under the 1961 Act. It is not surprising therefore that eventually, landlords destroyed records of the landleases as a prelude to their programme of large-scale eviction of tenants. Such a possibility cannot be ruled out given that compared to the actual number of tenant families in 1957 (column A), there were so few who actually reported their tenant status during the 1970-71 Agricultural Census (column C). The sharp decline in the reported cases of tenancy from 1957 to 1971 can be seen from the figures in column F (which represent the proportion of tenants in 1971 to those recorded in 1957) of Table 1. At the state level, this proportion was only 21.9 per cent of the total cases reported in 1957. It was even as low as 2.3 per cent in Kodagu district. In D K district, where the tenancy legislation is considered to have been implemented more successfully, the decline was quite sharp as over 85 per cent of the tenants (as recorded in 1957) had either been evicted or had not applied in 1971 and only 14.39 per cent cared to apply—which is simply appalling by any standards.

The decline in the reported tenancy varied within the coastal Malnad region itself from 97.7 per cent in Kodagu to 60 per cent in Uttara Kannada district (see Table 1, column F). There were two factors mainly responsible for such a decline in the number of recorded tenants from 1957 to 1971. First, the resumption of land for personal cultivation by the landowners was rampant; it is not unlikely that in many cases the landlords might have been sold the resumed land eventually. For instance, by August 30, 1970, there were as many as 95,000 resumption applications by the landlords under the 1961 Act.[26] Secondly, tenants totally dependant on the landlords felt all the more insecure. Of the total 1,49,950 cases of rent recovery and fixation of fair rents, 1,21,950 (81.3 per cent) were still pending for disposal up to August 30, 1970.[27] Such an indifference to the urgency of fixation of fair rents further aggravated the insecurity of tenants who lacked strength for prolonged resistance against their landowners through litigation. However, in the absence of any studies about what really happened during the 1957-71 period, it is possible to assume that the tenants were either allowed to operate on their leased lands without any record of lease-rights or the lands were simply resumed for personal cultivation, using either persuasion, or illegally by force or fraud. No doubt, in this period wherever personal cultivation was not possible, the lands must have been extensively brought into the market. At the

present level of our knowledge, however, only a studied guess can be offered since authentic figures/quantitative data on land market in Karnataka during those years were not available to us at the time of writing this paper.

To recapitulate our argument, by the time the 'radical' tenancy legislation was tabled in the state legislature for enactment in 1974, nearly 78 per cent of the tenants had already lost their occupancy rights due to evictions mostly on the flimsy ground of 'resumption for self-cultivation'. Hence, only the remaining 22 per cent of the tenants, who were fortunate to have continued their leased-in holdings, got the opportunity to claim ownership rights in Karnataka by 1971 (see Table 1, column F). However, it is necessary and important to note that about 45 per cent of the registered tenants in 1957 did stake their rights in response to the 1974 Act. But this figure included both the 'deemed tenants'—a category freshly recognised by the 1974 Act and the new leases that had been effected after the implementation of 1961 Act. It is argued here that the thesis about the presence of the 'black sheep'—i e, the dominant class tenants (landowners-turned-tenants) advanced by Nadkarni and Pani gains ground.[28]

From the column G of Table 1, one can further observe that the increased response from tenants to the 1974 Act was not very striking except in Hassan district, where the proportion of tenant applications (received up to 1979) to the total number of tenants as registered in 1957 has been reported to be as high as 158.74 per cent. Of course, Mandya, Gulbarga, Bangalore, Kolar and Raichur districts too show a considerable increase, but these were the areas where the problem of dominant class tenancies was most notable. The D K district and Uttara Kannada district which together constitute a homogeneous region where small tenancy holdings prevailed, did not show in reality an exponent position compared to 1957 situation, though actual numbers of tenants have been higher in these than other districts (see Table 1, column E). Hence, though the popular opinion is that the implementation of tenancy legislation was highly successful in Karnataka, and that especially it was more effective in D K district[29], our findings are to the contrary suggesting that the popular opinion is more of a myth than a reality.

The available studies on land reforms in Karnataka suggest that the implementation of tenancy legislation is successful because, of those tenants who had applied for ownership rights on their tenurial lease holdings about 60 per cent have benefited under the 1974 Act (see Table 1, column I). Our contention, however, is that a large section of tenantry had already been deprived of their statutory rights of occupancy and conferment of ownership and hence the real success of tenancy reforms is only 26.77 per cent in Karnataka state (see Table 1, column H). Only Hassan district shows an unusual trend as it has faired well in the implementation of the tenancy legislation of 1974. However, the situation of Hassan needs a closer scrutiny and a detailed study since the presence of dominant class tenancy in that area might have vitiated the expected change. Excluding Hassan, then rest of the districts show a poor performance in the implementation of tenancy legislation varying between 44.66 per cent in Uttara Kannada to 4.52 per cent in Kodagu district (see Table 1, column H). In our assessment, therefore, the complex problem of tenancy in Karantaka was very inadequately handled by the government which lacked political will and commitment. Unfortunately this dismal failure of land reforms in Karnataka as a whole was pushed under the carpet as hitherto the assessments based on the statistics of the recent period, i e, 1970-71 have dominated the political thinking and academic exercises.

Statistics presented in Table 2 justify our assumption that the eviction of tenants, as an effect of the 1961 Act was rampant in Karnataka. In fact, we argue that the success of tenancy legislation in Karnataka has been systematically developed into a myth. From Table 2, it is evident that between 1961 and 1971, there was nearly a 30 per cent decrease in the number of cultivators who included both the landowners and the tenants.* This significant decrease, in a decade when the land reform legislations were planned and implemented, has taken place in spite of the population increase by 24.2 per cent for the decade (i e, 2.4 per cent annually). On the other hand, there was a remarkable increase (54.3 per cent) in the category of agricultural labourers which indicates the sharp rise in the *proletarianisation* of cultivating tenants.

The number of cultivators may decrease due to large-scale alienation of land by small holders to big landholders resulting in the increase of large size operational holdings. But such a phenomenon has not occurred in Karnataka.[30] Hence, it was more probable that the decrease both in percentage and in absolute number of cultivators has occurred on account of large-scale eviction of tenants-at-will. Thus, it seems the 1961 Act has had a negative impact on the tenantry in contravention of the principle of redistributive justice implied in land reforms. Undoubtedly by 1971, the residue to be cleared off with 'a strong' tenancy legislation was relatively very small. Hence, any spectacular success of 1974 'radical' land reform, or its lasting impact on the agrarian structure in Karnataka was only a remote possibility. However, it must be noted that although the number of the cultivators increased during 1971-1981, it did not reach the 1961 figures (see Table 2). Actually over the two decades— 1961 to 1981—the number of cultivators decreased by 10 per cent whereas agricultural labourers had increased by 107.5 per cent when the population increased by 57.4 per cent during the same period.

The argument relating to the massive eviction of tenants between 1957 and 1974 can be substantiated by a comparative view of the extent of tenancy in Karnataka in 1961, 1971 and 1981. From Table 3, it is evident that nearly 30 per cent (29.8 to be precise) of the holdings were leased-out to tenants for cultivation in 1961. The percentage of tenanted holdings, however, was very high in the two coastal districts in 1961 and also in 1971 (see Table 3) although it had begun to decline. But in every district, tenancy decreased sharply between 1961 and 1971. A R Rajapurohit has interpreted this declining trend of tenancy elimination as an indication of a positive change and in this sense, even some impact of the 1961 Act on the changing agrarian structure in Karnataka cannot be denied.[31] Such a rosy picture, is, however, disputable since we cannot get any evidence to show that by and large, the tenants were granted occupancy rights on their lease-holdings as a result of the implementation of the 1961 Act. On the contrary, we have already shown that the response by the tenants to the 1961 Act was rather sluggish (see Table 1). Moreover, though the Act had provided the tenants with the right of pre-emption, i e, privilege of first claim to buy the lands from the landlord, it was beyond the reach of tenant's resources excepting of course those of the dominant class tenants. Being financially poor, generally an average tenant could not buy the tenanted holding. Even socially, the tenant's changed status as landowners was not going to be welcomed without grudge in their respective villages. Therefore, the percentage of self-operated holdings in Karnataka must have increased mainly due to eviction of tenants since the 1961 Act had armed the landowners with the right of resumption for personal cultivation and at the same time had fixed the ceiling limit on holdings rather generously. In spite of these deficiencies in the enactment as well as implementation of the law, the government of Karnataka has claimed 'achievement' in the tenancy eradication in the state on the basis of figures presented in column C of Table 3.

Land Ceiling and Redistribution of Surplus Land

A discussion on the effects of the Land Ceiling legislation that was incorporated in the 1961 as well as in the 1974 Acts is relevant here to understand the failure of tenancy legislation in Karnataka. Most of the studies have concluded that the big landlords could find enough leeways to escape from

* In the 1961 Census, the term cultivator was defined thus: "For purposes of census a person is working as cultivator if he or she is engaged whether as employer, single worker or family worker in (a) cultivation of land or supervision or direction of cultivation of land owned or held from government, and (b) cultivation of land or supervision or direction of cultivation of land held from private persons or institutions for payment in money, kind or share" (*Census of India*, 1961, Vol XI, Mysore, Part I-A, General Report, Chapter X, p 562).

he blow of ceiling legislation.[32] They were east affected as the ceiling limit was fairly high for all classes of lands. According to the 1961 law, a maximum 27 standard acres of first class wet land was fixed as the ceiling which varied up to 432 acres of dry land that was maximum permissible for a big family.[33] Even under the 1974 Act, the big landlords could retain vast lands under their ownership by dividing their family into a number of 'units' for technical purposes and also by *benami* transactions of landed property. Giving an insider's account of what was happening in Karnataka, seasoned bureaucrats like Rajan, who was associated with the reforms implementation, has admitted that this provision was a loophole purposely kept in the law.[34] Though the 1974 Act intended to overcome the weaknesses inherent in the ceiling provisions of the 1961 Act, it ultimately turned out only to be a publicity stunt of the government. Compared to the 1961 Act, the so-called stringent ceiling provisions of the 1974 amendment actually could not harm those who owned beyond limit the best quality land under private irrigation. Thus, once the big landlords were out of danger of the implementation of ceiling legislation, they did not hesitate to use unlawful tricks to resume the tenanted holdings either by compromise or by force. So, the provision of ceiling in terms of units, though apparently stringent, was really not an effective measure since it only helped in perpetuating the inequalities in landholdings in the agrarian structure in Karnataka.

It was not surprising if one had expected some spectacular change to take place by 1976 in the structure of land control (i e, in size groups of landholdings) in Karnataka since the 1974 Act had set December 31, 1974 as the deadline to file declarations by those who owned lands beyond ceiling limit and November 18, 1961 as the reference date to determine the surplus land. But it is evident that the agrarian structure had hardly been visibly affected by the ceiling legislation in Karnataka. For instance, the percentage of big holdings, i e, above four hectares had decreased only by 2 per cent, i e, from 23.7 per cent in 1970-71 to 21.78 per cent in 1976-77. Similarly the area controlled by the big landholders decreased only by 2.37 per cent, i e, from 65 per cent in 1970-71 to 62.63 per cent in 1976-77 which means they still controlled large tracts of land disproportionate to their class size.[35] Further, the average land held by the class of big landowners is 94.43 hectares or 233 acres that stands in contrast to the maximum ceiling of 54 acres prescribed by 1974 Act even for the dry land (D class). The 1974 Act permitted the companies and even individuals to hold extensive plantations without ceiling prescriptions. Also the non-agriculturists were allowed to buy and sell plantations growing cardamom, cocoa, coffee, tea, pepper and rubber. This shows that a clear ideological foundation of social justice was lacking in the supposedly progressive piece of legislation in Karnataka.[36]

The 1974 Act stipulated that all the surplus land, vested in the government, was to be allotted among (i) dispossessed/displaced tenants having no land; (ii) landless agricultural labourers; (iii) released bonded labourers; and (iv) landless persons, ex-service men or other persons residing in the same or neighbouring villages whose gross annual income did not exceed Rs 2,000. However, it was obligatory for the government to see to it that at least 50 per cent of the grantees would be from the Scheduled Castes/Tribes categories.[37] But, as expected, the bureaucratic inertia in the implementation of land ceiling prevented any effective redistribution of surplus land to the needy. The initial years after the enactment of 1974 Act witnessed neither rigour nor speed in the official effort for implementation. The redistributed land constituted less than 8 per cent of the legal surplus land, i e, less than 0.2 per cent of the total cultivated land in the state. It would, therefore, be difficult to deny that redistribution of surplus land had been a low priority item on the government's policy agenda.[38]

The data available in the monthly reports compiled by the Revenue Department (Land Reforms), government of Karnataka, should suffice to support our contention that the implementation of land ceiling was unusually tardy in Karnataka (see Table 4). The existence of very large size holdings in great number and the availability of surplus land for distribution varied greatly for districts in Karnataka. Table 4 shows that the declarations filed under the 1974 Land Ceiling Law were more in the districts of the northern region where numerous large or extensive holdings controlled vast tracts of land. The districts of Chitradurga, Shimoga and Bellary, closer to the northern region, also had more cases whose large-scale holdings exceeded the ceiling limit. In the remaining districts of the state, the situation was somewhat uniform. However, compared to tenancy, the issue of land ceiling in the coastal districts was relatively a less significant one.

The disposal of the declarations was nearly complete (99.7 per cent) by August 31, 1987 throughout the Karnataka state (see Table 4, column J). But it was only in very few of the disposed of cases that the implementation machinery was able to determine surplus land. For example, the proportion of landholders (whose surplus land was identified) to the total number of declarations disposed of, varied from district to district. It was as low as 0.9 per cent in Kodagu district of the Malnad region and was as high as 17.8 per cent in the Bellary district in the southern region. The state average in this regard was only 6.8 per cent (see Table 4, column K). Also the extent of land actually identified as 'surplus' to the total land under declarations was as low as 4 per cent in Raichur district to 0.4 per cent for the Uttara Kannada district (see Table 4, column L). Explanation for such a situation is not far to seek. The 1974 law required declarations to be filed by every landowner who had 40 acres of dry land, or 20 acres

TABLE 3: DISTRICTWISE LEVELS OF TENANCY IN KARNATAKA, 1961-1981

Regions and Districts	Percentage of Tenanted Holdings		
	1961 A	1971 B	1981 C
I Coastal Region			
1 Dakshina Kannada	77.7	54.4	2.39
2 Uttara Kannada	74.1	68.2	1.78
II Malnad Region			
3 Chikmagalore	33.3	8.2	1.00
4 Hassan	22.1	3.5	0.80
5 Kodagu	36.8	1.4	0.24
6 Shimoga	50.3	21.5	6.00
III Northern Region			
7 Belgaum	33.5	15.9	2.00
8 Bidar	15.1	2.8	1.40
9 Bijapur	23.5	9.8	0.53
10 Dharwad	34.4	18.2	1.77
11 Gulbarga	28.7	10.6	0.91
12 Raichur	33.0	3.7	0.72
IV Southern Region			
13 Bangalore	33.7	5.1	1.81
14 Bellary	33.0	5.9	1.81
15 Chitradurga	17.8	1.5	0.50
16 Kolar	25.3	6.2	0.46
17 Mandya	15.6	2.0	0.26
18 Mysore	25.4	3.6	0.71
19 Tumkur	15.5	1.7	0.66
Karnataka	29.8	11.2	1.28

Sources: Column A: *Census of India*, 1961, Vol XI, Mysore, Part III, Household Economic Tables, Table B XI.
Column B: *Census of Agricultural Holdings in Karnataka, 1970-71* (1974).
Column C: *Agricultural Census*, Karnataka, 1980-81.

of rainfed wet land, or 10 acres of fully irrigated land. This acreage was considerably lower than the prescribed upper ceiling limit of 54 acres of dry land or its equivalent for a family of 5 members or less. Further, every adult male member and a widow in the family were treated as independent units entitled to hold land separately as per the ceiling of full 10 units of landholding. This liberal provision tremendously reduced the number of potential surplus holders among the declarants who could then show 'nil' surplus. This happened in large number of cases.[39] This explanation seems technically correct, but in reality the 1974 law itself had given sufficient scope for readjustment by transfer of land in the land records and enabled many to evade the law. It is, therefore, surprising that even after 14 years since the implementation of the 1974 law, only 52.5 per cent of the total declared surplus land has been taken possession of by the government, out of which only 35.5 per cent has been actually redistributed (see Table 4, column M and N). In Bangalore district, however, the whole work of redistribution remained untouched. The official machinery has, however, acted promptly to ensure that the redistribution of surplus would conform to the legal provision: namely that 50 per cent or more of such land grantees should be from amongst SCs/STs; this percentage is 61.2 in Karnataka. By no means, this is a commendable attainment because the redistributed lands were mostly of poor soil quality, dry and unirrigable. The studies on the progress of redistributed holdings often have shown that the cropping intensity, income and returns from farm business were comparatively low and hence uneconomical in such lands.[40] The official evaluation by the government of Karnataka also testifies that the condition of the allottees in the utilisation of redistributed land was deplorable.[41]

Impact on Agricultural Labour

We have seen that the enactment of the 1974 law brought little difference, and failed to radically change the basic socio-economic structure of the agrarian society. Hence, o may anticipate some change (but not substantial one) in the existential conditio of agricultural labourers as a class once t land reforms legislation is introduce Because, such a legislation entails a trans tion in the position of landowning, land co trolling and land-using classes. In fac initially both tenants and agricultur

TABLE 5: APPLICATIONS FILED BY LANDLESS LABOURERS FOR OWNERSHIP RIGHTS ON DWELLIN UNITS (AS ON 31-8-1987)

District	No of Applications Received	No of Applications Disposed	No of Applications Decided in Favour of Applicants	Percentage of C to B
	A	B	C	D
I Coastal region				
1 Dakshina Kannada	14,306	11,937	7,977	66.8
2 Uttara Kannada	3,769	3,325	2,124	63.9
II Malnad region				
3 Chikmagalore	126	126	82	65.1
4 Hassan	77	77	71	92.2
5 Kodagu	191	191	65	34.0
6 Shimoga	376	321	126	39.3
III Northern region				
7 Belgaum	1,023	606	429	70.8
8 Bidar	14	14	9	64.3
9 Bijapur	145	76	75	98.7
10 Dharwad	141	140	46	32.8
11 Gulbarga	1,570	1,570	1,117	71.1
12 Raichur	2,746	2,746	1,399	48.8
IV Southern region				
13 Bangalore	295	282	60	21.3
14 Bellary	115	115	—	—
15 Chitradurga	404	380	40	10.5
16 Kolar	4	4	1	25.0
17 Mandya	21	21	13	61.9
18 Mysore	61	50	1	2.0
19 Tumkur	60	59	52	88.1
Karnataka state	25,444	22,040	13,687	62.1

Source: *Monthly Report on Land Reforms Progress in Karnataka State upto 31-8-1987*. Revenue Department (Land Reforms), Government of Karnataka, Bangalore.

TABLE 4: DISTRICTWISE DETERMINATION AND DISTRIBUTION OF SURPLUS LAND IN KARNATAKA AS ON 31-8-1987

Regions and Districts	Declarations Received		Declarations Disposed		Surplus Land Determined		Extent Taken Under Possession by Govt (Acres)	Extent Distributed		Percentage of Achievement					
	No	Extent (Acres)	No (Acres)	Extent	No (Acres)	Extent (Acres)		Total Acres	Among SCs/STs	C/A	E/C	F/D	G/F	H/F	I/H
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
I Coastal region															
1 D Kannada	2,178	1,16,721	2,171	1,15,707	26	3,248	2,588	636	453	99.7	1.2	2.8	79.7	19.6	71.2
2 U Kannada	3,690	83,829	3,683	83,497	41	371	235	144	105	99.8	1.1	0.4	63.3	38.8	72.9
II Malnad region															
3 Chikmagalore	2,089	1,23,673	2,083	1,22,257	67	1,135	504	463	308	99.7	3.2	0.9	44.4	40.8	66.5
4 Hassan	1,255	66,879	1,255	66,879	31	1,234	1,083	841	492	100.0	2.5	1.8	87.7	68.1	58.5
5 Kodagu	795	46,774	784	46,079	7	482	2	2	2	98.6	0.9	1.0	0.4	0.4	100.0
6 Shimoga	7,374	2,37,865	7,373	2,37,840	216	5,079	1,876	1,303	849	99.9	2.9	2.1	36.9	25.6	65.2
III Northern region															
7 Belgaum	13,940	9,12,226	13,910	8,94,320	465	28,864	16,826	10,861	6,140	99.8	3.3	3.2	58.3	37.6	56.5
8 Bidar	4,638	2,74,302	4,630	2,73,646	310	7,441	3,504	1,946	1,108	99.8	6.7	2.7	47.1	26.1	56.9
9 Bijapur	23,470	12,57,642	23,420	12,45,404	1,871	52,204	31,612	22,635	12,525	99.8	8.0	4.2	60.5	43.4	55.3
10 Dharwad	16,967	9,05,990	16,936	8,97,692	715	22,726	13,199	8,306	4,718	99.8	4.2	2.5	58.1	36.5	56.8
11 Gulbarga	18,608	11,67,744	18,587	11,53,979	1,310	44,563	26,514	18,704	11,865	99.9	7.0	3.8	59.5	42.0	63.4
12 Raichur	19,784	9,32,148	19,695	9,31,611	2,911	86,420	34,727	19,853	13,668	99.5	14.8	9.3	40.2	23.0	68.8
IV Southern region															
13 Bangalore	2,166	53,910	2,086	49,311	7	631	—	—	—	96.3	0.3	1.3	—	0.0	—
14 Bellary	6,101	3,09,237	6,040	3.03,008	1,077	24,710	15,971	13,475	8,134	99.0	17.8	8.1	64.6	54.5	60.4
15 Chitradurga	8,843	4,46,684	8,829	4,45,345	300	7,811	2,381	2,381	1,714	99.8	3.4	1.7	30.5	35.5	72.0
16 Kolar	1,458	75,973	1,458	75,973	37	1,047	419	419	276	100.0	2.5	1.4	40.0	40.0	65.9
17 Mandya	2,200	59,325	2,165	58,369	64	896	556	191	81	98.4	3.0	1.5	62.0	21.3	42.4
18 Mysore	3,657	1,25,319	3,643	1,24,185	48	2,098	1,246	1,246	609	99.6	1.3	1.7	59.4	59.4	48.9
19 Tumkur	2,465	1,48,568	2,449	1,46,845	104	3,192	1,050	1,031	844	99.2	4.2	2.2	32.9	32.3	81.8
Karnataka state	1,41,678	73,44,809	1,41,197	72,71,947	9,607	2,94,152	1,54,293	1,04,437	63,891	99.7	6.8	4.0	52.5	35.5	61.2

Source: *Monthly Report on Land Reforms Progress in Karnataka State upto 31-8-1987*. Revenue Department (Land Reforms), Government of Karnataka, Bangalore.

oourers together struggled for a better al. However, after a series of tenancy forms had conferred security of tenure and er occupancy on their leased holdings, in way throughout India, the class of agri- ltural labourers had been left high and dry. ey had, therefore, higher stakes in further nd reforms (including ceilings) and their thful and stringent implementation.[42] his is equally true of agricultural labourers cluding the landless) in Karnataka.

As a part of the land reforms, it was erefore, necessary to incorporate measures uplift the wage-earning class in the rural eas. But initially the issue of agricultural oourers was not at all touched by those ho framed the Land Reforms Act, 1961 or en the 1974 Act. The programme of eradi- tion of tenancy pre-occupied their minds much that all other problems tended to relegated. Finally a special provision was corporated in the 1974 law, as late as in 79, conferring the agricultural labourers ith the right to apply for ownership of their velling units on lands which legally did not elong to them (provided they were living those dwellings as on January 1, 1979) ith 5 cents (equivalent to 1/20th of an acre) f land surrounding their dwellings.[43]

The government, however, took no initia- ve in promoting the interests of landless gricultural labourers.[44] As shown in able 2, although the class of agricultural bourers had grown enormously (by over 07 per cent) in Karnataka between 1961 and 981, very few labourers actually came for- ard to claim the benefit under the land eform law (see Table 5). As in other cate- ories even in the case of agricultural bourers, an impressive number from the oastal districts (particularly the DK district) ad taken the lead in filing declarations for he dwelling units. But this did not happen other parts of Karnataka (see Table 5, col- mn A). However, in the absence of studies, is rather difficult to explain why agricul- ural labourers did not come forward to app- for the ownership of their homestead in he remaining districts.

In Karnataka, 28.4 per cent of the agri- ultural labourers consisted of the Scheduled Castes and Scheduled Tribes, while only 13.2 er cent of them belonged to the class of ultivators in 1961.[45] The SCs/STs con- tituted more than 50 per cent of the labour orce in the districts of Bangalore, Kodagu nd Kolar. Apart from these in Bidar, Chik- nagalore, Chitradurga, Hassan, Mandya nd Mysore districts the proportion of those elonging to SCs/STs was more than the tate average in the agricultural workforce. n the absence of specific programmes of uaranteeing regular work to them, their ondition was not likely to undergo any adical change after the introduction of the and reforms. Moreover, as mentioned arlier, the surplus land distributed to the Cs/STs was of poor soil quality and vithout irrigation facilities. Hence this neasure could hardly improve their lot. ince the Scheduled castes lived in bondage,

a life of social degradation for generations, it was too much to expect their high turnout for staking claims on their dwelling units under Section 38 of the Land Reforms Act 1974.

It is generally expected that a reasonably successful implementation of land reform legislation leads to depletion of agricultural labour in the countryside. However, this did not happen in Karnataka. The overall figures for Karnataka show that the proportion of agricultural labourers in total workforce was more or less constant, i e, 26.7 per cent and 26.6 per cent in 1971 and 1981 respectively.

The wages of agricultural labour vary from district to district and also within the same district. Further, the relationship between the hirer and the hired has taken diverse forms involving peculiar mutual obligations. Though the Minimum Wages Act, 1948 was implemented in 1959 in the state, it has mostly remained on paper.[46] While the administration may claim to have given relief to the agricultural labourers to a certain extent, it did not take precaution to see that the land reforms would not adversely affect and destabilise the agricultural labourers before and even after 1979. In fact, revenue and law enforcement agencies not infrequently used force to evict agricultural labourers from their dwellings on lands they did not own.

Follow-Up Developmental Measures

The beneficiaries of land reforms legislation such as the surplus land grantees as well as the ex-tenants needed support as soon as the ownership on land was granted to them. Though the government has introduced many schemes to promote development of lands and also to help the beneficiaries to purchase required inputs all the schemes were no more than an eye wash. Firstly, the assistance never came immediately after the grant of land ownership to the beneficiaries and secondly the budget allocation was very poor to have any significant achievement. For instance, under the Land Development Assistance (LDA) scheme introduced in 1975-76, specifically for the surplus land grantees, the government assistance worked out to only Rs 675 per hectare as against the planned assistance of Rs 2,500 per hectare. Further, it is really a pity that after more than a decade of introduction of the LDA scheme, about 10,700 beneficiaries (40.7 per cent) have remained without any help under the follow-up programme. A similar drawback is visible in the implementation of Negilu-Bhagya scheme meant for the poor-ex-tenant beneficiaries as also the surplus land grantees introduced in 1982-83. The assistance under this scheme has two components: (a) Supply of one pair of bullocks at a cost not exceeding Rs 3,000 out of which Rs 1,000 is subsidy to ex-tenants and Rs 1,500 is subsidy in the case of surplus land grantees, (b) Supply of an input-kit, i e, a package of agricultural implements and inputs not exceeding Rs 500 per kit free for each beneficiary provided he is a small/marginal farmer (i e, below 2 hectares of holdings). But due to a meagre actual budget allocation of about Rs 1.53 crore (just 10 per cent of the proposed outlay of Rs 15.25 crore) for 1983-86, the physical targets had to be sealed down to a ridiculously low level of 5.6 per cent. Thus only 16,750 land reform beneficiaries were assisted during 1983-86, thereby covering barely 3.3 per cent of the total 5.11 lakh ex-tenants.[47] If bureaucratic lethargy and lack of funds was the problem in implementing the above schemes, the negligence of basic purpose of the programme is evident in the case of Small Farmers Development Agency established by the government of Karnataka. The idea was to channelise credit, irrigation and scientific inputs to the small holders. But this programme has proved to be a pro-landlord measure since the programmes designed to benefit the marginal and small holders, who constitute about 45 per cent of rural population; but are assigned only about 2 per cent of the public investment.[48]

The abolition of tenancy in Karnataka was given a wide publicity though its success was only a myth. At the same time, the equally important problems of landless agricultural labourers were given a low priority by the government. The rural poor of Karnataka have remained unorganised and efforts in unionising the agricultural labourers are not in operation. Also the agricultural wages have lagged behind the price increases in Karnataka. Moreover, the employment generation schemes such as the Employment Affirmation Scheme (EAS), Integrated Rural Development Programme (IRDP), Special Component Plan (SCP), Tribal Sub-Plan (TSP) etc, suffered from the low budget allocations, insufficient staff to handle the programmes and inadequacy of planning besides the general lack of political will. Added to these deficiencies, there existed endemic problems associated with bureaucracy, namely, delays, corruption, mismanagement of funds and confusion in the choice of priority work.

In conclusion, it can be said that the land reform measures in Karnataka have failed to achieve the avowed ideal of creating an egalitarian agrarian society. The legal measures could hardly sabotage the vested interests in land. On the contrary, the loopholes in the law were the aides in disguise to the landlords to maintain the *status quo* in the agrarian social structure. If the government had identified the actual tenants prior to the implementation of the 1961 Act, i e, the tenants existed during 1957 to 1961, then the task of redistribution of land could have been easier. But the government's interest was limited only to make it a populist measure and so the agrarian tension had mounted as the conflicting interests resorted for a show-down at least in a few pockets of Karnataka. The result is not far to seek. The economically influential landowners were the inevitable winners of the game. Even for the small number of beneficiaries of tenancy Act, the schemes of government assistance remained only a promise. In the case of acquisition and distribution of surplus land, the governmental apathy is unpardonable. An unimpressive achievement in granting rights to the labourers on their homesteads is a testimony to the fact that the agricultural labourers are still a rejected category in the government's scheme of rural transformation. Thus under these adverse conditions, it is too much to expect the poor tenantry and agricultural labour class to come out to stake their claims on land.

Notes

[The author is grateful to D N Dhanagare for having read the manuscript and for his suggestions to improve this paper. However, the author himself is responsible for mistakes if any.]

1 For a detailed explanation of the different tenancy and fair rent acts enacted in Bombay, Hyderabad, Madras, Mysore and Coorg areas, see, P T George, 'Land System and Laws in Mysore State', *Artha Vijnana*, Vol XII, Nos 1 and 2, March-June 1970, pp 117-192.

2 Polly Hill's study suggests that in spite of the 'so-called' radical tenancy legislation implemented in Karnataka in 1974, the tenancy reforms had not affected in the *inam* villages. See, Polly Hill, 'Comparative Agrarian Relations in Karnataka (South India) and Housaland (North Nigeria)', *The Indian Economic and Social History Review*, Vol XVI, No 3, July-September 1979, pp 243-276.

3 George, P T, op cit, p 183, also see *Census of India*, 1961, Mysore, Part 1-A, General Report, (Chapter X), pp 685-87.

4 George, P T, op cit, p 183.

5 James Manor, 'Pragmatic Progressives in Regional Politics: The Case Study of Devaraj Urs'. *Economic and Political Weekly (EPW)*, Vol XV, Nos 5, 6 and 7, Annual Number, 1980, pp 201-13 (emphasis added).

6 M A S Rajan, *Land Reforms in Karnataka*, Hindustan Publishing Corporation, Delhi, 1986, pp. 20-24. Also see, T K Laxman, *et al*, 'Land Ceiling in Karnataka', *EPW*, Vol VIII, No 39, September 29, 1973, pp. A-111—A-115; Manor op cit, pp 201-02.

7 Manor, op cit, p 202.

8 Narendar Pani, 'Reforms to Pre-Empt Change' in Rajpurohit (ed), *Land Reforms in India*, Ashish Publishing House, New Delhi, 1984, pp 42-44.

9 *The Karnataka Land Reforms Rules, 1974*, Government of Karnataka, pp 12-36.

10 Ibid, pp 12-51; also see Rajan, op cit, pp 25-44.

11 Rajan, op cit, pp 145-148,also see Rajpurohit (ed) op cit, pp 193-206.

12 Daniel Thorner, *Agrarian Prospect in India*, Allied Publishers Limited, Bombay, p 31

13 Manor, op cit, p 202.

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15 Manor, op cit, p 205
16 Theodor Bergman, *Agrarian Reform in India*, Agricole Publishing Academy, New Delhi, 1984.
17 M V Nadkarni, 'Tenants from the Dominant Class: A Developing Contradiction in Land Reforms', *EPW*, Vol 11, No 9, December 25, 1976, pp A 137—A 146.
18 Ibid, pp A 137—A 146.
19 Pani, op cit, pp 63-64.
20 Ibid, p 56.
21 Rajan, op cit, p 27.
22 Pani, op cit, pp 55-56.
23 Ibid, p 64, also see S X James Melchior, 'Implementation of Land Reforms', *EPW*, Vol XIV No 18, May 5, 1979, pp 799-801. Atul Kohli, *The State and Poverty in India*, Cambridge University Press, 1987, p 176.
24 All the studies available to us, without exception, have ignored to see the latent effects of the 1961-Act and have evaluated the success of the 1974 tenancy legislation against the tenancy situation as available for 1971 (Agricultural Census). See, for example, Manor, op cit, Pani, op cit, Rajpurohit, op cit, Rajan, op cit.
25 *Census of India, 1961*, Mysore Part I-A, op cit, p 671.
26 *'Statement on Land Reforms in Mysore State made in Chief Ministers' Conference on Land Reforms held at New Delhi on 26-9-1970'*, taken from collections of Vidhana Soudha Library, Bangalore, pp 6-7.
27 Ibid, pp 6-7.
28 Nadkarni, op cit, pp A 137—A 146; Pani, op cit, pp 55-65.
29 This opinion has been projected in almost all studies on land reforms in Karnataka, see Manor, op cit, pp 201-213. Rajpurohit (ed), op cit, pp 188-205, Pani, op-cit, pp 42-70, Rajan, op cit, pp 99-106.
30 See *Statistical Abstract of Karnataka*, 1978-79, Bureau of Economics and Statistics, Government of Karnataka, Bangalore, pp 78-80.
31 Rajpurohit, op cit, pp 193-96.
32 See T K Laxman, et al, op cit, pp A 111—A 115; Narendar Pani, op cit, pp 65-70; Rajan, op cit, pp 18-23, Kohli, op cit, pp 153-61.
33 Rajan, op cit, pp 18-19.
34 Ibid, p 18.
35 Chandrashekhara B Damle, *Land Reforms and Changing Agrarian Relations in Dakshina Kannada District, Karnataka* (PhD Thesis submitted to Poona University), 1989, pp 181-84.
36 Ibid, pp 185-86.
37 *The Karnataka Land Reforms Rules, 1974*, Government of Karnataka, Government Press, Bangalore 1982, pp 70- 71.
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40 P T George and K N Raju, 'Utilisation of Surplus Land in Karnataka' in Rajpurohit (ed), *Land Reforms in India*, op cit, pp 121-135.
41 *Report on the Working of Land Reforms Act Follow-up Measures—Karnataka*, Government of Karnataka, Bangalore, 1987, p 24.
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45 *Census of India, 1961*, Vol XI, Mysore, Part I-A, General Report, pp 687-689.
46 *Gazetteer of Karnataka*, South Kanara District, 1973, op cit, p 382.
47 For details, see *Report on Working of Land Reforms Act*, op cit, pp 19-52.
48 Kohli, op cit, pp 179-82.

Notes on the Invention of Tradition

Rustom Bharucha

When people 'invent' tradition ('authentic' or 'spurious', through acts of 'cultural preservation' or 'subversion'), they unavoidably imply that they are no longer in touch with its immediacies. Yet an illusion is often maintained whereby the 'invention' is placed within the mainstream of tradition itself.

This essay discusses the more seemingly 'creative' inventions of tradition that have been implemented by our artists, directors and 'experts' in the Indian theatre. Much of the discussion focuses on the discourse *of theatre, in which concepts of the 'folk' and the 'theatre of roots' are examined as inventions of the urban intelligentsia.*

INSTEAD of attempting to define "tradition" in a pan-Indian context, I would like to situate it within its multiple uses in the contemporary Indian theatre. To what extent has "tradition" (which originates from the Latin word *tradere*, to "hand over" or "deliver") been used in the context of "handing down knowledge" or "passing on a doctrine"? And to what extent has it been "invented" (to use Eric Hobsbawm's valuable term) in response to larger political, economic, and social factors?

As I demonstrate in this essay, tradition can be invented in any number of ways, even though we may not be aware of it. The most conspicuous of "inventions" are "fabrications", such as the Republic Day Parade, where the diverse cultures of India are "unified" through a carefully choreographed spectacle. In recent years, this kind of "invention" has become increasingly virtuosic as is evident in the Festivals of India and the Utsavs of New Delhi. Here, through a conglomeration of effects, which could include songs, dances, tableaux, symbols, floats, fireworks, "informal" minglings between "native" performers and "foreign" spectators, selling of Indian food, and other "indigenous" activities, an atmosphere is constructed whereby "the Indian tradition" is affirmed, not necessarily as people in India would understand it, but as our government would like to represent it to the world.

In this essay, I will not deal with this ubiquitous phenomenon but focus instead on the more seemingly "creative" inventions of tradition that have been implemented by our own artists, directors, and "experts" in the Indian theatre. Much of the discussion will focus on the *discourse* of theatre, in which concepts of the "folk" and the "theatre of roots" will be examined as inventions of the urban intelligentsia. More often than not, when people "invent" tradition ("authentic" or "spurious", through acts of "cultural preservation" or "subversion"), they unavoidably imply that they are no longer in touch with its immediacies. Yet an illusion is often maintained whereby the "invention" is placed within the mainstream of tradition itself.

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Mediations of Technology

At a very basic level, one could say that "inventions" develop from an urge to "find out or produce something new". They are not "discoveries" of things which already exist but need to be "exposed", "made known". Inventions uphold a different sense of the unknown. Instead of "exposure", they are concerned with *making* new artefacts. Very often, these artefacts emerge through the mediations of a new technology and machinery that precipitate an alteration of forms. In the following section let us examine some of these mediations through the intervention and assimilation of 'foreign' structures of representation.

It is well known that our tradition has always provided us with a surfeit of narratives in the theatre. Our "professional theatre" in the late nineteenth century scored some of its most spectacular successes with theatrical renderings from the *Mahabharata* and the *Ramayana*. That all-Indian phenomenon, the Parsee theatre, funded and administered by the Parsees, but acted, directed, designed, and most important, seen by a wide range of communities all over India, invariably had a stock of "traditional" plays. Invariably, they were mythological in content, providing a direct stimulus to the religious blockbusters of the early Indian cinema.

The point to be stressed here is that our "tradition" had already been mediated by the colonial machinery of the nineteenth-century theatre, the conventions and stage tricks derived from the pantomimes and historical extravaganzas of the English Victorian stage. However, it should also be emphasised that these derivations had been thoroughly "Indianised" through music, song, colour, pathos, melodrama, and the histrionic delivery of lines that are intrinsically a part of the popular theatrical tradition in India.

At a very elemental level, "tradition" in the nineteenth century commercial theatre meant "spectacle". It provided audiences with new possibilities of adoring goods and mythological heroes in kinetic, technicolour settings. In its importation of theatre technology, there were trapdoors that facilitated supernatural ascents and descents, a "fly system" that enabled *apsaras* to float rather precariously into the wings, and at a later stage, the novelties of the revolving stage, cloud machines, and the cyclorama.

So alluring were these derivations of an essentially foreign theatre tradition, and so widespread their influence, that even today one can trace their remnants in a number of "traditional" performances. In Yakshagana, for instance, or of what remains of it, traces of the popular Gubbi theatre tradition still linger in painted backdrops and histrionic acting styles that are anathema to the purists. I have even seen a Krishnalila performance in a village where a very belligerent female impersonator outstaged Krishna in a sequinned costume and wig that looked like relics from *Shirin Farhad*.

At one level, these commercial interventions are "perversions", but nonetheless, they have been absorbed within traditional performance structures in deference to "popular taste". It needs to be emphasised that the clear-cut distinctions between "popular culture" (which is the category in which "company theatre" or 'Parsee theatre" could be placed) and "folk culture" (to which Yakshagana ostensibly belongs), cannot be regarded as absolute or mutually exclusive. Nor can we assume that it is "folk forms" which invariably influence popular entertainment, because they happen to be older and "rooted" in the cultural psyche of the people. Very often, it is the other way around, when, for example, the "perversions" of commercial Bengali theatre, notably cabaret, have directly influenced the "folk" theatre tradition of Jatra.

In fact, if there is one "indigenous" source of influence that has played a fertile role in promoting new genres, it would not be the "folk theatre" (which is struggling to hold on to its identity), but the "company theatre" tradition, which no longer exists, but whose idiom has been absorbed in the commercial Hindi cinema, and more recently, in the representation of myth on Doordarshan serials. If one had to trace the origins of mass appeal embedded in Ramanand Sagar's *Ramayana*, one would have to turn to its use of Parsee theatre conventions, which are barely recognisable, yet perceptible, submerged under layers of conventions from other traditions. Apart from the obvious influence of mythological films, there are traces of science fiction, advertising, high tech, cartoons, and even through some convoluted process of unconscious assimilation, the visuals of Monty Python.

Whatever one may think of its artistic merits, one cannot deny that Sagar's *Ramayana* has been sufficiently convincing to millions of people to serve as a source of *darshana*. What may seem bizarre and mindlessly eclectic has been intensely familiar to the masses. The eternal fiction of the *Ramayana* has not merely survived its "invention" on the idiot box, it may even

has stimulated a form of Hindu revivalism, whose manipulative possibilities by fundamentalists and politicians need not be stressed. One can despair about the absence of historicity in representations like Sagar's *Ramayana*, but they also reveal, very decisively, that people are prepared to accept new "inventions" of tradition so long as their faith in dominant myths is substantiated and enriched.

In this regard, in reflecting on the mediation of new technologies to project myths, what needs to be stressed is not so much the technology itself, but how it is viewed. The *Ramayana* has been seen within the proscenium framework of the Parsee theatre tradition, which in turn has been miniaturised on the two-dimensional, rectangular television screen. It has also been seen for many years in numerous stagings of the Ramlila held in many parts of India, most notably in Ramnagar, where the *lila* extends over the entire town for a month. The fact that the *Ramayana* has survived its diverse "inventions" testifies not only to the innate richness of the epic and its deep significance to most Indians, but it also reveals the phenomenal viewing capacities of the Indian spectators, who are capable of seeing the illusion of an image with or without its technological mediation. Sometimes, if they feel inclined, they may focus only on the technology, such as a "special effect" in the *Ramayana* serial, and applaud its sheer virtuosity. But at other moments, all that matters to them is the "vision" that they alone see, which is precipitated by the representation, and yet detached from it.

Darshana is capable of subverting technology. Even if an Indian spectator may not be fully conscious of his seeing capacities, there is nothing quite like his ability to see God within an actor's frame. Nor can one underrate his capacity to tune in and out of an image. While avant-garde circles in America and Europe may cultivate the faculty of "selective inattention", it seems to me that this comes very naturally to our spectators. Particularly in our rural and *mofussil* audiences, one finds an almost collective concentration and dispersal of energies. One moment could be totally rapt, as the spectators see a divine presence on stage. This could be followed by a very candid, and frequently, critical response to the representation on the level of pure theatricality. Still at other moments, the play could be seen in a state of collective somnolence. But then, at just the appropriate moment in the narrative, everyone could be awake and totally absorbed in the action on stage.

I dwell on this enormously flexible seeing process because it may be one of the contributing factors to our "invention" of tradition. Certainly, it would be wrong to say that it is only "artists" who are capable of invention. What seems more pertinent (though harder to substantiate) is that there is a collusion between the artist and the people regarding the nature and limits of invention. At this point in time, one can say that technology has not yet co-opted the "visionary" possibilities of seeing assumed by our spectators in their viewing of myths. But in time to come, as these performances get increasingly commodified and the onslaught of the media becomes more fierce, it will be critical to see how the viewing capacities of our spectators will be altered. Will they still be able to see what they choose to see and are willed to see, or will they be numbed into total passivity? Will the "inventions" of tradition on the media create new myths, or will they simply reduce myth to the level of commercials?

ENVIRONMENTAL CHANGES

Apart from the mediation of technology in determining "inventions" of tradition, there are more practical matters that affect the changes in "traditional forms." A year ago, I attended a Ramlila performance in the village of Amaur near Kanpur to find a permanent Ravana made out of stone. I could sacrcely conceal my disappointment that the principle of burning the demon-god, so essential for the celebration of the *lila*, had been ignored for economic reasons. "It is too expensive to burn Ravana every year", I was told. "After all, this is a small village, not Ramnagar." Only later did I realise that Ravana had been burned, but symbolically, through his headgear and weapon, which were made out of paper and wood. The rest of his body remained indomitably cast in stone, but nonetheless, he had already been "burned".

These paradoxes of faith reveal the acute consciousness of our people, both to everyday matters of survival and the endurance of faith. For them, it is not a matter of "using" tradition (as it is for us in the so-called contemporary theatre); it is a question of *living* tradition and making the necessary adjustments to keep it going. If a traditional performance dies, then may be it was meant to, because it could no longer be sustained either economically or socially.

About the worst attitude to tradition is to incarcerate it within an immutable form that ostensibly never changes. If tradition lives today, it is because it has always changed in the course of its history. How it changes within its own performative and cultural context is frequently undocumented and even forgotten, because the change occurs slowly, organically, in deference to the larger needs of its community.

It is only in recent years through interventions like tourism, film documentation, and interculturalism that the changes in "traditional" performances have become at once more visible and swift. It could also be that we have developed a new awareness, a post-colonial consciousness, of what was previously taken for granted. In this context, I believe that one must differentiate between those changes which are intrinsic to the growth of a traditional performance, and those which are imposed on it through external intervention, though I must acknowledge that it is sometimes difficult to differentiate between them.

When I hear, for instance, of how a Theyyam performer has of his own accord incorporated a flashing electric bulb into his headgear to enhance his sense of the demoniac, this seems like a perfectly valid response to electricity, an intervention in the rural performer's world. The change in the costume is intrinsic insofar as it comes from the performer's response to his changing environment. On the other hand, can I deny that I am disturbed to see neon lights in a *koothambalam*, where, ideally, the *koodiyattam* performer should be watched in the glow of the *vilakku*, his eyes illuminated by the fire in the lamp? The problem with this use of electricity is that it does not seem to bother the performers themselves. It is my "aesthetic" sense that is jarred, revealing my own "taste" and cultural conditioning.

Still more problematic is the transportation of a traditional performance from its own environment to a proscenium-bound, air-conditioned theatre in New Delhi or a *mela* in Paris. This environmental change alters the very context of the performance. In some extravaganzas, the performers are merely "slotted" into a spectacle over which they have no control. Reduced to exotica, they resemble spots of colour without mind, body, or soul.

How does one accept these changes in performances resulting from altered environments?

(1) In the case of the Theyyam performer, one cannot but appreciate the sheer ingenuity of the performer in incorporating a historical change (electricity) within the framework of his costume. Here one senses an organic relationship between the environment and the performer.

(2) In the case of the neon lights in the *koothambalam*, one can accept these lights as useful even though they fail to enhance the energy of the performance. At best, one could say that the performer learns to accept them, and then forget them, not unlike classical singers who have adjusted to the sound of the harmonium. In the long run, the use of "conveniences" like neon lights and harmoniums is, perhaps, best accepted as a compromise—useful, but not particularly creative.

(3) In the case of the altered environments provided by proscenium theatres and spectacles, it is difficult to accept their impositions on the choices of the performers. Inadequate exposure to these spaces, and more specifically, to the power relationships embodied in them, create an imbalance between what the performers are ready to give and what is expected of them from a foreign clientele.

In such spaces, the performers invariably fail to represent themselves. Rather, they are represented by the environments themselves, and by all the values—political, social, commercial—embodied in them. This does not mean that traditional performers should not perform in these "alien" spaces, but new

mechanisms and relationships need to be explored whereby performers have more time and power to control their representations.

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Inventing the "Folk"

Expertise plays an important role in determining categories in which "tradition" can be placed. One such category is the "Folk", which received an official sanction at the First Drama Seminar organised by the Sangeet Natak Akademy in 1956. Inaugurated by S Radhakirshnan, who was then the vice-president of India, the Seminar was part of a series that was intended to serve as a cultural counterpart to Nehru's five-year plans. The intention of the Akademy was to hold "one seminar every four years for each of the arts of dance, drama, music, and film".

Predictably, in the immediate wave of post-independence nationalism, there was a definite drive among the participants to uphold the "Indianness" of Indian culture. Some of our most prominent artists and cultural figures, including Mulk Raj Anand, Kamaladevi Chattopadhyay, Balraj Sahni, Sombhu Mitra, and V Raghavan, pondered a wide spectrum of immediate problems. They included the ownership of theatres, censorship laws, the Dramatic Performances Control Act, entertainment tax, and almost as a secondary issue, the state of "folk drama".

One should remember that "folk theatre" had not yet become fashionable and that the models of "professionalism" in theatre continued to be European. Nonetheless, there was a fervent attempt in the seminar to confront "traditional" sources for the rejuvenation of our theatre. The most animated discussion in this regard was the one relating to *bhavai*, where the conflicting views of the participants reveal some of the deeply entrenched premises and problems underlying the urban construction and use of "folk theatre" in India today.

First of all, it becomes very clear from the discussion on *bhavai* (as from the seminar in general) that the Indian theatre had already become regionalised, with "experts" representing each state. The "folk drama" as a category had also been regionalised. No attempt was made in the seminar to situate the concept of the "folk" in a larger historical perspective—to see, for instance, how "folk forms" became vehicles for contemporary political content during the IPTA days, thereby revealing the innate urban assumption that the "folk" is not contemporary. Like a vessel, it has to be "filled" with new ideas and political content. Instead of questioning such assumptions, the participants of the seminar seemed to totally accept the validity of "folk drama" as an adequate category in which to confront the specificities of rural cultures in India.

Before proceeding with the discussion on *bhavai*, I believe it would be useful to reflect on the morphology of the term "folk" in the Indian theatre. Since the participants in the seminar did not question their use of this deceptively simple term, it is necessary for us to do so here.

It is not clear when the term "folk" entered the vocabulary of the Indian theatre worker. Certainly, it became popular during the IPTA movement when urban artists were compelled to discover their "roots" in rural cultures. What needs to be emphasised is that the "folk" has become an established category in the Indian theatre today. Actors and directors use it freely without questioning its obvious, yet diffused links to the word "people". Nor is it assumed to be a "foreign" word anymore so than "tradition", which is used more readily than the Indian equivalents of *parampara* or *sampradaya*.

Even in the academic world of folklore studies, it is significant that Indian equivalents, for "folklore" have been established only in recent years (Claus and Korom, 1988, p 32). The diffused use of the term "folk" in Indian contexts could be related to the fact that our established culture refused to accept it as a respectable object of study. As late as 1932, the Indian folklorist, Sarat Chandra Roy, had lamented the fact that "folklore" had not received the attention in India that "tradition" was beginning to receive in discussions conducted by the Indian Science Congress, the Oriental Conference, and the Bombay Historical Congress (ibid, p 31). Four years later, in 1936 when Chelat Achyutha Menon published *Ballads of North Malabar*, We are told that it was the first book of its kind in Kerala that "raised the subject in public estimation", by "persuading" the "educated Malayalee" that folk studies had a "place in the cultural life of the country" (Raghavan 1945, p ii).

In the context of the class and caste consciousness of the educated Indians, it is not surprising that the "folk" were associated not just with "people", but "common people". Perhaps, "peasant" was one of the closest associations with the word "folk" in its early history. Countering this history of prejudice, the IPTA movement glorified the "folk" in the context of the freedom struggle. The "folk" became emblematic of our "lost heritage" and "authentic history" that we were determined to reclaim from the British.

Along with the patriotic aura surrounding the "folk" in IPTA, there is also an inner tension underlying this word with specific reference to "people". In the initial phase of the IPTA movement, when it was only too easy for artists with vastly different economic and political backgrounds to subsume their differences under the immediate pressures and lure of patriotism, one could say that the "folk" and the "people" embraced each other's needs. But there was also an unspoken assumption that it was the "folk" who performed for the "people", not the other way around. We don't speak of the "folk" watching a "people's performance", it is "people" who watch a "folk performance"

Unavoidably, it was "people" who were viewed in a more corporal light; they were "flesh-and-blood" figures who constitute the "mass". The "folk", on the other hand, were inextricably linked to *forms—burrakatha, tamasha, nautanki*. Even today, I would argue that in the nebulous vocabulary of the Indian theatre artist, and his even vaguer social consciousness of his means of production, the "folk" has been disembodied from the needs of the "people". Quite literally, it has become a nomenclature for a wide range of supposedly non-urban performance traditions, that are primarily enjoyed by urban audiences.

Significantly, for those IPTA artists with a more politically active ideology (inevitably Marxist), who favoured a realist intervention in the arts modelled on Bijon Bhattacharya's *Nabanna*, it was the rhetoric of "the people" that dominated over the "folk". Not surprisingly, this group can be most strongly identfied with the Bengal front of the IPTA movement. If it is not too much of a witticism, I should emphasise that after independence, the "people" stayed on in West Bengal, while the "folk" eventually gravitated in the direction of New Delhi, which is the centre for all folk-related activities, including the handicrafts and the cottage industries. This is the centre where tradition is "invented", "manufactured", and "exported" with an increasingly efficient and centralised system. It is also the centre where definitions of "Indian culture" are made and disseminated.

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To return to the Drama Seminar in New Delhi, one notes that "folk drama" was defined not so much through an analysis of the term (which was taken for granted), but through a debate as to how one should intervene in "folk culture". The underlying thrust of Dina Gandhi's address on *bhavai*, which provided the source of the debate on "folk drama", was not, "Why should we intervene?", but rather, "We must intervene now. How do we go about it?" Part of the problem with her suggestions, as with most urban recommendations for the "folk arts", is that she assumed an empathy with the folk artists, and then proceeded to represent them as if she were speaking on their behalf. In the process, her own use of these "folk forms" became confused with their "indigenous" state of being, which, she lamented, was in a state of decay, if not total extinction.

From Gandhi's address, it becomes obvious that her concern was not only for the "folk form" and its "extraordinary life-force", but for its artists who were going to be "wiped off due to neglect, unemployment, and actual starvation". ("Discussion on Bhavai", p 111). Instead of confronting this crisis through active involvement, however, Gandhi recommended "researches and studies" which could confirm that *bhavai* had "a definite contribution to make to our culture" (ibid). In retrospect, this priority given to research is problematic since

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(vi) CBFS	60,000	9.11
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9.	Cost of the project	: Rs 840.00 crores
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it almost seems like a pre-condition before the *bhavai* artists can be "saved". Gandhi seems oblivious of the ironies involved in conflating the economic necessities of the *bhavai* performers with the need to develop their artistic potential. For her, the "sacred duty" of "emancipating" the folk artists could come about only through the organisation of a research centre, a training school for the traditional performers, and a careful study of *bhavai* texts, so that "spurious interpolations can be eliminated" (ibid).

Countering Gandhi's advocacy of intervention, the extremely sophisticated and westernised Alkazi then spoke up in the seminar for the people. "We want to educate the *bhavai* artists", he said. "But we do not for a moment consider that the nearer they reach us, the quicker would they discard the arts of their forefathers" (ibid, p 120). Then also, in response to the "so-called crudities and vulgarities" entering the *bhavai* form. he asked: "Should we be so prude and puritanic as to evaluate every art in the light of our own moral code?" (ibid, pp 120-21). More prosaically, he affirmed that "we should not poke our noses in this affair because we do not really know what would exactly be good for this form and for its exponents" (ibid, p 121). The job should be left to anthropologists.

Though, predictably, there was resistance to this suggestion—an anthropoligical intervention is scarcely less "neutral" than an artistic one—the debate between Gandhi and Alkazi does resonate even today, despite a sense of *deja vu*. We have heard their positions before in other post-independence contexts, and we continue to hear them even now. While Alkazi seemed to accept the inherent distance, culturally and socially, between the "urban" and the "folk" artist, thereby upholding his innate elitims, Gandhi wanted to bridge the gap in some meaningful way. Yet, this 'bridging" could scarcely be seen as altruistic. As Balraj Sahni pointed out, with reference to Gandhi's production of *Mena Gurjari*, which "contemporised" the folk form (notably by eliminating the male impersonation of women), these experiments in folk drama were a valuable source of growth for "our own [urban] theatre." All Gandhi wanted to do, according to Sahni, was to "revitalise her own art", and to retain as much of *bhavai's* "indigenous" qualities as "a sophisticated audience would be able to appreciate" (ibid, p 122).

This is about the most honest statement that one could hope to find about the urban use of form forms. Let us acknowledge that this "use" is more useful to the urban artist than to the "folk" who inspired the creation. "Folk drama" is essentially an urban construct that cannot claim to be entirely "indigenous" (and therefore, "authentic"). It is a simulation of the "folk form", sufficiently "indigenous" (yet not entirely *desi*) to win the approval of urban audiences. The clientele of "folk drama" is not the "folk", but city people who need to be reminded of their "roots" and "native places" from which they are irrevocably displaced.

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YAKSHARANGA: A CASE STUDY

Among the few inventions of performance traditions that have been acknowledged as "inventions" rather than "reconstructions", which have been specifically made with urban audiences in mind, one must include Shivaram Karanth's creation of Yaksharanga. This can best be described as a balletic, "unified music-cum-dance form", adapted from Yakshagana, the most popular traditional form of Karnataka. The impulse that led to the invention of this form and the cultural assumptions underlying it, are worth examining in detail, even though Yaksharanga may not be particularly memorable in itself. Nor has it contributed to the rejuvenation of Yakshagana at large. Rather, it can be most accurately examined as an individual response to a particular tradition that Karanth himself would prefer to see as 'a creative extension of the traditonal form" (Rea 1978, p 59).

However, as the very alternation of the word implies, Yaksharanga is not an organic development of Yakshagana. Karanth has *selected* those aspects of the tradition that are most meaningful to him, to which he has added his own contributions and manipulations. In his experiment, one realises the validity of Raymond Williams' acute observation about "tradition", namely that it represents "a selection and reselection of those significant received and recovered elements of the past which represent not a necessary but a desired continuity (Williams 1981, p 187).

One could say that Karanth's Yaksharanga is the manifestation of his "desire" to see Yakshagana within the contours of his vision. However, when he first started his research, it was neither arbitrary nor entirely subjective. He needed to authenticate the history of Yakshagana before extending or deviating from its principles. His passionate search for old manuscripts and *prasangas* (narratives), meetings with gurus and musicians, eventually culminated in a seminal thesis on Bayalata, which literally means "open-air plays", and which serves as a nomenclature for a wide range of forms relating to Yakshagana. Through his study, Karanth was able to contribute important perspectives on *raga, tala*, costumes, and stagecraft. But this expertise did not compel him to "reconstruct" Yakshagana in an antiquarian mode. Rather, it stimulated him to find points of departure for the performance of Yakshagana as he envisioned it in our world today.

This impulse to confront tradition in order to concretise a personal vision in a rarity in the contemporary Indian theatre. One may not agree with Karanth's choices, but one cannot deny the intensity of his convictions. At a time when tradition is generally regarded with difference or the most abject deference, it is heartening to hear the "rebellious"voice of an octogenarian.

> To me, tradition is no dead corpse, merely to be worshipped for its own sake. Like language, it has to acquire, when necessary, new words and new meanings, while many old words will naturally be lost... For any change to be valid, its nature has to be relevant to its content. Form and content go together. Yakshagana is no exception.

It was by redefining the "content" of Yakshagana that Karanth was compelled to make some of his most controversial changes.

Significantly, he did not merely locate this "content" in the *prasangas* sung by the *bhagavata* ("the first person"), but in the "rhythmic content" embedded in Yakshagana's intricate footwork and "walks". His purpose was to find appropriate links between the "emotional content" of the *vacika* (speech) and the "rhythmic content" of the *angika*, (body) which are normally kept apart. Any element that interfered with this "unifying" impulse was summarily discarded.

In order to ensure "a harmonious aesthetic experience," Karanth made one of his most radical and controversial choices: he eliminated the improvised dialogues between the actors, which may be one of the most popular elements in "traditional" performances of Yakshagana today. Karanth felt that the transition from music to prose created an "unbridgeable gap", resulting in "dissonance, disharmony, non-art" (Rea 1978, p 60). Though this perception is precise, its assumptions are questionable. Certainly, there is a break when the *bhagavata's* third-person narrative is interrupted by the first-person exchanges between the actors. But this "dissonance", this shift in voices, one could argue, is what gives Yakshagana its theatrical immediacy, its jolting momentum. Nor is it entirely accurate to say that the narrative and the dialogue "duplicate" each other. Apart from the significant differences in *utterance* of the *bhagavata* and the actors, the latter elaborate on the details in the *prasanga* in response to the immediate performance situation.

Of course, this element of improvisation (intrinsic to all "folk" traditions) is precisely what Karanth distrusts. He finds the verbosity of the actors "tasteless" and "monotonous". What is perhaps at stake in his disapproval of the actor's licence is that he, as a director, can have no control over it. It is obvious that despite his reinstatement of the *bhagavata* (who traditionally functions as a "director" *during* the performance itself), Karanth is not prepared to relinquish his own power as a director, both on stage and during the rehearsals. In this regard, it is well known that he directs in the "tyrannical" tradition, kicking and slapping his actors if they fail to match his energy. Though his personal limitations as a dancer and confusion of *tala* are also well known, no one has the guts to question his pedagogy. Besides, his passion for the art is strong and infectious, and most artists have no choice but to submit to it.

What would have happened, however, if Karanth's energies could have been match-

ed by legendary artists like Sreni Gopalkrishnana Bhatt? It appears that during one performance while playing Ravana, Bhatt interrupted the Bhagavata on his very first question—"Are you justified in abducting Sita?"—and spent the entire night *justifying* Ravana's act with the most sophisticated legal casuistry (Kambar, p 3). Surely, the elimination of this vocal *tour de force* in favour of "aesthetic harmony" would have been a loss.

One is compelled to question whether "harmony" is an adequate compensation for the rough and immediate communication that takes place between actors and spectators during the dialogues. Instead of exposing the "joints" of Yakshagana, risking the possibilities of interruption from the audience, Karanth settled from seamlessness in the good, old-fashioned tradition of bourgeois art. In this structure of representation, everything works out as planned because there are no risks. The director provides "harmony" on all levels of the production. The actors are free only within his constraints.

Apart from his own directorial constraints, to which he seems oblivious, Karanth accepts the limits of the proscenium theatre. He also endorses the cultural associations of such spaces, which determine (among other factors) the duration of a performance. Instead of an all-night, open-air, tent-performance of Yakshagana, where the performance is just a part of many other activities including eating, gossiping, chewing *paan*, and sleeping, Karanth accepts that a three-hour, proscenium presentation of Yaksharanga is perfectly adequate for an appreciation of its subtleties. His purpose is to produce neither an "authentic" Yakshagana nor a "tourist show", but a well-made ballet that is tightly co-ordinated, accessible, and eminently exportable.

In this content, one cannot deny that Karanth's structural changes in Yakshagana have been made with foreign audiences in mind. For instance, the high pitch of the *bhagavata's* songs has been lowered so that it is now more congenial to western ears. The inclusion of a saxophone and a violin have also enhanced the overall "harmony" of the musical score. In addition, of course, the dialogue has been eliminated, thereby removing the possibility of alienating non-Kannada speaking audiences.

Ironically, there has been a counter-move to Karanth's changes by Martha Ashton, the American "expert" on Yakshagana, who has favoured a more "traditional" representation of the performing art with all its accessories and dialogue. At one level, she is more "authentic" than Karanth, though her knowledge of Yakshagana is derivative (Karanth himself guided her doctoral dissertation on the subject). Though her awareness of Kannada culture cannot be compared to Karanth's prodigious knowledge of his state, which encompasses not just the arts and literature but geology, botany, architecture, and science, as well, Ashton has become the "authentic" representative of Yakshagana abroad while Karanth remains something of an "anti- traditionalist" in his own home.

At this point, I should emphasise that the essential limitation of Yaksharanga does not lie in its apparent "inauthenticity", but in its construction and acceptance of an aesthetic that invites passive consumption. Like other urban re-envisionings of "folk forms", Karanth's experiment seems to have diluted rather than strengthened the energies of the "folk". It is particularly sad in this regard that no one has challenged Karanth's work through another experiment. One should accept that all experiments with traditional forms are necessarily partial and incomplete. They need to be questioned and extended by other artists, not through polemics or "reform", but through further explorations that continue where the first experiment left off. Our tragedy in India is not that there are iconoclasts like Karanth who "do what they want" in accordance to the inner necessities of their vision, but that there are not more people like him, who can "invent" tradition with a consciousness rooted in the immediacies of their lives.

Instead of generating more experiments, however, Yaksharanga has merely bureaucratised its practice through numerous tours and official performances that have been advertised with all the hype one associates with our burgeoning cultural trade. This bureaucratisation has been masterminded by Haridas Bhatt, who has a formidable talent (by Indian standards) to promote the performing arts through printed matter—booklets, brochures, leaflets with catchy captions like "Yakshagana Goes to Japan", "Bon Voyage from Chief Minister", and "Pride of Karnataka".

To highlight some of the assumptions underlying Bhatt's salesmanship, a quote from one of his articles will do.

> During the years 1975-78, the Yakshagana gave nearly 155 performances in six states of India—right from Meghalaya to the southern most Tamil Nadu and thrilled thousands of enlightened art-lovers. A French artist after observing the *Naladamayanthi* of Yakshagana opined that this was the very best variety of contemporary dance-drama forms of India. The national dailies of Bombay and Madras wrote in no uncertain terms about the artistic superiority of the form. Scholars who known the secrets of the world theatre forms have declare that Karanth's creation can certainly place Yakshagana in a still more elevated position in world theatre.
>
> As I was in charge of managing "Yaksharanga" in its tours of other states of India and abroad, I have seen the impact that this theatre form makes on audiences everywhere. Unlike other classical dance-drama styles this folk form (which is also semi-classical) is verily the theatre for all. (Bhatt, p 9).

Unavoidably, one is struck by Bhatt's need to confirm Yakshagana's worth through foreign endorsements and the standards of "world theatre". Also to be noted is his scarcely concealed chauvinism in asserting Yakshagana's "artistic superiority" over other traditional forms in India. As for Yaksharanga, it is the "theatre for all".

While criticising Bhatt's reduction of art to public relations, one should also acknowledge that the very accessibility of Yaksharanga has lent itself to a process of commodification. The sad reality, however, is that there was much thought and passion in Karanth's experiment that have failed to resist commercial pressures. Once again, bureaucracy has proved to be stronger than art. And consequently, Yaksharanga has no alternative but to petrify into another "form," without inspiring any significant change either in Yakshagana itself or the use of "folk forms" in the Indian theatre today.

The Theatre of Roots

Despite its limitations, Yaksharanga is at least an intelligible form related to a traditional performance. In contrast, most experiments of "tradition" in the contemporary Indian theatre have merely borrowed a stock of techniques and conventions, which have been recycled in a rather facile and decorative manner. Though many of our "tradition-inspired" and "folk" productions have been entertaining and visually pleasing, they have totally failed, in my view, to contextualise their borrowings in a responsible manner. Nonetheless, they have gained a tremendous respectability and official recognition over the years. In fact, they have even been formally categorised by Suresh Awasthi, one of their most ardent supporters, as belonging to the "theatre of roots," in which he includes our most established artists like Habib Tanvir, B V Karanth, Ratan Thiyyam, K N Pannikkar, and younger directors like M Ramaswamy and Kartick Awasthi.

It would not be irrelevant to examine how this "tradition-inspired" theatre corresponds to the rise and fall of Awasthi as an important cultural official in New Delhi. In fact, he charts his own role in the development of this theatre in his rather simplistic "Defence of the Theatre of Roots" in a special issue on the subject published by *Sangeet Natak*. Significantly, during the First Drama Seminar (which I discussed earlier), where Awasthi had presented a

paper on folk forms in the Hindi-speaking region, he had not been particularly vociferous. This was the period shortly before Alkazi had taken over as director of the National School of Drama, where the Indian theatre would have to be "professionalised" (in the tradition of RADA) before it could become "indigenous".

Even in 1961, when Awasthi had organised a national seminar on "Contemporary Playwriting and Play Production" as the general secretary of the Bharatiya Natya Sangha, he claims in his "Defence" that he was dubbed a "revivalist" for promoting ideas relating to the "relevance" of traditional forms. Between 1965-1975, however, when Awasthi served as the general secretary of the more prestigious Sangeet Natak Akademy, he had more power to organise performances, festivals, seminars, and exhibitions, primarily in New Delhi. A notable meeting was the "National Roundtable on Contemporary Relevance of Traditional Theatre" in 1971, by which time the so-called "new theatre" had already established "greater confidence and vigour" (Awasthi 1985, p 87).

Perhaps, this was the hey-day of both the "theatre of roots" and Awasthi's career, which has involved the dissemination of "traditional Indian theatre" to far flung countries like Japan, Greece, and the United States. Today, however, after his brief tenure as the chairman of the National School of Drama and his removal from the limelight as it were, the "theatre of roots" has acquired the status of a rather tired slogan commemorating a "movement" that has come full circle.

* * *

From Awasthi's "Defence", it becomes clear that he thinks about "tradition" through dichotomies and the most generalised categories. Invariably, the "theatre of roots" is set up against the "western realistic theatre", which forms part of our "decadent" cultural inheritance. By turning to our "roots", it appears that our artists have been able to "reverse the colonial course of contemporary theatre and put it back on the track of the great *Natyasastra* tradition" (ibid, p 85). The fact that "realism" might have inspired Indian narratives, histrionics, and performance structures, as in the vibrant and profoundly Indian "company theatre" traditions to be found all over the country, is a reality that Awasthi does not seem to consider. What matters is to establish a direct line with the *Natyasastra* itself. Only then, or so Awasthi implies, is it possible to be authentically Indian.

"Is there *an* authentic Indian tradition?": this most pertinent question is raised by Anuradha Kapur in her study of the Ramlila. For Kapur, "authenticity" is a category of thought intrinsically linked to post-colonial pre-occupations with "identity" and "roots", which are themselves constrained within the polarities of east and west (Kapur 1988, p 5). By setting up our tradition as "true" against the encroachments of a "foreign" culture, we "manufacture" a history of tradition that is "basically moulded by the west insofar as it is posited as its exact alterity" (ibid, p 6). Rather like the orientalists of Europe who saw mythical points of origin in the languages and philosophies of the "distant East", we too "orientalise" our past by refusing to confront the mutations of our history. We prefer the mythical sanction for *Natyasastra* to an examination of the contradictions, details, and interpenetrations of our multilingual, multicultural society.

One searches in vain for some self-questioning in Awasthi's "Defence", only to confront generalities. We are told, for instance, that one of the distinguishing features of the "theatre of roots" concerns the "rejection of the proscenium". Apart from padding this section with totally gratuitous references to Badal Sircar and E Alkazi, who most emphatically do not belong to this tradition, Awasthi includes his two primary representatives, K N Pannikkar and Ratan Thiyyam, who have not worked in predominantly non-proscenium conditions. Where are the theatres in India to support these conditions? Thiyyam's theatre, I would say, has been strongly influenced, if not constrained by his exposure to the proscenium theatre, as represented to him by his mentor, Alkazi, at the National School of Drama. His framing of action, timing of exits and entrances, lateral groupings, use of the cyclorama, and above all, his tacit refusal to confront the audience with breaks in the narrative or direct addresses—these are conventions that strongly uphold the illusion of the "fourth wall".

When Thiyyam has worked outside of the proscenium, it has been for "non-traditional" plays like *Imphal Imphal*, which has been structured on the lines of Sircar's Third Theatre. Neither Pannikkar nor Thiyyam, to my mind, has found ways of altering the angles of perception from which their productions have to be viewed, and therefore, Awasthi's superficial allusions to traditional practises like *pradakshina* (circumambulation of the temple) are totally out of context. So also are his references to the interminglings of the "performance space" and the "audience space", which belong to the environments of the Ramlila rather than to the proscenium-bound spectacle of the "theatre of roots", where the seats and the stage are 'rooted" to the ground.

The second generalisation that distinguishes (or rather, obfuscates) the "theatre of roots" is "stylisation". Without attempting to define this most nebulous of terms, Awasthi claims that it has brought about a "revolutionary change" in the art of the actor and the transformation of the "dramatic text" into the "performance text". In contrast to "realistic theatre", the impact of staging signs in the "stylised theatre" is "maximised and their number multiplied" (Awasthi 1985, p 89). It doesn't help to be told that the "plasticity" of stylisation is to be found not only in Koodiyattam and Kathakali, but in "the Ajanta murals and the sculptural tradition" as well (ibid p 92). ("Sculptural tradition"? Of what?) As if these pan-Indian, interdisciplinary references were not enough, Awasthi includes pan-Asian references to Noh and Kabuki to enhance the authenticity of his "theatre roots".

One tires of Awasthis interminal capacity to list "traditional" elements l half-curtains, head-dresses, "stirring" ex and entrances that reduce "the *Natyasas* tradition" to a pitiful parody. How, for i stance, does it help to be told that Panikk uses the "sing-song delivery of Koodiyatar or that he "follows traditional theatre a *Natyasastra* prescription" by making Bhir and Ghatotkacha enter to the accompar ment of drums" (ibid, p 97). Or th Ramaswamy's chorus in *Antigone* danc "beautifully" because the movements of t traditional dancers were based on the ritu dance Devarattam? I mean: *Why* Devara tam? Surely there must be some link betwe the inner energy of Devarattam's movemen that illuminates the text of *Antigone* in son specific way. We cannot simply turn "traditional forms" because of the "beauty" or "stylisation" or "sculpturesq quality". *What do they mean to us?*

This mindless simplification of "forms has been shaped and endorsed by the offici sanction given to the decontextualisation o tradition in our theatre today. If institution like the Sangeet Natak Akademy were le interested in "forms" and more concerne about the historical impulses and mutatior underlying these forms, our young genera tion of theatre people would not be so los And yet, how can one blame them if th most illustrious representatives of "trad tion" in contemporary theatre fail to que tion their own simplicities?

Even in the productions of Thiyyam an Panikkar, in whose craftsmanship there much to admire, I, for one, am left hunge ing for content, for some link to our worl that accentuates the turmoil and contradic tion, the pain that these very artists mus have suffered as "tradition-inspired Indians, who are nonetheless alive in Raji Gandhi"'s India. Strangely enough, it is i traditional performances that one is mor likely to find this link than in the so-calle contemporary productions of the "theatr of roots".

When I see Abhimanyu in a Terukkut performance flogged to death with handkerchief—each flick resulting in dismembering of his limbs—juxtaposed wit elegiac refrains in which the world mourn for his untimely death, I am strangely alerte to the banality of violence in our everyda lives. Perhaps, this is an "impure" reaction but it feels more valid to me than th passivity I succumb to while watchin Abhimanyu die in Thiyyam's production o *Chakravyuha*. Here in this picture-frame where grief is so beautifully modulated, I an left unconvinced by the representation. Wha resonates is the craft of the proscenium tradition dressed with the trappings o ethnicity.

Obviously, our Abhimanyu cannot be th crude, farcical genius of a performer i Terukkutu, whose very form embodies th mythical reality of the character. We nee to create our own forms for Abhimanyu today in accordance to our perception o what he means to us today. We can do thi

not by imitating traditional performances or seeking a false lineage with the past, but rather, by confronting the tradition *in* us that has been dislocated, fractured, reassembled, and transformed through layers and dissimulations of our history.

We need to reject the easy inheritance implied through categories like the "theatre of roots", and accept Eliot's stern (yet curiously valid) advice that, tradition can be obtained only through "great labour". This involves a cultivation of the "historical sense", which provides "a perception, not only of the pastness of the past, but of its presence" (Eliot 1969, p 49). This "presence" must live in the indissolubility of form and content in our theatrical representations, which today is merely assumed, without being fully suffered or questioned.

To our "traditional theatre", we must pay respect, not to sentimentalise its "secrets" or out of false reverence, but to acknowledge that it has already absorbed our future in its presence. For us, I believe, it is not a question of returning to tradition, but rather, of catching up with its immediacies. incarnated through eternal ever-changing truth.

BEGINNINGS

There are two images from our mythological tradition that seem relevant to this discussion, or rather, my need to intervene in its history. At one level, the images are quite unrelated, separated by narrative and time—one is from the *Mahabharata*, the other from the Punjabi legend of Puran Bhagat. And yet, at a subterranean level, these images are united through their advocacy of what I must call "violence". Today, we could do with some of this "violence" in our suffocatingly safe theatre.

In the *Mahabharata*, there is that memorable moment when Yudhishtira receives permission from Bhishma to kill him. The "father" legitimises his own death at the hands of his "son". Violence receives a paternalistic, if not divine sanction. It is now Yudhishtira's *dharma* to kill Bhishma.

There is a different kind of violence in the story of Puran Bhagat, which does not involve killing, but rather, a rejection of the father and whatever he represents—family, kingdom, state, authority, love. After being incarcerated in a dungeon for the first tweleve years of his life, then exiled, and later imprisoned, Puran Bhagat goes through many trials and humiliations before he acquires the self-realisation of a *yogi*. In the final episode, when his father begs him to take over the kingdom, Puran rejects the offer: "If you cannot govern your kingdom, let it go to the dogs...I will have none of you and your belongings. I am a *yogi*. I must go" (Gill 1986, p 146). And he *leaves* without any attempt to reconcile differences or to affirm traditional ties.

In Puran's exit, one finds a paradigm of rejection. I do not believe that there is a single artist in the Indian theatre today who is prepared to "reject" tradition as resolutely as Puran turns away from his father and inheritance. Perhaps, this is a totally unfair demand on my part. Maybe our artists are still too close to "tradition" (or whatever they make of it) to dissociate themselves from its hold in order to pursue their own journeys in theatre.

At the same time, they do not believe that they have the right to "kill" tradition with as much respect and fervour as Yudhishtira kills Bhishma Perhaps, they have not yet received the inner sanction to fulfil this necessary task. It is safer, therefore, for them to fold their hands and deify tradition, perpetuating deference and cowardice.

Unable to "reject" or "kill" (which, in artistic terms, would involve a subversion of the "traditional form"), our theatre artists remain in limbo. They don't know how to free themselves from tradition or live with it without compromising on their own truth. In the meantime, they "invent" tradition not so much from an inner necessity, but in deference to larger cultural and political factors that favour a sanctification or dressing-up of the past.

It is time to end this facile use of our tradition. Instead of bothering with the minutiae of hand-held curtains, masks, make-believe *poorvarangas*, and stirring exits and entrances to throbbing drums, we need to ask ourselves some crucial questions: *What is our sacrifice in theatre today? Who are we performing for in the absence of gods? Who are the new vighnas who have to be fought and killed on stage? How can we transform ourselves through theatre? What are we celebrating on stage?*

I ask these questions not because I have the answers, but because they seem necessary to begin a confrontation with tradition that could transcend its "inventions" in our theatre today.

[All references to the First Drama Seminar organised by the Sangeet Natak Akademy, including "Discussion on *Bhavai*", are taken from a printed documentation of the entire Seminar, which unfortunately does not identify either the publisher or the date of publication.]

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Growth Performance of Indian Electronics under Liberalisation

K J Joseph

The Indian electronics industry is still in a nascent stage of development, contributing less than five per cent of the country's industrial output. However, in the recent years there has been an apparent improvement in the growth of output of this industry. The present study is an attempt towards analysing this growth performance in terms of structural changes and impact on different facets of industrial growth: income, employment and foreign exchange.

THERE is an increasing recognition that industrial growth in India has picked up in the eighties in contrast with the stagnation since mid-sixties.[1] The growth revival is generally attributed to the greater play of market forces consequent upon the government's 'New Economic Policy', which introduced an environment of liberalisation as against the earlier 'regime' of controls. A priori, liberalisation policies would achieve a higher growth rate *inter alia* by industrial restructuring and diversification: production of such industrial goods as the market forces determine would expand. The improvement in the overall industrial growth would be the result of the rapid growth of certain industries, and not necessarily across the board. In fact, the statistical evidence put forth in substantiation of higher industrial growth in the eighties is based on the revised index of industrial production (with 1980-81=100) wherein a higher weightage is given to such 'sunrise' industries as electronics, petrochemicals and automobiles.[2] These new industries are the major ingredients of the growth recipe and among them electronics is the fastest growing one. Electronics industry produces not only products that are in the nature of consumer goods but its products are processes in other industries; hence it has higher linkages with rest of the economy. Thus electronics plays a major role in the restructuring of the industrial sector. Therefore, it will be timely from the policy perspective to have a close look at the growth performance of this industry. The present study is an attempt towards analysing the growth performance of Indian electronics industry in terms of structural changes and impact on different facets of industrial growth: income, employment and foreign exchange.

The Policy Background

Although the genesis of electronics industry in India can be traced back to the early 1950s, a concerted effort towards its development on modern lines was made only when the state came forward in the early 1970s and set up the Department of Electronics (DoE) and Electronics Commission. The underlying strategy, in the initial years, was aimed at the development of a balanced and self-reliant industry to meet the domestic requirements with a major role assigned to the public sector and small scale sector with little recourse to foreign capital and technology. In nutshell, the Indian electronics strategy, in accordance with the then general industrial strategy aimed at import substituting, self-reliant and public sector led growth.

The government gradually tended towards the view that the overemphasis on regulatory mechanisms acted as a stumbling block to the growth of the industry. In terms of the recommendations of the Sondhi Committee[3] and in keeping with the general trend towards liberalisation in the early 1980s, a series of policy initiatives were announced. These included (a) a policy on electronics components (1981), (b) industrial and licensing policy for colour television (February 1983), (c) specific measures to further accelerate the rapid development of electronics (August 1983), (d) relaxation of the 100 per cent reservation of the telecommunication sub-sector in the public sector (March 1984), (e) a new computer policy (November 1984), (f) integrated policy measures in electronics (March 1985) (g) a computer software policy (December 1987). In addition to these major policy measures there were a number of short-term measures which exerted a significant impact on the growth of the industry. In general, these policy measures now shifted the industry from a regime of government controls and regulations to a liberalised one wherein emphasis is laid on minimum viable capacity, scale economics, easier access to foreign technology, relatively free entry to the private sector (including monopoly houses and FERA companies), with a view to make the industry modern, cost effective and competitive.

Thus, there are two distinct policy phases in the development of Indian electronics industry, viz, in pre-liberalisation (before 1980) and post-liberalisation (after 1980). We propose to analyse growth performance of the industry against the background of these policy phases.

Growth Trends

The policy changes in the eighties had its impact on the growth and structure of the industry. To illustrate, while the industry had grown (current prices) at an annual compound growth rate of 18 per cent during 1971-80, the recorded growth rate during the post-1980 period was as high as 33 per cent (see Table 1). This is found to be even higher than the growth rate achieved by South Korea during the period 1980-85.[4]

The analysis of growth rate in current prices as has been done here may be objected to. There is the major problem of not accounting for the price changes. The studies by BICP[5] and World Bank[6] have made use of the wholesale price index and worked out real growth rate at constant prices. If such a procedure is employed, the growth rate is less impressive though the post-1980 period still showed a pick up in growth rate. Nevertheless a firm conclusion is not warranted. There are serious problems in deflating output at current prices by using the wholesale price index. To illustrate, the electronic products are not adequately represented in the wholesale price index. Prices and price-performance ratios of electronics products had declined during the period under review.

Trend in Prices: A Digression

Therefore, we made an attempt at developing an implicit price index for the electronics industry. For this purpose we collected the data on quantity and value of 151 products covering different product groups. The price of different products calculated from the above was weighted with their respective shares. The implicit deflator thus developed could not be extended before 1981 as the item wise data on production and value were not available for those years.

The implicit deflator showed that there was a general decline in the real price of electronics products especially since 1983. The general price index for electronics (with 1981=100) has declined to 82.59 in 1986, though 1987 witnessed an increase to 95.72. However, there were variations across different products and product groups. The price index for the major sub-sectors, viz, consumer electronics, professional electronics and components, was also subjected to price decline (see the graph). The price decline was more pronounced in the consumer electronics, where the declining trend started in 1982. What is common to all sub-sectors is that 1987 seems to be a turning point where an upward trend in prices seems to have set in.

The general decline in prices, as we will see later in this section, has to be viewed against the increased competition as a result of liberalisation leading to reduction in barriers to entry. This is evident from the increase in the number of firms in different

oducts (see Table 2). The increasing competition and the consequent reduction in ice could be illustrated with the case of rsonal computers.

Personal computers (PC) were first introiced in the country by Minicomp, a ombay based firm, in 1984 at a price of er Rs 1.2 lakh. The next two years witness- a price war by the leading producers. By e mid-1985 Usha Microprocessors, a Delhi ised firm brought the price down to less an one lakh rupees. HCL followed the suit bringing it further down to Rs 0.8 lakh. ne price declined further to Rs 0.5 lakh ith the entry of Wipro in early 1986. Competition became intense with the entry of erling Electronics which slashed the prices rther down to Rs 0.30 lakh. The price war ems to have ended when HCL, the present ader offered a PC with its minimum conguration (2 floppies, 256 Kb memory, 5.77 IHZ clock speed) at a price of Rs 20,000. hus the price dropped by nearly 83 per cent two years. However, during 1987 the price as been relatively stable either because the rms are reluctant to lower their margins or ecause they have formed the cartel. The ineasing concentration ratio in 1987 as comared to 1983 for different products (see able 3) has to be viewed against this ackground.

To have a comparative picture of the imact of price changes on output we have eveloped two series of output at constant rices using wholesale price index and imlicit deflator respectively (see Table 4). uring 1981-87 the output at current prices icreased at an annual compound growth ate of nearly 33 per cent, where as at consant prices, using wholesale price index, the rowth rate was only 25 per cent. On the ther hand, with implicit deflator the growth ate is marginally higher than what was bserved at current prices. This leads to the onclusion that the wholesale price index ailed to capture the price reduction which ne electronics industry was subjected to.

Viewed thus, the real output growth in ndian electronics industry was remarkably igher in the eighties. Hence the output at urrent prices could be considered as a easonable approximation of its real growth ver the period under consideration.

GROWTH PERFORMANCE: A SECTORAL ANALYSIS

So far we were focusing on the total utput of the industry. Electronics industry onsists of a number of product groups. On he basis of the technical specificity of the roducts one can divide them into equipnent and components. It is also possible to roup them according to the level of techology embodied in them.[7] However in rder to capture their differential impact on rowth of the industry, it is preferable to livide them into three broad product groups, iz, consumer electronics, professional electronics and components. This corresponds o the broad use pattern and consequently the consumption demand is entirely different. More importantly, the nature of demand generated by these product groups differs in terms of their forward and backward linkages.

During 1970s the three sub-sectors, viz, consumer, professional and components have grown in a balanced manner with the respective growth rates being 17 per cent, 20 per cent and 17 per cent (see Table 5). However, professional electronics had a dominant share in total production. As professional electronics is generally viewed as being more technology intensive, some studies have attributed this dominance of professional electronics to represent the higher technological capability of Indian electronics as compared to Newly Industrialising Countries (NICs).[8] The above growth pattern has to be viewed against the background of the strategy of achieving a balanced growth in an integrated manner. Accordingly the capacity creation for the component sector was planned on a derivative basis of the defined requirements of the equipment sector.

In the post-1980 period, the highest growth rate was observed in consumer electronics (nearly 40 per cent) followed by professional electronics (31 per cent) and components (26 per cent). The unprecedented growth of the consumer electronics sector was contributed mostly by television receivers. The share of TV in the consumer electronics sub-sector increased from 36 per cent in 1981 to 71 per cent in 1987 by registering 66 per cent growth. More importantly, at present the share of this single item in the total electronics output is as high as 28 per cent.

The professional electronics sector consists of the following broad product groups, viz, telecommunication, defence, computers and control instrumentation. The growth of this sector especially the latter two depends on the demand forthcoming from other industrial and service sectors of the economy and hence the diffusion of the electronics technology to other sectors. As we have already noted, during seventies it was the fastest growing sector of electronics with largest share in total production. In fact, it is this dominance of professional electronics and broad base of the industry that differentiated Indian electronics from those of NICs.

Among professional electronics, computers, control instrumentation and industrial electronics were the fastest growing sectors during seventies. But under the liberalisation of eighties, while the computers marked a still higher growth rate, the rate of growth of control instrumentation and industrial electronics remained almost stagnant. Given the diversified industrial structure and the extent of replacement investment taking place in the Indian industrial sector one could have, naturally, expected a higher growth of the sector during 1980s. The reason for not achieving a commensurate growth as compared to other sectors seems not so much due to constraints in the diffusion of electronics technology into the industrial sector but the inability of the electronics sector to meet the increasing demand and therefore leading to imports.

The discussion so far reveals that in the post-1980 period the equipment sector as a whole registered a marked improvement in growth. The moot question here is how did the component sector, the building block of the industry, behave when the equipment sector was on a higher growth path? The component sector in the country consists mostly of consumer grade components (see Table 6). In the post-1980 period not only did the growth of components lag behind other sectors but its share in total production also declined from 20 per cent to 15 per cent. This decline was not due to a shift in the composition of component sub-sector from consumer grade to professional grade components. Indeed, the share of professional grade components declined. Thus the higher growth of electronics in the post-1980 period

TABLE 1: OUTPUT AND GROWTH RATES OF THE ELECTRONICS INDUSTRY AT CURRENT AND CONSTANT PRICES: 1981-87

(Rs crore)

Year	Current Prices	Constant Prices
1971	173.0	173.0
1972	200.0	172.1
1973	228.0	173.3
1974	301.0	177.9
1975	364.5	207.3
1976	410.0	237.8
1977	508.5	274.7
1978	590.5	319.4
1979	646.5	347.8
1980	806.0	324.9
1981	856.0	307.5
1982	1205.0	422.4
1983	1360.0	440.8
1984	1890.0	565.8
1985	2660.0	752.9
1986	3460.0	929.7
1987	4720.0	1207.1
Compound Growth Rates		
1971-80	18.65	7.25
1971-75	20.48	4.63
1975-80	17.20	9.40
1981-87	32.92	25.60

Note: The constant price series is based on the whole price index of the Electrical Industry, SIC Code 360 (1971=100).
Source: Department of Electronics, Annual Reports.

TABLE 2: NUMBER OF FIRMS IN PRODUCTION

Product	1981	1983	1987
Television			
(B and W)	86	182	173
(Colour)	3	76	133
Computers	8	51	118
Resistrs	23	42	46
Capacitors	27	29	29
PCBs	32	87	91

Source: Directory of Electronics Manufacturers.

was at the cost of an intersectoral imbalance. More importantly, the growth was concen trated around a few products. To illustrate, in each sub-sector there was a single product which contributed to most of its production. Thus there are three products (TV in consumer electronics, computer in professional electronics and electron tubes in components) accounting for nearly 40 per cent of

TABLE 3: CHANGES IN FOUR FIRM CONCENTRATION RATIO

Product	1981	1983	1987
Television			
(B and W)	31.9	28.6	41.5
(Colour)	—	33.8	33.2
Computers (mini and micro)	89.78	43.28	52.11
Wirewound resistors	49.96	36.87	53.2
Al El capacitors	55.9	70.1	63.48
PCBs	83.45	50.19	54.46

Source: Department of Electronics.

TABLE 4: PRODUCTION AT CURRENT AND CONSTANT PRICES

Year	Current Prices	Wholesale (1971=100)	Implicit Deflator (1981=100)
1981	856.0	307.5	856.0
1982	1205.0	422.4	1185.6
1983	1360.0	440.8	1355.0
1984	1890.0	565.8	1971.4
1985	2660.0	752.9	3220.7
1986	3460.0	929.6	4125.4
1987	4720.0	1209.1	4931.0
Compound Growth Rate			
1981-1987	32.92	25.60	33.88

Source: Department of Electronics, Annual Reports, for relevant years.

the production, mainly contributed to the growth in the liberalised regime (see Table 6).

The above discussion reveals that the Indian electronic industry during the liberalisation regime developed a lopsided product structure wherein the component sector accorded less priority appears to be contradictory in view of the sustained and self-reliant growth of the industry. With an extreme disjuncture in the growth pattern of equipment sector with component, the dependence on imports would have increased over time (we will come back to this question in the next section).

The emergence of the lopsided product structure has to be viewed against the changing organisation structure of the industry wherein the private sector is playing an increasing role. It is evident that during the post-1980 period the role of private sector increased considerably and that of public sector and small-scale sector reduced (see Table 7). Incidentally, the available evidence shows that the private sector has been investing mainly in consumer electronics. To illustrate, while the share of organised private sector in total production increased only by 7 per cent during 1981-1987 their share in consumer electronics increased by 10 per cent. The preference of the private sector towards consumer electronics and such other less capital intensive and quick yielding areas is clearly stated by the Planning Commission. To quote "...much of the investment by the private sector in the last two years is in the areas of consumer electronics, petrochemicals and automotive sector. However, investment is not forthcoming in the higher priority activities where large investment and technological efforts are required. Investment in consumer products based largely on imported and penultimate stage raw materials seem attractive

TABLE 5: SECTORAL TREND IN PRODUCTION

(*Rs crore*)

Year	Consumer Electronics	Professional Electronics	Components	Total
1971	52.5	80.5	40.0	173.0
1972	62.5	93.5	44.0	200.0
1973	64.0	113.0	51.0	228.0
1974	78.0	151.0	72.0	301.0
1975	84.5	204.5	75.0	364.5
1976	103.0	224.0	80.0	410.0
1977	130.5	283.5	90.5	508.5
1978	158.5	307.5	117.0	590.5
1979	179.0	320.0	136.0	646.5
1980	214.0	412.5	163.0	806.0
1981	246.0	411.5	173.0	856.0
1982	337.0	605.5	214.0	1205.0
1983	330.0	725.0	230.0	1360.0
1984	587.0	896.5	303.0	1890.0
1985	1030.0	1135.0	410.0	2660.0
1986	1275.0	1531.0	510.0	3460.0
1987	1820.0	2070.0	700.0	4720.0
Compound Growth Rates				
1971-80	16.9	19.9	16.9	18.6
1981-87	39.6	30.9	26.2	32.9

Note: Total includes production in SEEPZ also.
Source: Department of Electronics, Annual Reports for different years.

TABLE 6: ANNUAL (COMPOUND) GROWTH RATES OF DIFFERENT PRODUCT GROUPS IN ELECTRONICS INDUSTRY

Product Groups	1975-80	1981-87
Consumer electronics	20.4 (26.5)	39.6 (38.7)
Radio receivers	18.2 (46.0)	7.8 (14.1)
Television receivers	28.0 (33.0)	56.2 (14.1)
Others	17.6 (21.0)	35.8 (19.9)
Professional electronics	15.1 (53.4)	30.9 (45.6)
(a) Communication	13.7 (44.1)	28.9 (34.1)
(b) Defence	6.8 (19.7)	27.7 (14.8)
(c) CI and IE	26.6 (29.2)	28.5 (33.8)
(d) Computers	9.7 (7.0)	53.5 (17.3)
Components	16.8 (20.1)	26.2 (15.7)
Electron tubes	13.7 (11.4)	42.1 (15.0)
Semiconductor devices	12.9 (17.8)	19.3 (13.2)
Passive components	21.0 (39.2)	21.1 (39.7)
Electromechanical components	16.5 (30.0)	29.6 (32.1)
Total	(100.0)	(100.0)

Note: Figures in the parenthesis shows share

because of lower capital costs and quick returns."[9]

Incidentally, the approach of the organised private sector towards the development of this industry and their role as envisaged by them stands as a testimony to the above statement by the Planning Commission. This is evident from the views expressed by the socalled upstart entrepreneurs in a workshop organised by the AIEI in 1979. Even at the cost of brevity it would be insightful to reproduce some of the views and suggestions put forward by them. It was held that "...we should develop first the equipment base... built on imported components. In response to this increased demand the component manufactures will come forward."[10] However, while suggesting this strategy of "growth through shortage" they also felt that "components is highly capital intensive industry... an area in which private sector will not be able to contribute much... and therefore, we will have to think in terms of making investments either in the state sector organisations or in the public sector".[11]

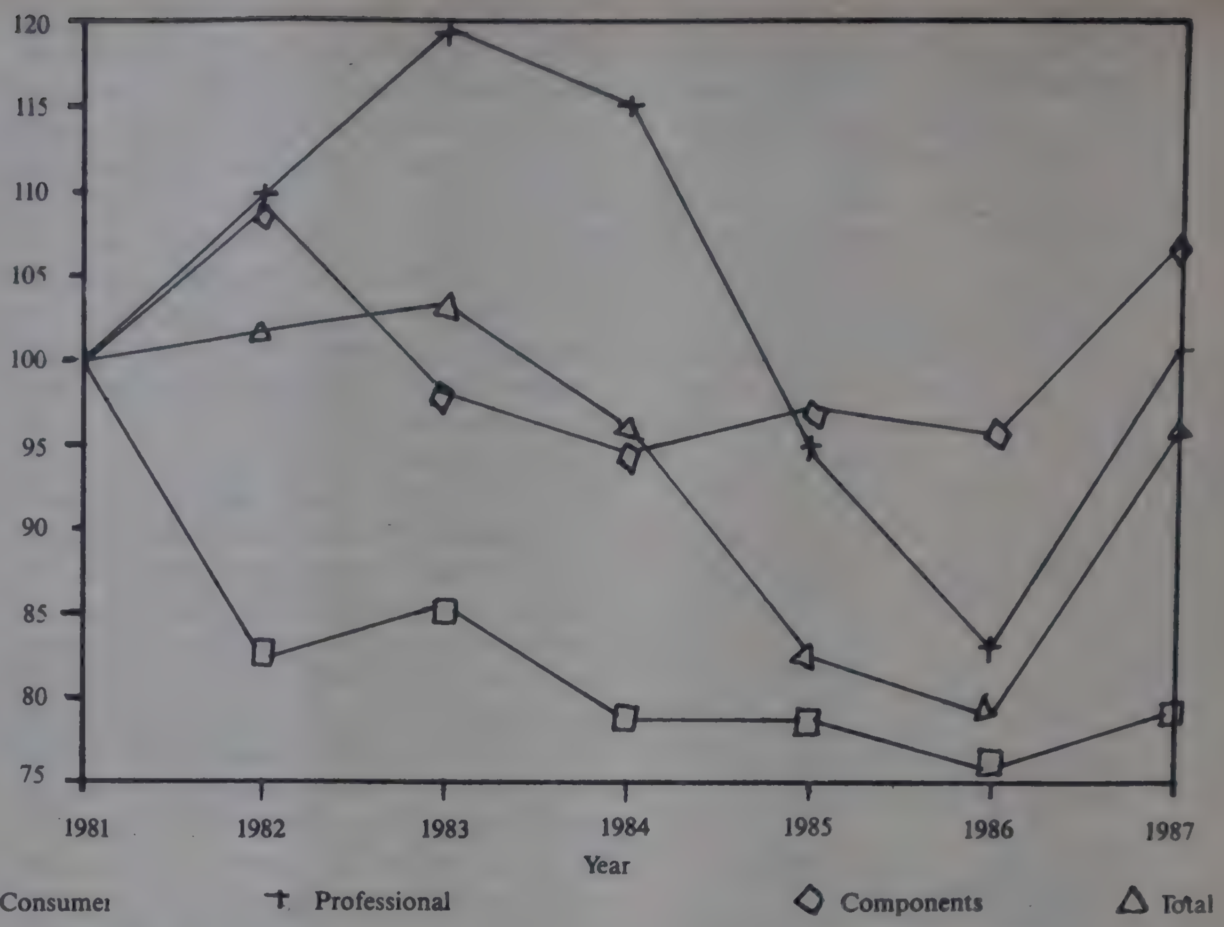
Thus far we have argued that when the strategy towards electronics industry shifted from the controlled to the liberalised regime with greater play of market forces and increasing role to the private sector, the output growth of the industry improved considerably. However, the component sector being more capital intensive,[12] the investment by the private sector was directed mostly to the less capital intensive products based on imported and penultimate stage raw materials. This made the product structure less integrated and lopsided. What impact this lopsided product structure, wherein equipment are made out of imported kits, had on the domestic value added of the industry? It is to this question that we turn now.

Contribution to Value Added

The lopsided product structure would have had its impact on value addition capability of the industry which is, in fact, the real indicator by which the contribution of any sector to the economy could be gauged.

Our analysis of the trend in value added is based on the data obtained from Annual Survey of Industries (Factory Sector).[13] With a view to highlight the income generation capability of the industry we have calculated the share of net value added in total production. There was a general decline in its share across different sub-sectors (see Table 8). The share of value added in total production declined from nearly 33 per cent during 1975-80 to 29 per cent in 1981-84 period. This decline is found to be more drastic in consumer electronics[14] where it has declined by five percentage points followed by components. This has to be viewed against the shift in national policy towards liberal imports of components and equipment in general and CKD/SKD kits.

Figure: Price Movement



Employment Effect

The lopsided product structure had its impact beyond lower value addition of the industry. It is related to the employment generation capability of the industry. It is generally held that the employment generation capacity of electronics is much higher than other industries (see Table 9). As the Sondhi Committee has observed "with a large reservoir of skilled manpower supported by a high degree of technological and managerial competence, there is great potential for the development of electronics in India".[15] Moreover, the employment generation capacity of this industry is found to be higher than many other industries.

However, in India the lopsided product structure and the consequent increase in imports seems to have had its adverse impact on the employment generation capacity of this industry as well. The employment generation/labour absorption capability of an industry could be gauged from the trends in wage share in value added. A priori, the wage share tends to increase either with increase in wage rate or with the increased rate of labour absorption. In India what we observe is, even with a rise in the wage rate the share of labour in the value added declined (see Table 10). In spite of an almost doubling of the average wage rate during 1981-82 to 1984-85 as compared with previous period, the average share of labour in value added declined by more than five percentage points. That is, with an increase in output growth the employment generation capacity of the industry declined. To illustrate, while the output has grown at a rate of 33 per cent during the post-1980 period, the growth of employment was only at a rate of 11 per cent.

Since the production process in electronics essentially involves the assembly of components, it is possible that the employment generation capacity may come down with technological changes. The switch over from the transistor technology to IC technology tremendously reduced the number of components to be assembled in making a final equipment. Moreover, the introduction of automation could also reduce the process of employment generation. But in the Indian context it seems that the reduction in employment generation capability is not so much due to automation or improvement in technology. What could have retarded the generation of employment in India is the increasing imports of the CKD/SKD kits because the labour requirement in assembling equipment from these kits is con-

Table 7: Share of Output of the Public, Private and Small-Scale Sector

(Per Cent)

	1981			1987		
	P S	Pvt S	S S	P S	Pvt S	S S
Consumer	9	25	66	7	35	58
C and CI	35	31	34	24	na	na
Communication and defence	99.5	0.5	—	na	na	na
Components	28	39	33	na	na	na
Total	43	23	34	32	30	38

Source: Department of Electronics.

Table 8: Value Added as a Percentage of Output

Year	Consumer Electronics	Professional Electronics	Components	Total
1973-74	36.31	32.22	37.20	36.05
1974-75	36.98	40.83	33.97	37.33
1975-76	34.44	33.06	28.68	33.81
1976-77	31.03	33.11	31.52	31.44
1977-78	34.45	32.52	26.19	33.45
1978-79	31.67	32.61	29.17	31.71
1979-80	29.41	32.51	24.58	29.71
1980-81	28.08	29.87	25.89	28.43
Average for 1973-74 to 1980-81	32.8	33.34	29.65	32.74
1981-82	26.45	32.89	22.25	28.05
1982-83	27.85	33.68	27.25	29.44
1983-84	27.80	32.19	28.18	28.90
1984-85	28.09	34.36	30.70	29.88
Average for 81-82 to 84-85	27.80	33.28	27.09	29.07

Source: Calculations based on ASI

TABLE 9: EMPLOYMENT GENERATION CAPACITY OF DIFFERENT INDUSTRIES

Industry Group	Fixed Assets Needed for Creating an Extra Job	Number of Jobs Created with Rs 1 crore Investment
Chemicals and petrochemicals	3,04,400	33
Powergeneration and distribution	2,66,467	35
Non ferrous metal products	2,00,837	49
Ferrous products	1,50,331	66
Sugar	1,42,827	70
Rubber products	1,31,022	76
Automobile and bicycles	1,09,443	91
Pulp, paper and paper products	96,865	103
Machinery manufacturing	79,615	126
Textiles	74,940	133
Electrical equipment	40,542	246
Electronics	32,129	312

Source: Department of Electronics, Review Committee on Electronics, 1979.

siderably lower than what is needed in designing and assembling equipment from individual components.

FOREIGN EXCHANGE EFFECT

Since the electronic equipment are made out of assembling the components, the moot question in the context of an ever widening gap between equipment and component production is, where from the components come for assembling the equipment. Obviously, in the absence of domestic production their demand was met through imports. The data on import of electronics products into the country is practically non-existent and what does exist is almost certainly a huge underestimate. For example, Electronics Trade and Technology Development Corporation published a status report in 1983 in which it gave data on Indian imports in 1980. Some degree of underestimation is obtained by comparing ETTDC import figures with the US estimate of exports to India. According to ETTDC Indian imports amounted to US $ 30 million from US and $76 million from all countries in 1980. According to the Marketing Service Department of US Electronics Industries Association, the US exported electronics worth $ 90 million t India in 1980.[16] However, a statemer recently made by the minister in the parlia ment brings out, to some extent, the foreig exchange outflow on account of electronic import. India imported components and ra materials worth Rs 1,250 crore in 1987-8 The corresponding figures for the yea 1986-87 and 1985-86 were Rs 950 and 75 crore respectively.[17]

For our purpose we have compiled impor data from United Nations World Engineer ing Trade Statistics. It is found that th dependence on imports is increasing ove time and it is more pronounced in th post-1980 period. To illustrate, the import a a percentage of total production increase from 33 per cent in 1975-80 period to 45 pe cent during 1981-86. It is also to be note that in South Korea, the same ratio declined from 51 per cent in 1980 to 41 per cent in 1985. More importantly, during 1981-86, while the imports grew at a rate of over 36 per cent the total production increased only at a rate of 33 per cent. Therefore, the increase in demand was being met through imports. To be more specific the share of import in total demand increased from 25 per cent during 70s to more than 32 per cent in the 80s. Whereas in South Korea the share of import in total demand declined from 43 per cent to nearly 35 per cent. The increasing import dependence in the Indian context has to be seen together with the near stagnancy in the share of export in total production. Needless to say, the increasing dependence on imports seems to have thwarted our attempt towards import substitution. This is evident from the decline in the value of domestic availability ratios (see Table 11). The discussion on imports so far made, in fact, underestimate the magnitude of foreign exchange outflow because we have not taken into account the drain on foreign exchange caused by technology import. Intuitively, the number of foreign collaborations in electronics per annum increased from only seven in the seventies to over 200 in 1986. Along with this, the number of multiple collaborations also increased. To illustrate, let us take the case of push button telephones. In 1986 eight foreign collaborations were approved in this area.[18] This was justified on the ground that it will increase the domestic competition. But when five out of eight firms were collaborating with the same foreign firm for the same technology the possibility of enhanced competition is hard to realise.

CONCLUSION

The Indian electronics industry is still in its nascent stage of development, contributing less than five per cent of the country's industrial output. However, in recent years there has been an apparent improvement in the output growth of this industry. The main thrust of our discussion has been to understand the implications of this output growth on the different dimensions of

TABLE 10: TREND IN THE SHARE OF LABOUR IN VALUE ADDED AND WAGE RATE

Year	Consumer	Professional	Components	Total
1973-74	56.9 (6.3)	61.4 (7.2)	43.23 (4.0)	56.59 (6.2)
1974-75	56.39 (7.8)	38.73 (7.1)	37.42 (3.9)	52.78 (7.4)
1975-76	58.42 (8.3)	48.87 (10.2)	48.48 (3.9)	56.01 (8.2)
1976-77	61.18 (8.5)	53.44 (9.7)	45.79 (4.6)	58.84 (8.4)
1977-78	57.45 (9.6)	62.04 (10.8)	48.26 (5.1)	57.62 (9.4)
1978-79	61.63 (10.2)	49.33 (10.9)	49.94 (4.66)	58.04 (9.7)
1979-80	60.00 (10.4)	50.20 (12.2)	60.73 (6.2)	57.43 (10.2)
1980-81	65.08 (11.7)	47.25 (12.3)	55.14 (7.3)	58.87 (11.4)
Average for 1973-74 to 1980-81	59.63 (9.11)	51.41 (10.0)	54.72 (4.9)	57.02 (8.9)
1981-82	56.24 (13.3)	46.42 (13.5)	58.06 (7.65)	53.5 (11.7)
1982-83	51.7 (14.3)	40.2 (17.7)	52.9 (8.4)	48.1 (14.4)
1983-84	53.9 (15.7)	58.4 (20.6)	50.3 (9.8)	54.8 (17.2)
1984-85	53.1 (18.9)	48.0 (23.4)	35.7 (10.6)	49.9 (18.8)
Average for 81-82 to 84-85	53.7 (14.4)	48.3 (18.8)	49.2 (9.1)	51.6 (15.5)

Note: Figures in the parenthesis shows wage rate (Rs '000).
Source: Calculations based on ASI.

TABLE 11: TREND IN EXPORTS AND IMPORTS

(Rs crore)

Year	Production	Export	Import	Export as Per Cent of Production	Import as Per Cent of Production	P/(P+M−X)
1975	364.5	16.2	105.7	4.4	29.0	0.82
1976	410.0	27.1	110.7	6.6	27.0	0.83
1977	508.5	36.9	167.8	7.3	33.0	0.80
1978	590.5	39.6	206.7	6.7	35.0	0.78
1979	645.5	46.6	224.5	7.2	34.8	0.78
1980	806.0	41.8	285.3	5.2	35.4	0.77
1981	856.0	56.4	na	6.6	na	na
1982	1205.0	89.0	456.2	7.4	37.9	0.76
1983	1360.0	114.5	691.4	8.4	50.8	0.70
1984	1890.0	155.0	847.7	8.2	44.8	0.72
1985	2660.0	154.5	1176.6	5.8	44.2	0.72
1986	3460.0	240.0	1584.2	6.9	45.8	0.72

Source: For imports, United Nations, World Engineering Trade Statistics, different volumes.

industrial structure on the one hand and its impact on the industry's capability to generate value added, employment and reducing the yawning trade gap of the country on the other.

It is found that when the industry was sought to be developed in a 'controlled regime' with an integrated product structure and dominant role to the public sector, the growth rate of overall output was modest. On the otherhand, the growth rate was high when the strategy shifted towards a liberalised regime wherein emphasis was placed on a greater play of market forces by relaxing controls on industrial licensing system in general and controls on imports, technology acquisition, capacity creation and location in particular. The liberalisation, by reducing the barriers to entry, encouraged competition and led to price reduction and real output growth of the industry. However, when the investment decisions were left to the market forces in a situation where the private sector was assuming an increasing role much of the investment was guided towards less capital intensive and quick profit yielding consumer goods based on imported and penultimate stage raw materials. In any case, the output structure of the industry became less integrated and lopsided. The lopsided product structure had its adverse effect on the industry's capability to generate value added, employment and foreign exchange. More importantly, the imbalance in product structure wherein the professional electronics accorded lower priority would have adversely affected the industry's capability to augment the process of restructuring of the industrial sector.

This, however, does not necessarily imply that we should do away with liberalisation as a strategy option. Obviously, liberalisation had its positive output growth effects. The present study, however, highlights a few disquieting aspects of the higher output growth and points towards the need for a rethinking on the process of unleashing of market forces so that the undesirable effects of liberalisation are minimised.

Notes

[Thanks are due to K K Subrahmanian and P Mohanan Pillai for their guidance. I have benefited from discussions with Asok Parthasarathi, Jairam Ramesh, S L Sarnot and K N Harilal. The usual disclaimers follow.]

1 Government of India, Ministry of Finance, *Economic Survey*, 1987-88.

2 Central Statistical Organisation, *A Note on the Scope and Construction of Index of Industrial Production (1980-81 100).*

3 Department of Electronics, *Report of the Committee on Electronics*, New Delhi, 1979.

4 The rate of growth of output in South Korea during 1980-85 was found to only 20.6 per cent. See for details, K J Joseph, 'Growth Performance of Indian Electronics Industry: A Comparative Analysis with South Korea', paper presented in the seminar on Indian Industrialisation, Centre For Development Studies, Trivandrum, June 1987.

5 Bureau of Industrial Cost and Prices, *Studies on the Structure of Indian Industries—Report on Electronics*, New Delhi, 1988.

6 World Bank, *Development of Electronics Industry in India*, 1987.

7 For instance Ashoka Mody has divided them into the following four categories in terms of technology and scale levels, viz, advanced, skill intensive, medium technology and low technology. Ashoka Mody, 'Planning for Electronics Development', *Economic and Political Weekly*, June 27, 1987.

8 UNCTAD, *Electronics in Developing Countries: Issues in the Transfer and Development Technology*, TD/B/C-6/36, Geneva, 1978.

9 Planning Commission, *Note on the New Industrial Policy Initiatives*, New Delhi, 1987.

10 Association of Indian Engineering Industry, Workshop on Electronics, New Delhi, 1979.

11 Ibid.

12 For details regarding the differences in the levels of capital intensity across different product groups—K K Subrahmannian and K J Joseph, 'Electronics in Kerala's Industrialisation', *Economic and Political Weekly*, June 11, 1988.

13 From ASI we have taken 364, 365, 366 and 367. 364 represents consumer electronics, 365 and 366 represent professional electronics, 367 the component sector. The total value of output as given by ASI is found to be nearly 70 per cent of the total production as given by Electronics Commission and ASI do not take into account defence production which according to the DoE comes to nearly 10 per cent. Incidentally, it may be noted that 364 includes a part of telecommunication also.

14 The declining trend in value added could be seen even before 1980s in the case of consumer electronics. This has to be viewed against the changes in the product composition where the share of television increased considerably.

15 DoE, (1979) op cit.

16 World Bank, *Comparative Study of Electronics in India and South Korea*, 1984. Here it is estimated that the Indian import in 1980 were in the range of $ 200 million to $ 40 million.

17 L S Q No 17, 27-7-1988.

18 Department of Scientific and Industrial Research, *Foreign Collaborations 1986* (A compilation: National Register of Foreign Collaborations), 1987.

Iconoclasm Is Necessary

DN

ICONOCLASM is a necessary endeavour, intellectual and practical, in every age. There are those whose basic outlooks have to be rejected and there are others whose limitations have to be understood. Call it what you will, developing a critique or iconoclasm, such a settling of accounts is essential in each age for the oppressed to be able to carry forward their struggle for emancipation. If the sham of the 'Bengal Renaissance' had to be exposed some twenty years ago, the limitations of past class struggles as, for instance, that conducted by Swami Sahjanand's Kisan Sabha, have to be brought to light today. This is not just an idle endeavour, but one critically related to the task of working out a direction for the continuing agrarian struggle in Bihar.

Involvement with the agrarian struggle in Bihar immediately raises one question—how is it that the state with the most developed and militant kisan organisation in the colonial period is the very state that is, by all accounts, today the most feudal state? And then: was it that the aim of the Kisan Sabha was a limited one, and did not encompass a full-fledged, anti-feudal programme?

A study of the Kisan Sabha's movement and the pre- and post-zamindari abolition agrarian structure led to the conclusion ("Swami Sahjanand and the Kisan Sabha", April 1) that has caused AM so much offence ("Calcutta Diary", May 13) that "the nature of the sub-feudals and occupancy raiyats who led the Kisan Sabha helped restrict the anti-zamindari movement to an attack on feudalism from above [i e, the feudalism created by the Permanent Settlement]." Further, it was held, "Swami Sahjanand's lifework did weaken feudalism by eliminating zamindari, but that too was done in a manner that did not end the dominant position of the upper castes".

The 'mainstream left', however, cannot countenance any such critique or evaluation of the 'left formations' of the past. They are the sacred cows that are above questioning. If we do not develop a critique of the Kisan Sabha how could we possibly understand why it collapsed after Zamindari Abolition? The 'mainstream left' has long since ceased to be concerned with the struggles of the peasants. It follows that for them there is no need for a critique of the older Kisan Sabha. It is enough to observe centenaries—the Nehru-Gandhi dynasty does it with all the pomp and show that the Indian state can command; their poor cousins in the 'mainstream left' are left to manage with a seminar here and there. The approach of the two, however, is basically the same—sing praises and let the critics be damned.

What better way to damn the critics than to misrepresent their arguments,as the 'mainstream left' does? The conclusions above should be compared with the misrepresentation of the argument, "Merely because he [Swami Sahjanand] sprang from a superior caste, his Kisan Sabha should not be cast out as casteist". The upper caste origin of the Swami and others who led the Kisan Sabha was only the starting point of our analysis. There was no attempt at deducing from that fact anything about casteism.

The inference was made, from the relevant passages of the manifesto of the BPKS, that the BPKS was set against the distribution of land to the landless, the agricultural labourers largely from the dalit castes. The BPKS Manifesto held that the poverty and misery of the tenants cannot be rooted out till "drastic changes are made in the land tenure and revenue system, till the crushing burden of the debt is lifted off, and finally till Imperialism is replaced by a National State which is of the masses and, which guarantees enough land to every tiller of the soil to enable him to support himself on a reasonable and ascending standard of living and provides *gainful employment to the landless*" (quoted in Rakesh Gupta, *Bihar Peasantry and the Kisan Sabha*, PPH, 1982, p 101, emphasis added). If landless labourers were also included in "tillers of the soil" why would there be a separate programme of "gainful employment" for them? Isn't it a valid inference that the BPKS did not include the mainly dalit landless labourers among the tillers of the soil? This is a valid inference about the BPKS and not a mis-representation of an argument.

Why did the BPKS, in the above manner, separate tillers from landless labourers? Here, it is necessary to see that in traditional (i e, feudal) Indian society, there was a deep divide between the kisans (peasants) and the mazdurs (labourers). It was this approach that was manifested in the BPKS having a programme of "gainful employment to the landless" and not one of "land to the tiller, including the landless".

This brings us to the important point of the diatribe of the 'mainstream left' against radicals who acknowledge the existence of caste as a real, social category. The point is not to counterpose 'caste analysis' to 'class analysis'. The point is to work out a correct class analysis of Indian society.

It was Kosambi who pointed out: "Caste is class on a primitive level of production" (*The Culture and Civilisation of Ancient India in Historical Outline*, p 50). The primitive level of production referred to is obviously not of pre-class society but within class society itself. Whatever the dispute about whether what existed in pre-colonial India was feudalism or not, caste was the form of economic organisation of that society. Caste defined the social division of labour and established relations of bondage.

Caste was class in feudal India. Both the development of a feudalism from below and the weakening of feudalism in the immediate pre-colonial period began to modify this picture. Some sudra castes (e g, Marathas in Maharashtra, some Kurmis in parts of Bihar) pushed themselves up into revenue-collecting positions. But the major transformation of the feudal classes began with colonial rule.

Both in the colonial and in the post-colonial periods there has been a dual policy of eroding and retaining feudalism. It is not that classes developed within castes; but that bourgeois classes grew within feudal classes. Some sections of the parasitic classes were pushed down the ladder and underwent a process of partial peasantisation. Simultaneously some sections of the intermediate peasant castes, accumulated and went up the ranks to become rich peasants, while some others were pushed down to become agricultural labourers. Here too, there was difference in the feudal origin of the new agricultural labourers. Drawing on the experience of Bihar, the new agricultural labourers came mainly from the former service castes, whose work was reduced with the decline of the feudals and the growth of bourgeois services. The dalit castes of agricultural labourers and menials remained, for a long time, more or less in the same position. Movements of the dalits and the subsequent policy of reservations in some jobs helped bring about some changes in their position, and a few made the transition from agricultural labourers to poor peasants.

The point from the above account is that the classes (castes) of feudal society have been modified by bourgeois development. But this bourgeois development is both very incomplete and warped. That is the price of imperialist-sponsored growth without a basic, anti-feudal revolution. Consequently, when it is said that in the more backward areas of, say, Bihar there is a close correspondence between class and caste, what this really means is that the old feudal classes more or less remain intact, very little modified by bourgeois development. But, even where this bourgeois development is much stronger, there are still specific caste oppressions and caste privileges. The structure of that most modern class, the working class, is also influenced by the old classes from which it has originated. The declassed elements of the old, feudal classes (including the feudal hangers-on) contribute to the upper, relatively well-paid section of working class, out of proportion to their presence in the working class as a whole. At the same time, the contract labourers and others at the bottom of the scale almost entirely come from the dalits, the tribals, and the lower sections of the backward castes. The classes at the bottom of the feudal ladder are also the ones that provide the overwhelming numbers of those in the lowest section of the working class.

As a result of the incomplete and warped manner in which feudalism has been partly transformed, the struggle to establish a democratic foundation for India continues with the task of smashing completely the old feudal class (caste) base of social and economic organisation.

The 'mainstream left' certainly disagrees with the above analysis. Which is why the 'Left Front' government of West Bengal accepted the recommendations of a commission that reservation should not be on a caste (i e, feudal class) basis and that it should instead be on the basis of "poverty and low levels of standards of living" (Mandal Commission Report, Vol 1, p 11). To be true to its beliefs, why doesn't the 'mainstream left' agitate for the cancellation of reservations to dalits and tribals and instead

NOTICE

(FORM – IVA)

(See Rule 4A (1))

It is hereby notified for the information of the public that **Apollo Tyres Ltd.** proposes to make an application to Central Government in the Department of Company Affairs, New Delhi, under sub-section (4) of section 23 of the Monopolies and Restrictive Trade Practices Act, 1969 for approval to the take-over of the whole or part of SPIE CAPAG INDIA LTD.

Brief particulars of the proposal are as under:-

i) Name and address of the applicant : Apollo Tyres Ltd.
60, Skylark
Nehru Place,
New Delhi - 110 019.

ii) Name and address of the undertaking the whole or part of which is proposed to be taken over and the manner of take-over i.e. by acquisition of shares, acquisition of control or management, whether by the acquisition of the ownership of the undertaking or under any mortgage, lease or licence or under any agreement or other arrangement. : Spie Capag India Ltd.
Allahabad Bank Building,
17-Parliament Street,
New Delhi - 110 001.
Subscription to 80,000 equity shares of Rs. 10/- each i.e. Rs. 8 lakhs, out of a total issue of Rs. 20 lakhs

iii) Management structure of the applicant : A public Limited Company managed by two Managing Directors i.e. Shri Raunaq Singh (Chairman & Managing Director) & Shri O. S. Kanwar (Vice-Chairman & Managing Director) under superintendence and control of the Board of Directors of the company.

iv) Capital structure of

a) the applicant :

Share Capital	Authorised (Rs. Lakhs)	Issued & Subscribed (Rs. Lakhs)
Equity shares of Rs. 10/- each	5000	840.20
11% redeemable Preference shares of Rs. 100/- each	200	74.98

b) the undertaking proposed to be taken over :

	(Rs. Lakhs)	(Rs.)
Equity shares of Rs. 10/- each	200	700

Initial paid up equity share capital shall be Rs. 20 lakhs. Apollo Tyres Ltd. proposes to acquire 40% out of the initial issue i.e. 80,000 equity shares of Rs. 10/- each amounting to Rs. 8 lakhs.

v) Line(s) of business of the undertaking which will or is likely to emerge as a result of the proposed take-over. : The new undertaking will carry on the business of wrapping and coating of pipelines, horizontal drilling, laying and construction of pipelines, providing services for inspection and maintenance of pipelines and other related work in the field of Oil and Natural Gas.

vi) Consideration for the take-over : Rs. 8 Lakhs for 80,000 equity shares of Rs. 10/- each.

vii) Scheme of finance indicating the source(s) of finance for the proposed take-over : To be generated out of internal resources of the company.

Any person interested in the matter may make a representation to Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, Dr. Rajendra Prasad Road, New Delhi, within 14 days from the date of publication of this Notice, intimating his views on the proposal and indicating the nature of his interest therein.

For APOLLO TYRES LTD

(V.P. GOYAL)
VICE PRESIDENT (LEGAL) &
COMPANY SECRETARY

Date This 18th day of August 1989.

ask for the uniform acceptance of "poverty and low levels of standards of living" as the criteria for reservation? It will certainly help the *bhadralok* to establish an even stronger hegemony over the minor positions. As it is, West Bengal has about the worst record in the entry of dalits and tribals into the modern (bourgeois) spheres, into politics too. The picture of the domination of declassed feudal elements is only partially broken by the Naxalite peasant uprisings of the late sixties and early seventies. The emphasis in these uprisings on the landless and poor peasants, with some sensitivity to tribal patterns, led to at least a few political leaders emerging from such sections. This, however, was partial and did not extend to the dalits of Hindu society. But the change having been partial, that should not lead us to ignore what was done; just as the partial nature of the Kisan Sabha's anti-feudalism should not lead to it being dismissed. (Incidentally, A M has got his facts wrong when he labels Rana of Midnapore "a Rajput settled in Bengal". Santosh Rana comes from the Tili caste, a minor backward caste in Jharkhand.)

The actions of the 'mainstream left' are proof that their methods of class analysis are completely wrong. Any exploitation or oppression that they do not wish to recognise, is deemed not to exist. Instead of developing their theories to comprehend all aspects of oppression, they must instead pretend that only that exists which is sanctioned by their theories. Their methods of analysis are of no use to the oppressed and exploited, as these methods can provide them with no guide on what they should do. Their methods of analysis are, however, just right for the Indian state and ruling classes—which need to peddle such analyses as "Marxist notions of ideology and class consciousness" and "established ideas on class and class formation".

The first thing in Marxism is to decide on which side one is; on the side of the oppressors, or on the side of the oppressed. The 'mainstream left' of today have established themselves firmly on the wrong side of this divide. That was not the position of Swami Sahjanand and the Kisan Sabha of his time. They stood against the main exploiters of that time, but were unable to articulate a full-fledged anti-feudal programme. That movement requires a critique, in order to understood its limitations, so as to work out the present direction of the peasant movement. The actions of the 'mainstream left' today and the ideology that justifies them, on the other hand, deserve nothing but denunciation.

If Bengal in the past had a phoney renaissance, today it has a phoney left. Iconoclasm with regard to such a 'left', its actions and its methods of analysis is a very necessary preparation for an advance in the movement of the oppressed. Such iconoclasm, however, is very far removed from pessimism. Rather, it springs from the optimism generated by the oppressed on the move; on the move, despite the attempts of the 'mainstream left' to decry their movements and to set themselves up as the sole arbiters of "Marxist notions of ideology and class consciousness". By equating 'iconoclasm' with 'pessimism' is an attempt being made to establish 'diplomatic immunity' for the 'mainstream left'? The struggles of the oppressed, however, admit no forms of immunity.

BANQUE INDOSUEZ

(INCORPORATED IN FRANCE WITH LIMITED LIABILITY)

BOMBAY BRANCH

BALANCE SHEET AS AT MARCH 31, 1989

Year Ended 31.12.1987 Rs. Ps.	CAPITAL AND LIABILITIES	Rs. Ps.	15 Month Period Ended 31.3.1989 Rs. Ps.
	1. Capital: Nominal Value of Securities Deposited with Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949 (included in Investments per contra)		
1,50,00,000.00		1,50,00,000.00	
	2. Reserve Fund & Other Reserves: Reserve under Sec. 11(2)(b)(ii) of the Banking Regulation Act, 1949: Transferred from Profit and Loss Account		
—			48,02,569.38
	3. Deposits & Other Accounts:		
	Fixed Deposits:		
—	(i) From Banks	—	
8,07,94,867.45	(ii) From Others	76,04,72,870.38	
1,09,40,655.40	Savings Bank Deposits	1,01,74,129.87	
	Current Accounts, Contingency Accounts, etc.		
64,78,376.60	(i) From Banks	30,64,940.67	
8,16,45,922.01	(ii) From Others	7,71,24,709.59	
8,81,24,298.61		8,01,89,650.26	
7,98,59,821.46			85,08,36,650.51
	4. Borrowings from Other Banking Companies, Agents, etc.		
20,68,17,969.47	(i) In India	59,52,68,859.02	
2,52,59,224.03	(ii) Outside India	9,51,96,395.35	
3,20,77,193.50			69,04,65,254.37
	Particulars:		
—	Secured	—	
3,20,77,193.50)	Unsecured	69,04,65,254.37	
59,88,362.80	**5. Bills Payable:**		1,08,60,407.80
	6. Bills for Collection being Bills Receivable as Per Contra:		
15,29,11,184.85	(i) Payable in India	7,53,68,368.57	
1,40,80,877.27	(ii) Payable outside India	4,01,94,981.65	
16,69,92,062.12			11,55,63,350.22
	7. Other Liabilities:		
3,26,83,063.85	(i) Head Office Capital Account	7,07,15,307.27	
22,24,725.59	(ii) Branch Adjustments	—	
4,35,77,844.60	(iii) Others	8,14,93,279.80	
7,84,85,634.04			15,22,08,587.07
46,57,41,222.58	**8. Acceptances, Endorsements and Other Obligations as Per Contra:**		70,06,88,843.95
	9. Profit and Loss Account:		
—	Balance as per last Balance Sheet	1,39,97,243.42	
—	Less: Transferred to Head Office Capital Account	1,39,97,243.42	
—	Balance of profit as per account annexed	1,92,10,277.53	
1,39,97,243.42			1,92,10,277.53
54,31,41,539.92	Carried Forward		2,54,46,35,940.83

Year Ended 31.12.1987 Rs. Ps.	PROPERTY AND ASSETS	Rs. Ps.	15 Month Period Ended 31.3.1989 Rs. Ps.
5,63,33,443.52	**1. Cash:** In hand with Reserve Bank of India and State Bank of India (including foreign currency notes)		9,17,29,351.69
	2. Balances with Other Banks:		
	(A) On Current Account:		
—	(i) In India	—	
18,62,407.52	(ii) Outside India	53,32,244.80	
	(B) On Deposit Accounts:		
—	(i) In India	—	
—	(ii) Outside India	—	
18,62,407.52			53,32,244.80
—	**3. Money at Call and Short Notice:**		19,00,00,000.00
	4. Investments: (at cost):		
—	(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments	37,16,40,289.50	
20,02,32,815.60	(ii) Shares	3,60,000.00	
—	(iii) Debentures or Bonds	12,32,95,534.00	
—	(iv) Other Investments	—	
—	(v) Gold	—	
	(Market value Rs.49,08,84,120.00 1987—Rs.19,28,48,083.00)		
20,02,32,815.60			49,52,95,823.50
	5. Advances: (Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)		
	(I) Loans, Cash Credits, Overdrafts, etc.		
37,58,90,458.08	(i) In India	53,06,22,402.37	
—	(ii) Outside India	—	
	(II) Bills discounted and purchased (Excluding Treasury Bills of the Central and State Governments)		
13,99,64,168.37	(i) Payable in India	8,00,09,723.90	
8,02,61,309.41	(ii) Payable outside India	6,88,90,836.35	
59,61,15,935.86			67,95,22,962.62
	6. Bills Receivable being Bills for Collection as Per Contra:		
15,29,11,184.85	(i) Payable in India	7,53,68,368.57	
1,40,80,877.27	(ii) Payable outside India	4,01,94,981.65	
16,69,92,062.12			11,55,63,350.22
46,57,41,222.58	**7. Constituents' Liabilities for Acceptances, Endorsements and Other Obligations as Per Contra:**		70,06,88,843.95
1,48,72,77,887.20	Carried Forward		2,27,81,32,376.79

BANQUE INDOSUEZ

(INCORPORATED IN FRANCE WITH LIMITED LIABILITY)

BOMBAY BRANCH

BALANCE SHEET AS AT MARCH 31, 1989

Year Ended 31.12.1987 Rs. Ps.	CAPITAL AND LIABILITIES	Rs. Ps.	15 Month Period Ended 31.3.1989 Rs. Ps.
1,54,31,41,539.92	Brought Forward		2,54,46,35,940.83
	10. Contingent Liabilities:		
—	(i) Claims against the Banking Company not acknowledged as debts	7,05,78,000.00	
1,08,41,28,434.82	(ii) Money for which the Banking Company is Contingently liable in respect of Guarantees	69,63,71,782.83	
36,50,00,000.00	(iii) Liability on Bill of Exchange rediscounted	97,65,00,000.00	
1,68,47,93,262.13	(iv) Liability on account of outstanding Forward Exchange Contracts	4,41,40,51 195.45	
1,54,31,41,539.92	TOTAL RS		2,54,46,35,940.83

Year Ended 31.12.1987 Rs. Ps.	PROPERTY AND ASSETS	Rs. Ps.	15 Month P[eriod] Ended 31.3[.1989] Rs.[Ps.]
1,48,72,77,887.20	Brought Forward		2,27,81,32,5
	8. Premises Less Depreciation:		
7,78,460.57	Cost as at 1st January 1988	7,78,460.57	
—	Additions during the year	4,03,67,466.43	
7,78,460.57		4,11,45,927.00	
—	Less: Deductions/written off during the year ...	76,808.87	
7,78,460.57		4,10,69,118.13	
3,79,374.98	Less: Depreciation written off to date	28,96,315.67	
3,99,085.59			3,81,72,80
	9. Furniture and Fixtures Less Depreciation: (Including Vehicles and Equipment)		
46,82,360.53	Cost as at 1st January 1988	77,89,187.27	
33,21,446.74	Additions during the year	1,08,17,005.73	
80,03,807.27		1,86,06,193.00	
2,14,620.00	Less: Deductions/written off during the year	89,420.54	
77,89,187.27		1,85,16,772.46	
32,49,249.87	Less: Depreciation written off to date	78,87,225.48	
45,39,937.40			1,06,29,54
	10. Other Assets:		
1,39,261.70	(i) Stamps and Stamped Documents	31,223.70	
1,62,02,124.17	(ii) Accrued Interest and Discount	3,78,11,086.32	
30,05,844.96	(iii) Prepaid Expenses	1,28,79,493.89	
3,15,77,398.90	(iv) Sundry Advances, Deposits, etc	16,40,80,370.28	
—	(v) Branch Adjustments	28,98,840.42	
5,09,24,629.73			21,77,01,01
—	**11. Non-Banking Assets Acquired in Satisfaction of Claims**		—
1,54,31,41,539.92	TOTAL RS.		2,54,46,35,940

Per our report attached
For S. B. BILLIMORIA & CO
Chartered Accountants

Sd/-
Y. H. MALEGAM
Partner

Bombay: August 18, 1989.

M. VERHILLE
Chief Executive Officer (India)

BANQUE INDOSUEZ

(INCORPORATED IN FRANCE WITH LIMITED LIABILITY)

BOMBAY BRANCH

PROFIT AND LOSS ACCOUNT OF BOMBAY BRANCH FOR THE 15 MONTH PERIOD ENDED 31ST MARCH, 1989

12 Months Ended 31.12.1987 Rs. Ps.	EXPENDITURE	15 Months Ended 31.3.1989 Rs. Ps.	12 Months Ended 31.12.1987 Rs. Ps.	INCOME (Less provision made during the period for Bad and Doubtful Debts and other usual or necessary provisions)	15 Months Ended 31.3.1989 Rs. Ps.
10,63,02,881.51	1. Interest paid on Deposits, Borrowings, etc.	21,08,02,415.59	12,44,80,289.30	1. Interest and Discount	23,37,79,928.66
59,06,443.01	2. Salaries, Allowances, Provident Fund, etc.	82,54,185.81	2,46,08,425.58	2. Commission, Exchange and Brokerage	5,20,85,729.36
11,500.00	3. Directors' and Local Committee Members' fees and allowances.	20,000.00	—	3. Rent	—
67,70,367.80	4. Rent, Taxes, Insurance, Lighting, etc.	90,71,681.77	—	4. Net Profit on sale of investments, gold and silver, land, premises and other assets (not credited to reserves or any particular account)	—
4,03,534.00	5. Law Charges	2,20,500.00	—	5. Net Profit on revaluation of investments, gold and silver, land, premises and other assets (not credited to reserves or any particular account)	—
22,47,341.67	6. Postage, Telegrams and Stamps	36,25,188.85	—	6. Income from non-banking assets	—
30,000.00	7. Auditors' fees	70,000.00	—	7. Other Receipts	—
22,66,376.20	8. Depreciation on and the repairs to Banking Company's property	81,74,479.65	—	8. Loss	—
15,23,105.85	9. Stationery, Printing, Advertisement, etc.	20,64,115.52			
—	10. Loss from sale of or dealing with non-banking assets	—			
96,29,921.42	11. Other Expenditure (including H.O. administrative expenses)	1,95,50,243.92			
—	12. Transfer to Reserve under Section 11(2) (b) (ii) of the Banking Regulation Act, 1949	48,02,569.38			
1,39,97,243.42	13. Balance of Profit	1,92,10,277.53			
14,90,88,714.88	TOTAL	28,58,65,658.02	14,90,88,714.88	TOTAL	28,58,65,658.02

NOTES FORMING PART OF THE ACCOUNTS FOR THE 15 MONTH PERIOD ENDED 31ST MARCH. 1989

1. Remuneration paid to Chief Executive Officer in India:

	15 Month Period Ended 31.3.1989	Year Ended 31.12.1987
Salary	Rs. 2,46,000.00	Rs. 1,80,000.00
Perquisites evaluated in accordance with Income-Tax Rules	Rs. 1,33,945.65	Rs. 1,24,369.00

2. The money for which the Bank is contingently liable in respect of Letters of Credit and Guarantees includes Rs. 50,492.00 (previous year Rs. 50,494.00) in respect of officers of the Bank.

3. The figures for the period relate to the 15 months to 31st March 1989 whereas those for the previous year relate to the 12 months to 31st December 1987 and are therefore not comparable.

Per our report attached
For S.B. BILLIMORIA & CO.
Chartered Accountants
Sd/-
Y.H. MALEGAM
Partner

Bombay: August 18, 1989.

M VERHILLE
Chief Executive Officer (India)

BANQUE INDOSUEZ

(INCORPORATED IN FRANCE WITH LIMITED LIABILITY)

BOMBAY BRANCH

Schedule of Particulars of Advances required by the Banking Regulations Act, 1949 (Act X of 1949) annexed to and forming part of the Balance Sheet as at 31st March, 1989

1987 Rs. Ps.			1989 Rs. Ps.
25,45,66,126.08	1.	Debts considered good in respect of which the Banking Company is fully secured	30,01,65,678.23
16,61,98,723.98	2.	Debts considered good for which the Banking Company holds no other security than the debtor's personal security	12,81,58,386.47
17,53,51,085.80	3.	Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	25,11,98,897.92
—	4.	Debts considered doubtful or bad, not provided for	—
59,61,15,935.86			67,95,22,962.62
49,02,633.94	5.	Debts due by Directors or officers of the Banking Company or any of them either severally or jointly with any other persons	46,31,757.42
—	6.	Debts due by Companies or firms in which the Directors of the Banking Company are interested as directors, partners or managing agents or, in the case of private companies, as members	—
49,27,478.95	7.	Maximum total amount of advances including temporary advances made at any time during the year to directors or managers or officers of the Banking Company or any of them either severally or jointly with any other persons	54,74,664.75
—	8.	Maximum total amount of advances including temporary advances granted during the year to the companies or firms in which the directors of the Banking Company are interested as directors, partners or managing agents or, in the case of private companies, as members.	—
6,86,503.87	9.	Due from Banking Companies	17,80,529.94

Auditors' Report on the Bombay Branch of Banque Indosuez under Section 30 of the Banking Regulation Act, 1949.

We have audited the attached Balance Sheet of the Bombay Branch of Banque Indosuez as at 31st March, 1989, signed by us under reference to this report, and the relative Profit and Loss Account of the Bombay Branch of the Bank for the fifteen months ended on that date with the books of account maintained and produced to us at Bombay.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with the provisions of Sub-Sections (1), (2) and (5) of Section 211 and Sub-Section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account, together with the notes thereon, are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956. The accounts are therefore drawn up in conformity with Forms 'A' and 'B' of the Third Schedule to the Banking Regulation Act, 1949.

We report that subject to and read with the foregoing remarks.

(1) we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

(2) the transactions which have come to our notice have been in our opinion, within the pow of the Bombay Branch of Banque Indosuez;

(3) in our opinion, proper books of account as required by law have been kept by the Bra so far as it appears from our examination of those books;

(4) the abovementioned Balance Sheet and Profit and Loss Account of the Bombay Branch the Bank dealt with by this report are in agreement with the books of account;

(5) in our opinion, and to the best of our information and according to the explanations giv to us, the accounts together with the notes thereon, give the information required by t Companies Act, 1956 in the manner so required for Banking Companies, and on such ba the said Balance Sheet gives a true and fair view of the state of affairs of the Bombay Bran of the Bank as at 31 March, 1989 and the Profit and Loss Account gives a true and fair vi of the profit of the Bombay Branch for the fifteen month period ended on that date.

For S.B. BILLIMORIA & CO.
Chartered Accountants
Sd/-
(Y. H. MALEGAM)
Partner

Bombay: August 18, 1989.

NOTICE

It is hereby notified for the information of the public that HINDUSTHAN DEVELOPMENT CORPORATION LIMITED proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi under sub-section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval for manufacture of new articles. Brief particulars of the proposal are as under

1. Name and Address of the Applicant : Hindusthan Development Corpn. Ltd
   Mody Building
   27 Sir R N Mukherjee Road
   Calcutta - 700 001.

2. Capital structure of the Applicant Organisation :

   (As on 31.03.1989)

	Equity Shares (Rs. lacs)	Preference Shares (Rs. lacs)
Authorised	1200	300
Subscribed & Paidup	842	50

3. Management structure of the Applicant Organisation indicating the names of the Directors, including Managing Director/Whole-Time Director and Manager, if any : The Company is managed by the Executive Director under the superintendence and guidance of the Board of Directors consisting of.
   1. Shri R P Mody — Chairman
   2. Shri P K Khaitan
   3. Shri A K Gutgutia
   4. Shri G K Bhagat
   5. Shri M Sen
   6. Shri A Ishikawa
   7. Shri S K Neotia
   8. Shri V A Mody
   9. Shri H Jhunjhunwala — Executive Director

4. Indicate whether the proposal relates to the establishment of a new undertaking or a unit/article : The proposal relates to manufacture of new articles in the existing Unit.

5. Location of the new unit : Not applicable as the proposal is for manufacture of new articles in the existing Unit at Haldia, Distt. Midnapore (West Bengal).

6. Capital structure of proposed undertaking : Not applicable.

7. In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/article indicate :

   i) Name of goods/articles
   ii) Proposed licensed capacity

1. Caustic Soda	49,500 TPA
2. Liquid Chlorine	22,500 "
3. Hydrochloric Acid	15,000 "
4. Stable Bleaching Powder	15,000 "
5. Hydrogen Gas	9.2 million NM^3 per annum

   iii) Estimated annual turnover : Rs 4155 Lacs

8. In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover, etc. : Not Applicable

9. Cost of the Project : Rs 4875 Lacs

10. Scheme of finance indicating the amounts to be raised from each source :

	(Rs. lacs)
Rupee term loan and/or issue of debentures/or shares	3150
Foreign exchange loans	750
Internal accruels	975

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhawan, New Delhi, 110 001, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

K. C. JAIN
PRESIDENT (FINANCE) & SECRETARY

Dated this 28th July, 1989

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REVIEW OF INDUSTRY AND MANAGEMENT

- REAL WAGES AND PRODUCTIVITY IN INDUSTRY
- CLASS POLITICS, STATE POWER AND LEGITIMACY
- INDUSTRY-AGRICULTURE GROWTH RATES: WIDENING DISPARITY
- MONETARY TARGETING: OBJECTIVES AND APPROPRIATE INDICATORS
- BATTLE FOR SELF-RELIANCE IN TELECOMMUNICATIONS
- MARKET STRUCTURE AND INNOVATION

TECHNICAL CHANGE AND COMPETITIVENESS IN INDIAN TEXTILE INDUSTRY

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Vol XXIV No 34 August 26, 1989

Technical Change in Textile Industry

Why has the pace of technical change in Indian industry been so slow? What determines the pace of change? Since Indian R and D efforts have been meagre, why has industry not imported more modern techniques? What is the role of the Indian capital goods sector in this process? A discussion of these issues in the context of the Indian textile industry. M-103

Class Politics and 'Legitimacy'

The concept of legitimacy seems to have become the master-key explaining the political process, the stability of social orders, the effectiveness of the ruling class and the contradictions of capitalist or collectivist societies. Marx is thus turned on his head: Collective material interests are subordinated to and derived from the pursuit of legitimacy. But is legitimacy actually the relevant issue at all or is it at best a derivative or subsidiary concern? 1955

Wages and Productivity

What have been the trends in real wages and productivity in the Indian industrial sector? A study of eight major industries covering the period 1967-84. M-94

Size and Innovation

In the traditional literature on the developed countries the consensus was that large firm size and increasing concentration increased innovative activity only up to a point. However, recent literature has questioned this received wisdom. A fresh appraisal of the empirical literature on the relationship between firm size and market structure on the one hand and inventive activity on the other. M-113

A survey of a variety of market segments in India shows that markets dominated by subsidiaries and associates of multinational companies have given significant shares to small enterprises that have adopted ingenious methods to enter the market and grow. What have been the reasons for the success of the small enterprises? M-127

Self-Reliance in Telecommunications

The setting up of the Telecommunications Commission has been claimed to mean that the revamping of the entire telecommunications system has been firmly put on the government's agenda. However, there are some good reasons for being sceptical about this claim. 1941

Gender and Production Relations

The division of labour between men and women seems to be the most 'natural' aspect of human society, seemingly based on procreation. Actually this division is inevitably connected with particular relations of production. 1949

Lost Credibility

The latter half of the 1980s has been a rather unheroic period in monetary policy in India. Explicit monetary targeting has unfortunately coincided with fiscal profligacy, thus eroding the credibility of monetary planning. 1959

Panchayati Raj

Congress(I)-ruled states have been notorious for not holding panchayat elections. This problem could surely have been resolved within the Congress Party without any need to amend the Constitution. 1936

Industry and Agriculture

The nature of the relationship between industry and agriculture depends crucially on the relative growth of income and employment in the industrial and tertiary sectors. 1963

Waveless Election

The Lok Sabha elections of 1989 will most probably reflect, as objectively as an election can, the socio-economic changes in India during the last decade and more. 1937

Property and Perestroika

To most reform-minded economists in the Soviet Union, socialist ownership has become an impediment to substantive economic reform. 1947

Data Base

The Development Information System as it has evolved over the last 40 years and as it is at present managed has major limitations given the emerging information requirements. M-131

The development of an information system for urban planning is dependent on the development of a planning system. The fact that urban data bases are virtually non-existent reflects the amorphous character of our urban planning. M-141

Universal Salt Iodisation Policy

I WRITE with reference to the article by K P Aravindan 'Science in Service of Monopolies: Universal Salt Iodisation Policy', (July 8). There are several references to my work in the article, mainly questioning its scientific validity. I am aware that your weekly is truly not the forum to debate issues in Thyroidology. However, as Aravindan chose to make use of *EPW* to question my work, I am left with no choice but to briefly clarify, through your columns, some of the issues raised.

I am not persuaded that Aravindan's criticism of the policy of universal iodation of edible salt in India is based on sound socio-economic considerations. The gist of Aravindan's arguments and my responses follow.

(A) *Though goitrous subjects have elevated TSH levels, because they also have elevated T3 levels, they have normal thyroid function.*

This argument, based on old concepts, is untenable in the light of current understanding. The current concepts in this regard are

(i) The most sensitive indices for primary thyroid failure are basal TSH levels and TSH response to TRH.

(ii) Circulating T3 level is a poor discriminant between hypothyroid and euthyroid subjects.

(iii) The major proportion of circulating T3 is derived from monodeiodination of T4 in peripheral tissues.

(B) *According to Aravindan, the entity of sub-clinical cretinism does not exist and the work done by us in India in this regard is not 'real science'.*

The truth is that sub-cretinous syndromes are recognised and reported from major goitre endemias by workers all over the world. Our contribution in the area has been to relate this phenomenon with the high incidence of neonatal chemical hypothyroidism. Our relevant work dismissed as 'slipshod' by Aravindan, was internationally peer-reviewed and published in a leading scientific journal brought out by the World Health Organisation.

(C) *The neonatal chemical hypothyroidism demonstrated by us in the sub-Himalayan endemic belt may be akin to the transient hypothyroidism described from iodine deficient regions of Europe and hence may be harmless.*

That these two entities are very different should be evident to the most casual surveyor of relevant literature. Quantitatively, the degree of hormonal abnormality demonstrated in the European neonates is of the order of 5 to 12 μg/dL T4 and 10 to 20 μU/mL of TSH. The criteria we have adopted to diagnose neonatal hypothyroidism in India are T4 < 3 μg/dl and TSH $> 50\mu$U/mL. Besides, the iodine deficiency reported from Europe is a mild variety with plenty of scope for post-natal iodine availability to the neonates. Clearly this is not the case in endemic regions of developing countries. Therefore the comments of Aravindan in this respect are largely irrelevant.

Aravindan often tries to impart an air of authority to his arguments by 'selective' literature citation. Selective literature citation is a discredited practice.

I presume Aravindan belongs to the medical profession. He has prescribed iodised oil injection for expectant mothers as a preferred alternative to salt iodation. He has not cited literature in support of this prescription. Is this a wilful omission? Is he familiar with the literature in this regard?

DR N KOCHUPILLAI

Additional Professor
Department of Endocrinology and Metabolism, AIIMS, New Delhi.

No Cover-Up

YOU have commented on the unfortunate incidents which occurred during the International Youth Festival at Pyongyang ('Exporting Congress Culture', July 22, p 1616). I fully sympathise with the feelings expressed in the piece except the last paragraph where the joint statement issued by me as president of the DYFI and D Raja, secretary, AIYF, has been misinterpreted as an effort to whitewash the misdeeds of the Youth Congress. I am giving below the full text of the joint statement and I hope this will make our position clear and set the record straight:

> Immediately after the XIII World Festival of Youth and Students held in Pyongyang, the capital of DPR Korea, a joint statement was issued by the leadership of the National Preparatory Committee of India. The purpose of the statement was to inform the youth, students and people about the success of the festival under the noble slogan of 'Anti-Imperialist Solidarity, Peace and Friendship' and also about the positive contribution of the Indian delegation in the festival.
>
> Now it has been brought to our notice that the joint statement has been misinterpreted and used to cover up certain unpleasant incidents which occurred in Pyongyang and en route. It is for the leadership of those whose members had engaged in such ignoble activities to explain what steps have been taken to prevent this in the future to save us from national embarrassment. This is all the more important as the same section had brought ill fame for our country during the Moscow festival also, not to speak of the Nagpur conference.
>
> It may be recalled that in our earlier joint statement itself reference was made about some unfortunate incidents during the festival, though we mentioned about some exaggeration also. However, while presenting the statement to the press, this admission has been totally underemphasised.

M A BABY

President
DYFI, New Delhi

European Community and NATO

THE article by Sanjaya Baru 'Economics and Politics of 1992' (May 20) states that "the EC is not simply an economic arrangement given the fact that its members are also members of NATO".

I would like to point out that Ireland, a member of the European Economic Community since 1973, is not a member of NATO. Ireland is not a member of any military alliance. Indeed, in discussing the neutral status of Austria and Switzerland the article gives the impression that membership of the European Community is incompatible with neutrality and that membership of the Community and NATO are coterminous.

This is clearly not the case as Ireland's neutrality testifies. Moreover, three European countries, Iceland, Norway and Turkey are members of NATO but are not members of the European Community.

MICHAEL BAYLOR

Charge d'Affaires a i,
Embassy of Ireland,
New Delhi.

ECONOMIC AND POLITICAL WEEKLY

Evading the Real Issues

IT is unfortunate, but equally inevitable perhaps, that the debate on the Eighth Plan, up to the present stage of its formulation at any rate, has come to centre almost exclusively on the overall growth target that should be set for the plan. Here the government has been caught in a bind of sorts. After claiming, on the basis of the growth rates of just a couple of years, that the economy had moved to 'a higher growth path', to accept a growth target for the Eighth Plan which was not impressively higher than the 5–5.5 per cent annual growth aimed at in the earlier plans would have been to acknowledge that the recent economic performance does not amount to any notable mutation of the economy's modest long-term trend growth rate of 3.5 to 4 per cent per annum. This, for dear life, the members of the Planning Commission had to avoid doing at all cost. The debate on the Eighth Plan's growth target has also underscored the tenuous and peripheral character of the planning process in the country. The Planning Commission is evidently mesmerised by the expected improvement in the incremental capital-output ratio (ICOR) in the Seventh Plan from about 4.6 to 4.3. From this it has been a simple step for the commission to suggest that there is no reason why the ICOR could not be made to go down further to 4.15, or even lower, in the Eighth Plan, thereby opening altogether new vistas of growth. Why bother about such inconvenient considerations as that the improvement anticipated in the ICOR in the last two years of the Seventh Plan may almost entirely be due to the rise in agricultural output growth thanks to successive excellent monsoons; that the possible reduction in ICOR in the last two years of the Seventh Plan is almost certainly not part of any trend; that the modest GDP growth of 4 per cent per annum in the first three years of this plan itself points to the ICOR having been much higher as recently as that.

The growth target is not, of course, the central aspect of the Eighth Plan. The debate needs to focus instead on the many substantive issues and problems which are crying out for attention and action in the Eighth Plan period. Among these, in the agricultural sector, one can illustratively list the niggardly growth rate of output, notwithstanding the 1988-89 bumper crop; the sluggishness in investment both by the government and by farmers across the country; the rapid growth in the number of marginal farmers; the clear signs of labour absorption in agriculture having reached its limits; and the persistent inter-regional and inter-crop disparities in growth rates. Not many of these issues have been adequately taken into account in the so-called agro-climatic approach to agricultural development envisaged in the Eighth Plan. Agricultural growth in Punjab, Haryana and western UP has slowed down without an offsetting pick-up elsewhere. The spread of irrigation has suffered because of insufficient public sector investment. Dependence on rainfed agriculture therefore continues to be preponderant. Also, the agricultural sector too has begun to face demand constraints as a result of declining per capita real incomes of a large proportion of the rural population as is suggested by the fact that while the share of agriculture in total GDP has declined from 50 per cent in the early 1970s to less than 30 per cent, the proportion of the workforce dependent on agriculture has hardly come down. It is this lack of purchasing power with the people that is at the root of the necessity for government to subsidise agricultural inputs as well as output prices which in turn is a major factor eroding government savings.

In industry the bulk of the increase in output in recent years has taken place in a few areas, with consumer durables playing a major role among these. And heroic assumptions in regard to continued decline in the capital-output ratio notwithstanding, sustaining even a 6 per cent growth would require a substantial rise in the rate of domestic saving. While reports suggest that the Planning Commission appears to be counting on the average rate of saving being successfully pushed up from the expected level of about 21.1 per cent in the Seventh Plan to 23.3 per cent in the Eighth Plan, the constraints faced by the economy in raising the domestic saving rate do not appear to have overly bothered the commission. The fact is that the domestic saving rate has virtually stagnated for more than a decade now. The other side of the coin, of course, is that consumption growth—in the government and the corporate sectors and amongst households—has been unconscionably high, though precisely this phenomenon has made possible the recent rapid growth of particular sectors of industry as also of certain types of services. The contradictions of this pattern of growth, which the Planning Commission and the government are fervently hoping would continue into the Eighth Plan, are obvious.

There is no dearth of other structural issues which should be the central concern of the next plan: absence of growth of employment in organised industry and technology policies that are at the same time rendering Indian industry crippingly dependent on imports; in regard to the incidence of poverty, apart from the deterioration brought out by NSS data, the niggardly growth of employment, the stagnation of per capita availability of foodgrains and other basic consumption goods, the faster rise in consumer prices compared to the general level of prices are all symptoms which demand urgent attention. No wonder the government and the Planning Commission would rather fix their gazes on the ICOR and on growth targets.

WEST BENGAL

Communal Virus

WITHIN a space of three days two rounds of communal clashes comprising three separate incidents fouled the political climate of West Bengal. On August 13 there was a violent confrontation between a Muharram procession on the one hand and the supporters of a local sports club on the other in a village in the district of Nadia. This was said to have been a sequel to a long-standing rivalry over a football ground. Two persons were hacked to death and nine other injured in the course of this clash. The next round of two separate incidents took place on August 15, independence day: one in the east-central Calcutta region and the other in the southwestern suburb of Matiabruz. In one of his speeches on independence day, chief minister Jyoti Basu deplored these two incidents.

Unlike in some other states and in keeping with the Left credentials of the West Bengal Left Front administration, the prompt despatch of punitive forces succeeded in nipping the danger in the bud, so to say. But the fact that such incidents did occur—and two of them in the city of Calcutta—is something to worry about.

It may be no more than a coincidence that just the day before the Nadia clashes, the CPI organ carried a warning about the expanding activities of aggressive communalist forces from both the Hindu and Muslim communities—specifically the BJP, Vishwa Hindu Parishad, RSS, Jamaat-e-Islami and the Muslim League. One did not really have to be blessed with a prophetic insight to foresee the danger of a communal conflagration. Over the years of Left Front rule, occasional communal clashes have indeed vitiated the political climate of the state, some of them on a considerable scale. The small issues like a street accident, or rivalry over a playground, or teasing of a girl that tend to provoke communal confrontation bear testimony to the underlying tensions and strains in mutual relations at the grassroots level, even if the role of the organised provocateurs is not to be ignored. It would, therefore, be extremely naive and complacent a view to think that the masses of this Left-ruled state have really been immunised from the communal virus now plaguing the country as a whole.

Apart from the organisations mentioned above, there are at least two other powerful agencies on the Hindu side that demand notice. One is the notorious Anand Marg with its undisguised fascistic inclinations and suspicious international linkages which has set up a well-guarded and extensive headquarters on the eastern fringe of the city, and the other is the less obtrusive but perhaps no less worrisome Santan Dal, which had openly challenged the Left Front government and the CPI(M) over an incident of a police firing in the port trust area about a year ago. The second organisation's striking power may indeed be much greater as it combines religious mysticism and obscurantism with a radical demagogy. All this has a dangerous potentiality particularly because there is hardly any consistent work at the social base to develop the critical consciousness of the masses through united praxis. Almost the entire energy of the Left forces, more particularly its leading entity the CPI(M), is directed towards such issues as the Bakreshwar thermal power plant or the Haldia petrochemical project—that is, issues not immediately or palpably relevant to the existential problems of the masses.

The recent rounds of communal clashes may serve as a blessing in disguise only if the Left Front would care to interpret the meaning of the 'writing on the wall'.

STEEL

Policy Absurdities

THE various sections of Indian business basically support or oppose government controls on pricing and distribution depending on what suits their economic interests at a given time. In the present situation aggregate demand for steel is in excess of past levels of output, making it possible for high premiums to be obtained on a variety of steel products. But the integrated steel producers, i e, SAIL and TISCO, are subject to various forms of control over pricing and distribution. As Russi Mody, chairman of TISCO puts it, "the office of the development commissioner for iron and steel continues to exert pressure in various ways to deny free market conditions to major producers". Mody refers to the present position in regard to iron and steel control as an 'absurdity'. He also highlights the ambiguity of the official position by quoting at length from the annual report of the department of steel for 1988-89. With regard to distribution of steel the department of steel's annual report states that "there is no statutory control on the distribution of iron and steel". Yet it goes on to say that since there are shortages in certain categories of steel, in the interest of "equitable distribution and fulfilment of supplies to important sectors" the Joint Plant Committee (JPC) guidelines have to be followed by the main producers, i e, SAIL and TISCO. Again, in regard to pricing of steel the report states that there is no statutory control on the prices of iron and steel. However, prices of major items of iron and steel are determined by the JPC and are applicable to the main producers.

Apart from attempting to debunk the necessity of and highlighting the irrationality of pricing and distribution controls, Mody also refers to discrimination in their application—i e, the mini-steel plants, re-rollers and secondary sectors have no price and distribution control. And these account for roughly one-third of total steel production. The point is that at a time of shortages the mini-steel plants, re-rollers and secondary producers are deriving high premiums while the main producers are deprived of availing of this opportunity by JPC controls.

The chairman of SAIL, V Krishnamurthy, also wants the lifting of pricing controls over the main producers. While TISCO can and has been changing its product-mix in tune with changing demand conditions and profitability prospects so as to maximise its output of high value-added items (which are not under JPC control), SAIL has been politically pressurised to produce more semis to feed the re-rollers even though it has unutilised capacity in its bar, rod and structural rolling mills. Also, it is a fact that the production of semis by the integrated steel plants involves wasteful use of energy from a national point of view.

However, more intriguing is Krishnamurthy's endorsement of the World Bank's proposal to allow free imports of steel in the interest of promoting competitive efficiency. Larger imports of steel are perhaps inevitable in view of the emerging shortages of steel products. They would be needed all the more if the government were to heed the pleas, advanced by the chairmen of SAIL and TISCO alike, for the lifting of the controls on steel pricing and distribution which still apply to the main producers. However, the idea of using steel imports as part of a longer-term strategy to make domestic steel producers more efficient, as the SAIL chairman seems to be suggesting, is a far more complex proposition. Surely the chairman of SAIL is aware of cartelisation and other trade distorting practices such as subsidies in the international steel market. Also, the pricing of steel in the international market is not the same as in the domestic markets in Western Europe or Japan. Thus steel prices in international trade can go as low as the short-run marginal cost of produc-

tion constituting virtual dumping. Large or 'free' steel imports, to use the SAIL chairman's term, may in these circumstances, have the consequence not of promoting competitive efficiency among domestic producers but quite the opposite—of displacing domestic output and lowering capacity utilisation in the domestic steel industry.

AIR SERVICES
Warped Priorities

VAYUDOOT's managing director recently declared that by 1995 all the 450 district headquarter towns in the country were proposed to be connected by Vayudoot air services. At present, this feeder service connects about 100 stations.

The establishment of airports in all the district headquarter towns by 1995 and rapid expansion of air services are part of the modernisation drive. At the same time, by extending air travel to accessible areas Vayudoot is now being utilised to promote parallel and superfluous air services where alternative modes of transport already exist or are conceivable. This is contrary to the purpose for which Vayudoot was originally set up in order to offer flights in sectors having long and circuitous routes to reach destinations and in outlying areas, as in the north-eastern states, Himachal Pradesh and Kutch in Gujarat. Further, tourism promotion is stated to be a reason for expanding Vayudoot services, but it has been found that foreign exchange constitutes only about 5 per cent of the earnings of the airline.

Flights, being very expensive, will only benefit the top 5 per cent of the people in India, including political leaders, government officials, (private and public sector) company executives and other affluent professionals. For instance, Vayudoot flights between Madras and Neyveli town in Tamil Nadu are reported to primarily benefit top executives of Neyveli Lignite Corporation. Airports have also been opened in many district towns on political considerations. Recently in Haryana, two Vayudoot airports were opened after the state government guaranteed that it would allow government officials to utilise those flights. Vayudoot has a Rs 600 crore fleet expansion project under consideration by the government.

Vayudoot has decided to add a few 19-seater Dornier aircraft to its fleet and Hindustan Aeronautics is assembling these aircraft by importing components from West Germany. Curiously, HAL is converting many of these small planes into luxurious 7-seater executive aircraft for use by industrialists. Our industrial magnates can now fly their own private planes utilising the extensive infrastructure being set up at enormous cost by Vayudoot and Indian Airlines.

Yet another feeder service, the air-taxi, has been approved by the government. The air-taxi service to be promoted by private companies and individuals will charge higher fares than Vayudoot and Indian Airlines. Who are the beneficiaries of the air-taxi service? The air-taxi service is to be allowed to use 55 airports on high-density routes.

In India, what are our priorities for the next five years? Do we need more airports or better public transport facilities for the common man? Do railway stations and bus stands in the district towns have basic amenities? Why is there a shortage of passenger buses and trains? Why are district and rural roads poorly maintained? Do we have the requisite number of autorickshaws in the district towns? Do the hospitals situated in district towns have the requisite equipment and facilities? Will we have one primary health centre for 30,000 people by 1995? Will the district and rural towns have the requisite sanitation and drinking water facilities by 1995? Do schools in district and rural towns have proper buildings, the requisite class-room and laboratory facilities, playgrounds, sanitation facilities? Will all the district headquarter towns have science museums by 1995?

The Planning Commission has in a recent study strongly advocated a check on the expansion of the domestic civil aviation facilities during the Eighth Plan period because of heavy foreign exchange outgo for imports of aircraft and costly aviation fuel. The commission has maintained that scarce resources should be utilised on a priority basis, to rectify the mismatch between technological sophistication of new generation aircraft inducted recently and the existing air operations. The Planning Commission has further found that short-distance flights, being uneconomic, involve subsidies many times the fares charged by Vayudoot, as extensive infrastructure is being created and maintained at huge cost to operate flights which are extremely few.

When the country faces an acute foreign exchange crisis and when resources are scarce to provide even basic and essential needs of the vast majority of the people, should the air services be rapidly expanded? It is to be hoped that the government will give serious consideration to the views of the Planning Commission.

TWENTY YEARS AGO

EPW, August 23, 1969

It is too early to say whether tea plantation workers in West Bengal will come out of their strike as successfully as jute workers did a fortnight ago. But these two strikes could mark the beginning of a new strategy of trade union activity... Conditions in both industries have been long ripe for a show-down between employers and workers... The modest increases in wages granted by the Central Wage Boards in these two industries several years ago are no longer enough to hold back renewed pressure from workers for further increases. But in neither industry have employers ever shown much inclination for collective bargaining and their response to the present wage demands from workers was predictably negative... The most important aspect of the jute strike as well as the tea plantations strike, of course, is that in both trade unions have for once got over internecine rivalries and acted with complete unity... Situations like those in jute and tea plantations are likely to develop in other major industries as well. The jute industry and tea plantations could well provide the pattern for them to unitedly force a direct confrontation with employers.

* * *

The most significant aspect of the presidential election was the manner in which other political parties and forces intervened decisively in the conflict between the governmental and organisational wings of the Congress Party... The election brought out, for the first time so clearly, the important role that, given a particular political situation, purely state parties like DMK and Akali Dal could play in determining the course of national events. These parties themselves had not perhaps to begin with visualised any such role for themselves... Much the same can also be said of the importance of non-Congress state governments... What all this adds up to is not so much polarisation—despite the superficial Left-Right line-up in the presidential poll—as pluralisation. This development is of relevance not only to the current battle for supremacy in the Congress, but more generally also to the relationship between the prime minister and the party. In this kind of situation in any party which participates in a government, whether at the centre or in the states, the governmental wing must emerge more powerful than the organisational wing.

POLAND

Not By Christian Faith

THE Brezhnev doctrine, formulated in 1968, which limited the sovereignty of the east bloc countries, has been abandoned by Gorbachev, and this perhaps promises well for international socialism. However, Poland's current genuflexion to the market economy augurs ill for today's troubled socialists. If there is such a thing as assigning culpability for the historical process, the Polish United Workers Party, in power for nine and a half decades, cannot escape its share of blame for the current crisis. Forty years of mindless *etatisme*, shorn of creative ideological thinking, foisted on Polish society as socialism could not but have invited the kind of reaction that is being witnessed. The nomination of Tadeusz Mazowiecki, a prominent Solidarity intellectual, following the movement's sweeping victory in the June elections for 35 per cent of the Sejm seats and 100 senatorial seats and the constitutional crisis that attended the inability of the PUWP to obtain the support of its erstwhile appendages, the Democratic Party and the Peasants Party, in electing its own nominee Czeslaw Kiszczak, has prompted the mainstream in the west to pen obituaries of the socialist project.

The crisis, however, is far from over. While Mazowiecki's appointment has solved the constitutional stalemate (none of the parties independently constitute a majority in Sejm and consequently could not form ministries on their own), the balance of political forces is still rather tenuous. This realisation has dawned on the contending forces for there is a marked change from their original positions as they move from confrontation to compromise. In April the government conferred legality on Solidarity, thus enabling it to contest the limited June elections. Then came the post-election offer of admitting Solidarity into the government to share institutional power. Solidarity's initial all or nothing bluster which led it to reject the coalition offer has given way to a pragmatic stand stemming from the realisation that a sizeable parliamentary representation does not signify anything substantial within an entrenched power structure.

Poland's overwhelming crisis is reflected in the all round exercise of political caution. There is a fear that the crisis could deteriorate into chaos and instability. Jaruzelski, reluctant to contest the presidential election, fearing lack of support, eventually won by a margin of one vote thanks to support from twelve Solidarity parliamentarians. Jaruzelski's candidature was backed by the Soviet Union and the Bush administration as well as by Walesa on the perception that his continued presence would ensure some degree of stability.

The new arrangement ensures PUWP's control of the defence and interior ministries, presumably to allay Russian apprehension regarding the future of the Warsaw Pact. Walesa too has ruled out Poland's withdrawal from the pact. A serious dispute persists, nevertheless, as both Solidarity and the PUWP staked their claim for the control of economic and financial policy-making. However, the resolution of this discord is unlikely to produce immediate results until a clear victor emerges in the current ideological battle. Even if the PUWP gains the upper hand, the ongoing inner party struggle between the reformists and hardliners will continue to complicate the problem. On the other hand Solidarity's ascendancy may not obviate the impasse. Its lack of a coherent and systematic economic blueprint compounded by its loose coalitional character may generate tension in the movement which, given the absence of a defined organisational structure, might either paralyse it or splinter it.

Economic direction is the essence of the struggle and direction is precisely what the Polish economy, burdened by a 39 billion dollar external debt and beset by inflation, wants. Poland's export earnings are only a fifth of its debt obligations. The mounting budgetary deficit compelled the government to remove the 300 per cent farm subsidy. Agricultural productivity was sought to be raised by eliminating price controls, but the outcome has been lethal inflation.

Getting the economy back on the track will sorely test the Solidarity for it might involve austerity measures like wage cuts which will be unpopular with its social base. The Solidarity's antecedents might create difficulties for its trade union pedigree has not been significantly diluted by the presence of intellectuals and other disgruntled non-proletarian elements. In terms of fundamental objectives too Solidarity may be consumed by its own contradictions. Andrzej Malachowski has predicted the fragmentation of Solidarity since the capitalist path will be endorsed by rural Solidarity but will be opposed by the workers. Solidarity intellectuals too are a divided lot ranging from avowed capitalist-roaders like Malachowski to social democrats like Jacek Koran and Jan Mujzel who are partial to restructuring along Swedish lines.

For Poland there has been no dearth of advice. But even as the 'free market intelligentsia' in the west deliver capitalist homilies, there still remains the problem of 'multiplying the loaves' and for that Mazowiecki will need more than just pontifications and Christian faith.

Index Numbers of Wholesale Prices (1981-82 = 100)	Weight	Latest Week (29-7-89)	Variation (per cent) Over Last Month	Over Last Year	Over March 25, 1989	In 88-89++	In 87-88	In 86-87	In 85-86
All Commodities	1000	163.5	0.9	5.8	NA	6.3	5.3	5.7	7.1
Primary Articles	NA	163.4	0.5	0.3	NA	4.8	5.2	2.0	4.8
Food Articles	NA	184.1	0.8	2.4	NA	9.1	6.6	6.8	6.4
Non-food Articles	NA	158.4	−0.1	−3.8	NA	−6.7	6.4	−10.2	−2.3
Fuel, Power, Light and Lubricants.	NA	155.9	0.2	3.9	NA	5.2	6.8	11.9	2.6
Manufactured Products	NA	164.9	1.1	9.4	NA	7.9	4.9	7.2	6.0

Cost of Living Index	Base	Latest Month	Variation (per cent) Over Last Month	Over Last Year	Over March 1988	In 87-88	In 86-87	In 85-86	In 84-85
For Industrial Workers	1960 = 100	818^{3}	0.6	8.6	0.6	9.1	8.8	6.5	6.4
For Urban Non-Manual Employees	1984-85 = 100	138^{1}	0.7	7.0	7.0	9.6	7.9	7.9	8.1
For Agricultural Labourers	July 60 to June 61 = 100	739^{1}	−0.3	12.5	12.3	9.8	4.8	4.8	0.2

Money and Banking		Latest Week (30-6-89)	Variation (per cent in brackets) Over Last Month	Over Last Year	Over March 24, 1989	In 88-89	In 87-88	In 86-87	In 85-86
Money Supply (M_3)		2,01,183	1,588	25,992	9,951	27,225	22,027	22,295	14,423
			(0.8)	(14.8)	(5.2)	(16.7)	(15.7)	(18.8)	(13.9)
Net Bank Credit to Government Sector	Rs crore	1,05,251	1,112	10,723	8,426	12,738	12,811	12,776	6,555
Bank Credit to Commercial Sector	Rs crore	1,29,832	1,221	19,759	3,766	18,752	12,389	11,294	10,963
Net Foreign Exch Assets of Banking Sector	Rs crore	6,171	548	2,172	64	637	673	1,314	13
Deposits of Scheduled Commercial Banks	Rs crore	1,47,143	2,485	19,826	7,713	21,385	15,321	17,320	13,160
			(1.7)	(15.6)	(5.5)	(18.1)	(14.9)	(20.3)	(18.2)
Foreign Exchange Assets**	Rs crore	6,075	496	693	−233	−830	−508	604	+197
			(8.9)	(12.9)	(−3.7)				

Index Numbers of Industrial Production (1980-81 = 100)	Weights	Latest Month (March) 1989	Averages for* 1988-89	1987-88	Variation (per cent) In 1988-89	In 1987-88	In 1986-87	In 1985-86
General Index	100.0	208.1	181.0	166.4	8.8	7.3	9.1	8.6
Basic Industries	39.4					5.6	9.2	6.8
Capital Goods Industries	16.4					16.0	18.2	10.6
Intermediate Goods Industries	20.5					4.7	4.4	7.5
Consumer Goods Industries	23.6					7.4	7.1	12.5
Durable Goods	2.6					7.6	18.9	18.7
Non-Durable Goods	21.0					7.4	4.9	11.5

Note: The index numbers of industrial production by use-based classification are not available beyond March 1987

Foreign Trade	Unit	Latest Month (June 89)	Cumulative for* 1988-89	1987-88	1987-88	1986-87	1985-86	1984-85	1983-84
Exports	Rs crore	1,972	6,039	4,348	15,719	12,569	10,895	11,744	9,771
					(25.1)	(15.4)	(−7.2)	(20.2)	(11.0)
Imports	Rs crore	2,645	7,773	6,461	22,343	20,201	19,658	17,134	15,831
					(10.6)	(2.8)	(14.7)	(8.2)	(10.8)
Balance of Trade	Rs crore	−673	−1,734	−2,113	−6.624	−7,632	− 8,763	−5,390	−6,060

Employment Exchange Statistics	Unit	Latest Month (Jan 89)	Cumulative for* 1989	1988	1988	1987	1986	1985	1984
Number of Applicants on Live Registers (as at end of period)	Thousand	30,195	30,195	30,019	30,050	30,247	30,131	26,270	24,861
					(−0.7)	(0.4)	(0.4)	(0.4)	(7.9)
Number of Registrations	Thousand	514	514	469	6,028	5,465	5,473	5,824	6,220
					(10.3)	(−0.2)	(−6.0)	(−6.4)	(−8.0)
Number of Vacancies Notified	Thousand	40	40	45	542	621	616	683	707
					(−12.7)	(0.8)	(−10.0)	(−3.4)	(−15.5)
Number of Placements	Thousand	26	26	35	340	360	356	388	407
					(−5.6)	(1.1)	(−8.2)	(−4.7)	(−16.3)

Income	Unit	1987-88@	1986-87++	1985-86++	1984-85	1983-84	1982-83	1981-82	1980-81
Gross Domestic Product (current prices)	Rs crore	2,93,306	2,60,680	2,33,305	2,06,732	1,86,406	1,58,851	1,42,876	1,22,226
Gross Domestic Product (1980-81 prices)	Rs crore	1,70,363	1,64,441	1,56,083	1,48,955	1,44,391	1,33,830	1,29,776	1,22,226
Per Capita Income (1980-81 prices)	Rupees	1,918	1,892	1,836	1,791	1,781	1,687	1,686	1,627

* For current year upto latest month for which data are available and for corresponding period of last year.
** Excluding gold and SDRs. + Upto latest month for which data are available.
++ Provisional data. @ Quick estimates.
Notes: (1) Superscript numeral denotes month to which figure relates, e g, superscript[1] indicates that the figure is for January and so on.
(2) Figures in brackets denote percentage variation over previous period.

Musings during a Debate on Panchayati Raj

Arun Ghosh

It is not easy to see why the Constitution Amendment Bill on panchayati raj was being rushed. After all, it is essentially the Congress(I)-ruled states which have been notorious for not holding panchayat elections and that problem could surely be resolved within the party, without any need to amend the Constitution. But if the real objective of the bill is pre- election propaganda, then the withdrawal of the bill at a certain point of time, laying the blame on the opposition, may make good political sense.

I

Pray do not sneer, hold back your frown,
For every circus has its clown.
You're all too serious, all too tense,
But don't take leave of commonsense,
What's a circus without a clown?

II

Though as it happens, the comic clown
Is the slickest guy about the town.
He always sees the side that's buttered,
Eschews the ones with losers cluttered,
The privileged jester of the Crown.

III

You may get him battered never down,
The sophisticated man of town.
Pray spare your contempt and your pity,
He knows his way around the city,
The courtier, writer dressed as a clown.

IV

He wears the robe, the wig, the gown,
The mantle's passed from White to Brown
Pray spare your speech, do not debate,
He can manipulate the Fourth Estate,
The pack of jokers as your clown.

V

See gathered men of great renown
In the biggest circus of the town.
In the central hall they pontificate
On the role of the people and the State.
What's a circus without a clown?

VI

In the babble of voices yours will drown,
In shouting you can't match the clown.
It matters little what you say,
The clown has a boss who'll have his way;
Every circus has its clown.

Laughter is of several kinds. There is the laughter of the child—a reflection of innocent merriment. There is the laughter of the crowd at seeing a well dressed man skid on a banana peel—not quite so innocent, yet without malice. The malicious smirk that is evoked by the sight of the fall of one's rival is not really laughter; nor is the broad smile one sees on the face of an unlikely winner in any contest of skills. So, the only other category of laughter is laughing at oneself. What a pity, this last category of laughter is getting so rare, relieved only occasionally by the likes of Laxman.

But the ingredients for invoking this last category of laughter are now pervasive. One has only to attend any seminar on the issue of "people's participation"—only one subject, mind you, out of many that are the current favourites for the circuses that go in the name of seminars—and it is difficult not to get amused. What else does one do when senior citizens start behaving either as children, innocent of the implications of what they are saying, or as illiterate goons arguing about matters which are beyond them? There is little point in losing one's temper, it leads you nowhere. The only choice is merriment.

The latest development is that the Constitutional Amendment Bill on the panchayati raj has been held over for the next session of parliament. It is not easy to see why the bill was being rushed—after all, it is essentially the Congress(I)-ruled states which have been notorious about not holding panchayat elections, and *that* problem could surely be resolved within the party, over which there is monolithic hold, without the need for a constitutional amendment—except that the provisions of the bill as proposed, in the absence of any devolution from the centre to the states to begin with, appears to be oriented essentially to establishing a direct nexus between the centre and the districts, bypassing the states. Though this has been officially denied, the prime minister has also stated publicly, and repeatedly, that the central move to pass on all funds, whether under the Jawahar Rozgar Yojana or otherwise, to the district magistrates (and to the sarpanches of mandal panchayats in some areas) is calculated to ensure that these funds are not diverted by the state governments. That this is a bizarre scenario can be easily seen from the already stringent conditions imposed by the centre in regard to the use of funds released under Centrally Sponsored Schemes. For instance, under the RLEGP, every scheme, even at the village level, was required to be approved by the central authorities.

As far as the Panchayat Bill is concerned, perhaps the only constitutional amendment—which, incidentally, was recommended by the Sarkaria Commission, now a forgotten report, even though the government had reportedly accepted it—is that there must be periodic elections to the panchayats provided for under the Constitution. It is a pity that the opposition parties could not agree that this minimum provision is the only necessary provision in the Constitution, and that all other provisions, which are matters of detail, should be dropped from the amending bill.

But then, if the real objective of the bill is mere pre-election propaganda, then the withdrawal of the bill at a certain point of time, laying the blame on the opposition, may make good political sense. However, sometimes, the obvious is not so obvious. At any rate, the extreme centralisation inherent in the bill as proposed may be a double-edged sword, for who knows what the results of the next election will be.

Nonetheless, no matter what happens in the next election, the bill in its present form is highly dangerous. We have seen over 1977-80 that nobody likes to shed power. And, in case the bill does get enacted in its present form, the possibility of its getting amended by the next parliament is almost zero.

Is this, then, an occasion for laughing at ourselves? Well, if we do not laugh at ourselves, we must realise that everyone else is doing so already, like the crowd laughing at a well dressed gentleman skidding on a banana peel. Consider the facts. We are in Sri Lanka at the 'invitation' of the Sri Lankan government, but refuse to come away long after the welcome sign has been taken down. We have had to place the Budge Budge jetties—earmarked for imports of petroleum products into Nepal—under repair, and therefore out of commission. We have very rightly and naturally protested against the supply of sophisticated radar equipment and the latest bombers and missiles by the US to Pakistan, immediately after the successful firing of 'Agni', the latest sign of our triumph over technology. And, of course, we have objected to the development of nuclear capability by Pakistan when we have always insisted on our own inherent right to develop such capability.

These issues have nothing to do with pan-

chayati raj. And yet, in a manner of speaking, they do. We seem to have lost our sense of 'accountability', lost our capacity to see the other man's point of view. We also seem to have lost the humility that comes only from strength. The somewhat free use of colourful adjectives in our legislative bodies is but one sign of these newly emerging traits in our national character.

When a legislative proposal for decentralisation (proposed with the intent to centralise power and authority to a greater extent than in the past) cannot be turned to advantage by those who desire genuine decentralisation—and who are in a position to achieve this objective—it may mean one or two things. It could mean that those who genuinely desire greater decentralisation are woolly and vague. Or, it could mean that they cannot bury minor disagreements among themselves even for a major cause, for essentially personal reasons. Perhaps both the above are true to a certain extent. Perhaps we are not very different today from the angle of societal development, from our ancestors two centuries—may be ten centuries—back.

Perhaps we need to realise this point, and initiate a process of serious introspection, since we need a somewhat basic transformation of the national character from the present 'grab as grab can' attitude which appears to permeate our economic and political life.

But then, there is little point in getting to be unduly serious when we are really not in command of the situation. After all, in the history of a nation, a few years lost are of little consequence. Perhaps we should really learn to laugh at ourselves more spontaneously and more universally. When the well dressed gentleman skids off a banana peel, he should start laughing at himself; thereby, he turns the bystanders' laughter into anxious enquiries about whether he has hurt himself. At any rate, we need a sense of humour to keep our sanity. We need a few Laxmans, a minimum of one in every language in this large country, to restore to us our sense of perspective today.

CAPITALSCOPE

A Mirror Election in the Offing

Bhabani Sen Gupta

After a long lapse of time we are going to have a normal election. In an abnormal time, when we are skating along the edges of fundamental change in the Indian political process.

THE Lok Sabha election of 1989 will most probably be a mirror election, reflecting as objectively as an election can the socio-economic changes that have accumulated in India during the last decade and more. This election will not be swayed by a positive or negative wave. Large segments of the voters will have no reason to reject Rajiv Gandhi; perhaps matching segments of voters will not wish to see him back to power. The Congress(I) turns off vaster segments of the voters than does the prime minister, while voter enthusiasm for the coalition mosaic of the opposition parties is, to put it mildly, not effervescent.

The Congress(I) is as much faction-ridden as is the opposition cleaved among its constituents. Candidates of both sides will probably be damaged in an equal measure by internal rivals and inner-party squabbles. The Congress(I)'s enormous resources—money, the official machinery, manpower, organisation, propaganda capabilities, total control of the electronic mass media—are more or less evenly matched by the resources of the opposition chief ministers who are popular, some of them charismatic, in their respective states, the high image of Vishwanath Pratap Singh, and the mobilisational capabilities of the different parties in their respective areas of political influence. Neither side appears to be better equipped than the other to win the voters' minds with purple slogans. If newspaper surveys are to be believed, corruption charges against the prime minister are not likely to turn off vast numbers of rural voters. Similarly, the propaganda flagship of the ruling party, panchayati raj and power to the people, is unlikely to set the minds of the rural voters on fire.

Abnormal Times

After a long lapse of time, we are going to have a 'normal' election.

In an abnormal time. Abnormal because we are skating along the edges of fundamental change in the Indian political process. If political actors look and behave in a Chaplinesque manner, it is because they do not seem to comprehend the fundamental political change that stares India in the face or are not ready yet to acknowledge, and submit to, it.

There is also an air of historical inevitability about the qualitative change that has occurred to our political life. It is beyond human control, and therefore inevitable.

By fundamental change is meant the permanent end of the single-dominant party system or of the hegemony of the ruling incarnation of the Indian National Congress. Also the emergence of a durable multiparty system, the country ruled by a rainbow coalition of different parties, and the thrust of an emerging new alignment of social and political forces pushing the country towards coalition politics at the centre and decentralisation and federalism in political and economic management. To be sure, the transition will take time. The decline and fall of the hegemony of the Congress Party has taken 20-plus years to mature. The process of coalition and decentralisation, however, will work faster, perhaps in a decade.

This election will put an end to the imperial prime minister. Whoever is elected to the highest executive office will not command a brute majority in parliament. He will be lucky to have a good working majority. He will face a strong, vocal, self-confident opposition challenging his rule. Yonder in the land, he will find power shared between his and other parties in a more or less equal measure. He will be obliged to seek consultations and co-operation with the opposition in parliament as well as the opposition chief ministers. Electoral confrontation will probably lead to post-election partnership in governing the country.

It is necessary to note that the single-dominant party system or what Rajni Kothari called the Congress system more than 20 years ago means the Congress Party holding power not only at the centre but also in most of the states. The imperial grandeur of the centre draws substance from power exercised in the states where national, state and rural politics mix and mingle. The hub of India's political life is not Delhi, but the state capitals. That is the main reason why the party ruling at the centre is tempted to bring as many states as possible under its rule.

A party ruling at the centre but not in several states is less than a hegemonic party. From this standpoint, Rajiv Gandhi's first term as prime minister has been loaded with a major contradiction laced with a bitter irony. A majestic majority in parliament has bred in his government, party and himself an attitude and a behaviour that is hegemonic. But the limited range of the Congress(I)'s power base in the states—at one time nearly one-half of the 26 states were ruled by opposition parties—has made hegemonic rule impossible. The opposition chief ministers have often tried to project themselves as constituting an alternative power centre. They have not been entirely without success. The opposition governments in West Bengal, Tripura, Karnataka and Andhra Pradesh, with their successful experiments in democratic panchayat raj, persuaded the prime minister to offer the rural and urban people of India constitutionally guaranteed democratic self-government at the grassroots level. This two-way traffic of ideas and experiments in political management of the country is an

inprecedented event in India's career as an ndependent nation.

COMPLEX INTEGRATION

A complex process of integration has aken place in India between the centre and he states. State politics ceased to be autonomous of the centre as far back as the ate sixties. The coalition government in Uttar Pradesh in 1969 between the party of he late Chaudhury Charan Singh and the Congress Party of Indira Gandhi brought UP and the centre together in a dynamic embrace. A stunning reality of Indian politics is that the party that is rejected by the voters of UP and Bihar cannot aspire to be ruling at the centre. To be able to govern India, a political party must be able to govern most of the Hindi belt.

Sinews of development have knit the states and the centre more closely together than ever before. Science and technology have shortened the distance between the centre and the states and between states and states. The growing demand for federalism, decentralisation and devolution of power and resource from the centre to the states and down below to the basement of the political society is to be seen together with the increasing integration of the Indian state, its steady, if necessarily slow, transformation from a soft to a hard state.

Integration and federalism are not politically contradictory processes, a fact that many Indians refuse to acknowledge. Indeed, federalism and devolution have become essential for further integration of the union as the model of nation-building from above and the command-control style of politics have spent their usefulness and do not answer the demands of micropolitical and microeconomic development which can be attempted and sustained only from below, with effective, continuous popular participation.

This is where the imperial, hegemonic leadership of the Congress Party has had its gravest faultline; it is not in tune with the changing temper of the Indian political society. This leadership has not recognised the inevitability of a multiparty regime in India. Even if non-Congress(I) chief ministers rule in some states, the ruling Congress(I) leadership expects them to submit to the overpowering majesty of the centre. A distinction is made between 'national' and 'regional leaders', when, in reality, a regional leader is also a national leader because he relates the region to the nation and is second to none in caring for national interests as he sees them. Indeed, in the opposition camp, the rising stature and influence of the chief ministers has meant a corresponding shrinking of the importance and influence of 'national' leaders without strong and stable popular support bases of their own. A multiparty political system negates the hypothesis that national psyche, national ethos and national perspectives are manufactured in Delhi alone.

Cultural contradictions of the fading single dominant party system account for the current elite ambivalence about the legitimacy of a multiparty system in the Indian scheme of politics. Four decades of political stability provided by the hegemonic Congress Party have produced an elite mind-set that tends to see in a multiparty system fearsome possibilities of fragmentation of the state, its balkanisation and disintegration. The mind-set places a high premium on a two-party system, and rejects coalitions as a substitute. Indeed, the insecurities of the elites get reflected in the fluids that go to the making of a multiparty system.

ELITE PREFERENCE FOR SINGLE-PARTY GOVERNMENT

Political parties, however, are not to elite wishes born. The seeds are sown by history in the process of accumulated social change. The Indian single dominant party system is a gift of history; the Indian National Congress, having won the freedom struggle, determined to build a nation that it would govern without challenge from other parties. That is how the single dominant party system lasted 20 years without interruption and another 20 years with interruptions and growing erosion. Its demise does not necessarily create a matching national party. The political parties that straddle the Indian scene today have grown partly in reaction to the behaviour of the Congress Party after it became authoritarian in the 70s, partly because the twice-split Congress Party could not keep under its influence large segments of the population getting politicised in a live democracy, and partly because other political parties were able to build their own mass support bases around ideologies and action programmes different from that of the Congress Party. India's diversities were absorbed by the Congress Party when it was a grand coalition of different castes, classes and interest groups. Nehru went out of his way to encourage and defer to what parliamentary opposition then existed and functioned, though he did not hesitate to overthrow the elected communist government in Kerala through means by no means democratic because he was, deep in his mind, afraid of the real threat to the Congress Party's hegemony, a threat that in the late 50s one could see likely to emanate only from the left in coalition with progressive forces growing in the suburbs of the Congress system.

A long period of single-party hegemony has not only made the emergence of a stable coalition of opposition parties difficult, it has also created a subjective gap between the elite mind-set and a coalition which is axiomatically taken to be weak and unstable. Long years of experimenting with nation-building from above have developed an architecture of integration sculpted from Delhi and erected at the initiative and under the leadership of the central government and the power elite.

In general, the power elite in India is profoundly influenced by the ethos of the hegemonic party as well as its political behaviour, even its foreign policy behaviour. This elite watches the disintegration of the hegemonic party with gasps of anguish and horror. It is shocked and even outraged by certain political and ethical lapses of the hegemonic leadership. The power elite does not hesitate to point out and lament these lapses. It even yearns for an alternative. But the alternative must also be 'national'; it

must be able to replace the Congress(I) as a strong and united party under a 'hard' leadership so that it can carry forward the labours of building a hard state.

The elite preference in India for a single-party national government at the centre defies the historical experience of the leading democracies of the world. Even at this time, several European democracies are governed by coalition governments; their stability is not in question even when they go in for mid-term election only to be saddled with returned coalitions. The Fourth Republic in France was characterised by a long history of coalition governments; even in the Fifth Republic, there are at times asymmetries between the political colour of the executive president and that of the majority party in parliament from which is drawn the prime minister. Italy is continuously governed by coalitions. So at this time are the German Federal Republic and several Scandinavian and Nordic countries. Even in Britain, the two-party system is of recent vintage, evolved only after World War II from the womb of the war-time national government. Prior to the war, Britain was ruled by coalitions of both the right and the left-and-the-centre. The European experience does not prove that coalitions prevent the evolution of a hard state from a soft one, or are incapable of dealing with internal strains and external threats and containing centrifugal forces and steadily strengthening national integration.

In India, elite aversion to coalition can be traced partly back to the vertical pillars of the castes on which our society has stood many thousand years. There has been few instances of caste coalitions, but mechanisms of mediation, arbitration and adjudication of interests and demands have been in action throughout the historical period. The vertical pillars of societal division invoke a strong and supreme leader who can keep the pillars together by charisma or force, preferably a combination of both. Now, close to the 21st century, the still surviving cultural hankering for a supreme leader (Mahatma Gandhi was appointed *dictator* of the Indian National Congress in the mid-20s in order to swiftly cement the party's crack after the birth of the Swarajya Party) is challenged by the erosion all over the world of integration models built from above, of the hegemonic systems of governance and economic development. Forces hitherto marked as progressive and integrationist are being found lacking in the substance of democracy without which there can be no stable integration at the micro level. In the coming years, the nation-building engineering of this century, which began with building a socialist superstate in the USSR and culminated in the building of well over 100 nation states in the third world, many of them multinational, will probably be drastically modified and readjusted to ascending demands for decentralisation and devolution of power and resource. The Indian model can be no exception.

Indeed, installation of a coalition of opposition parties in New Delhi will accelerate the process of decentralisation and devolution of power and resource from Delhi to the states and from the states to the rural panchayats and urban municipalities. The really powerful men in the opposition today are the chief ministers who rule in the opposition states; in Vishwanath Pratap Singh, the chief ministers have found a charismatic leader who answers some of the basic requirements of filling the office of prime minister, one of which is that he or she must come from the Hindi belt, or the western states of Gujarat and Maharashtra which are geopolitically linked with the Hindi belt. If the opposition wins the coming poll, it will be because of the rallying capacity of the chief ministers plus the charisma of V P Singh. Leaders without proven mass support base are straw men of Indian politics now. Their ability to make positive contribution to the fortunes of political parties is strictly limited.

Vital Hindi Belt

The great weakness of the Congress(I) is that it does not have a strong gaggle of chief ministers and pradesh Congress chiefs. In December 1984, Rajiv Gandhi was the party's sole campaigner. With an extravagant use of official airplanes and helicopters, he campaigned personnally in 300 constituencies. Since 1985, however, he has not been able to lead his party to a single notable victory in the state elections. If Rajiv Gandhi turns out to be once again his party's single campaigner in the coming Lok Sabha poll, the lesser mortals in the party will have serious cause for anxiety. However, there are unmistakable signs of a revival of chief ministers in the Congress(I) since the party's rout in the Tamil Nadu election in February 1989. Not only has the prime minister not been able to dismiss a single chief minister, he has deferred to several of them and given them virtual run of their states through the next election. It seems that in the nomination of candidates, men like Jagannath Mishra, Sharad Pawar and Narayan Dutt Tiwari will have a substantial voice. After the election, chief ministers will be much stronger in the Congress(I) Party than they have been in the last four or five years, indeed since the Emergency of 1975.

The outcome of the poll will be determined in the Hindi belt. The Congress system began to break down in the Hindi belt in 1967-68, when the party, to the astonishment of most observers, lost control of as many as eight states. Since then, a certain pattern seems to have set in India's electoral politics. The collapse of the Congress(I)'s stable support base in the Hindi belt has imparted tremendous dynamics of instabilities in the party's electoral and political fortunes. Only the intervention of an overpowering event external to normal politics helped the Congress(I) to restore its hegemony; over time, the restoration has tended to be less and less complete. But for the intervention of extra-powerful events, profoundly swaying the minds of the voters, the Congress hegemony would have passed several years before, and the country would have been in the grip of a multiparty system at the centre and in many of the states.

After losing political control of eight states in 1967-68, the Congress led a minority government at the centre as a result of the Lok Sabha poll of 1969 and survived with the support of the communists. In 1971, Indira Gandhi won back the centre partly with her 'socialist' actions and slogans and partly because the lengthening shadows of the Bangladesh and Pakistani crises argued strongly for a strong and stable government at the centre. It was the military victory in the Bangladesh war that enabled Indira Gandhi to restore the Congress system in India, by which, as noted, is meant governing both at the centre and the vast majority of states. But in three years, the Congress system was plunged into a deep crisis; the democratic process itself was suspended with the promulgation of the Emergency regime. In the election of 1977, the Congress was wiped out from the entire Hindi belt. Its domain was now confined to the south.

The Janata Party, created by the sweet gunshot of power, failed to build its base in the Hindi belt. When it collapsed in 1979, it also split into smithereens, and was miserably unable to put up a united fight to the Congress(I) in the poll of January 1980. It was a negative wave that swept Indira Gandhi back to power. However, the Congress system could not be restored. In 1983, the party lost its southern bastions of Karnataka and Andhra Pradesh, and was locked in two serious conflicts with two states, Punjab and Assam.

Though the Congress(I) won an impressive victory in 1980 with 42.7 per cent of the valid votes and 353 seats, its victory in the Hindi belt was shallow. It won 139 seats in five states of the Hindi belt—UP, Bihar, Rajasthan, Madhya Pradesh and Haryana—out of a total number of 214 seats. But in a mere 34 did its candidates win with an absolute majority of votes, and in UP in a miserable number of 5 constituencies. The party's share of the total valid votes in the Hindi belt was significantly lower than that in states like Andhra Pradesh, Karnataka, Maharashtra, Orissa and even Punjab. In Uttar Pradesh it was a mere 35.9 per cent, in Bihar 36.4 per cent, in Haryana as low as 32.6 per cent.

When the Congress(I) lost the south, it faced a mortal crisis because its base in the Hindi belt was far from reassuring. Indira Gandhi got intimation of the danger and swiftly announced the appointment of the Sarkaria Commission to pre-empt the issue of centre-state relations emerging as the dominant theme of the next Lok Sabha poll. Most political observers in India agreed that if the Congress(I) went to the polls with Indira Gandhi as leader, it could at best get back to power with a razor-thin majority, at the worst, lose the election heavily to a

re-emerged coalition of opposition parties.

In 1984, another powerful external factor, the assassination of Indira Gandhi, intervened in the December election and handed over to Rajiv Gandhi the handsomest election victory ever won by the party. The nation was in shock. It felt suddenly insecure. It found in Rajiv Gandhi the promise of national strength and cohesion, of youthful vigour and visions. For the opposition, the disappearance of Indira Gandhi from the political scene meant the disappearance of the only factor that could keep them together in the hustings. A scattered and demoralised opposition engaged in a listless campaign hurting itself more than its rival.

The Congress(I) won a stunning total of 401 seats in the Lok Sabha out of a total of 542. In the Hindi belt, it captured 204 seats compared to 139 in 1980. Commentators pronounced the 'death' of the opposition. What was ignored however, was an important footnote to the massive Congress(I) victory.

In Uttar Pradesh, Charan Singh's DMKP held to 22 per cent of the valid votes, only 7 per cent less than what it had got in 1980. It finished second in 59 other constituencies in UP, in 14 in Bihar and as many as in 10 in Haryana. Students of the 1984 election came to the conclusion that it did not liquidate the support base of the opposition parties, especially of the Lok Dal (the latest incarnation of Charan Singh's party); indeed, the core support structure of the opposition as well as the Congress(I) remained largely intact.

Even with its massive assertion of electoral supremacy in the Lok Sabha poll, Rajiv Gandhi could not restore the Congress(I) hegemony in Indian politics. Three months after the Lok Sabha poll, the electorate, freed from the trauma of Indira Gandhi's assassination, denied the ruling party victory in the states that it had already lost to the opposition parties. The party indeed lost a small state, Sikkim, without any compensation wrested from the opposition parties until in 1987 when it won a single seat victory in Tripura.

In the Hindi belt, the Congress(I) fared significantly worse in the state assembly polls than in the Lok Sabha poll with the sole exception of Bihar. In Uttar Pradesh it lost 40 of the seats it had won in 1980. The Congress(I) share of the valid votes was 39.3 per cent compared to the Lok Dal share of 21.3 per cent. In Madhya Pradesh, the opposition won 70 seats and improved its voting share to 32.4 per cent from the 1980 one of 30.3 per cent. Rajasthan gave the Congress(I) 20 fewer seats in 1985 than in 1980. The Congress(I) fared worst in Maharashtra where the most powerful opposition faction, the rump Congress led by Sharad Pawar, won 54 seats and 17.3 per cent of valid votes. Rajiv Gandhi lost Punjab, Haryana, Mizoram, Kerala and Tamil Nadu to the opposition parties in later elections.

The political management of the Hindi belt showed signs of weakness rather than strength. Bihar, Uttar Pradesh and Madhya Pradesh had three chief ministers each in four years. Rajasthan had four. Haryana's pradesh Congress(I) chief was changed as many as four times. After the party's defeat in Tamil Nadu, Congress(I) MLAS in Bihar virtually rebelled against the chief miniser appointed by Rajiv Gandhi and forced his resignation; the prime minister put Jagannath Mishra in charge of the state Congress(I) after keeping him in the wilderness for four years. Meanwhile, the electorate in the Hindi belt sent alarming signals to the Congress(I) leadership. From the 'mini-election' of the summer of 1988 to the municipal elections in Lucknow and Allahabad in 1989, the Congress(I) lost more than it won at the hands of the voters.

Withering of Congress at Grassroots Level

It is against this backdrop of electoral ebb and flow in its fortunes that the Congress(I) will be facing the electorate again before the end of 1989. Its fatal faultline is the withering of the party at the grassroots level. Districts are the mainsprings of political alignments in India's elections. The Congress was able to dominate district politics in Uttar Pradesh only with the help of coalitions of the dominant castes and communities. The Congress leadership at the state level was able to link the party to dominant rural communities. This, of course, made the Congress dependent on segments of the rich landlords.

The district base of Congress power was effectively challenged in the late 1960s by Charan Singh who weaned away the middle peasant from the dominant party. This constituency of small capitalist farmers form 30 per cent-40 per cent of the state's electorate and belongs to the backward castes. Indira Gandhi's response to Charan Singh's challenge was an effort to combine elements from the top and the bottom of north Indian society—Brahmins, landed groups, the poor and the minorities. The old pattern of aggregating power from the bottom up was abandoned. This pattern inevitably gave importance to state and district factional leaders. It was replaced by control from the top, by the supreme leader who combined party presidentship and prime ministership in a single unquestionable authority. The result was the withering of the influence of state and district leaders. Of the two, district level leaders fared worse. Those who could manage to do so, shifted their station to the state capitals. Others joined non-Congress parties. Some drifted away to business or other occupations. District Congress committees existed only in name during Indira Gandhi's later years as prime minister.

These have not been activated by prime minister Rajiv Gandhi. In his four-and-a-half years and more, even some of the pradesh Congress committees became defunct. It was only in late 1987 that Rajiv Gandhi turned his attention to activisation of pradesh Congress committees. But his failure to hold party elections left him with the lifeless bodies of totally nominated pradesh and district committees. It is doubtful if these bodies and their office-bearers will be of much help to the prime minister in mobilising voters and bring them to the polling booths on election days.

No extraordinary external factor is likely to intervene to create a pro-Congress(I) wave before polling day. A war with Pakistan is as unlikely as one with China. Indeed, with both countries India's relations are on the mend, relieving the security scenario of considerable pressure and denying the national security elite the pleasure of spinning worst possible scenarios to scare the voters.

There is, of course, a dim law-and-order situation in Kashmir, with pro-Pakistani elements playing their role. But the sharp decline of political order in Kashmir is the result of the political-power sharing pact between Congress(I) and the National Conference. It is unlikely that Pakistan will get involved in subverting Indian control of Kashmir before the election or that tension and conflict plumbers at the disposal of the ruling party will be able to build up a threat scenario that will push the voters *en masse* to the polling booths of the Congress(I). At the worst, the centre may put off the election by a few months, thereby hurting its own credibility as winner of the grand contest.

All indications, then, point to a normal 'mirror' election between the autumn and winter. It will also be the most bitterly fought election so far, with no holds barred in the felling of contestants. Invectives will fly like poisoned arrows. Characters will be assassinated freely. Rhetoric of abuse and insult will be hurled in abundance. The dirty tricks department of the ruling party will come up with charges against opposition leaders that are meant to outrage the voters. The opposition will strain its own resource to reply in kind.

These are the wages that the country will have to pay for the final withering of the single dominant, hegemonic party rule. Hopefully, it will rally soon after the election drawing upon the inherent strength of a democracy, the life-force of the nation. No nation's political journey has ever been roses all the way. Landslides, storms, disasters have to be faced and won. India is now in tryst with hard but exciting times.

NEW DELHI

Battle for Self-Reliance in Telecommunications

B M

There are scores of hastily negotiated foreign collaboration deals and dubious import arrangements. Hence clearing the field for indigenous technology and infant production capabilities will be a difficult task.

'MISSION better telecommunications' was launched by the department of telecommunications of the union government as far back as in April 1986. It was subsequently renamed the National Mission on Telecommunications and brought within the ambit of the so-called Technology Missions under the leadership of Sam Pitroda to tackle on a priority basis some of the country's critical societal concerns. Unlike the missions for adult literacy, immunisation and drinking water, the telecom mission was, however, admittedly urban-oriented, even though it was supposed to give special attention to rural communications as well. It was also admittedly the only true *technology* mission in the original sense of the term since the key factor to be brought into play was the introduction of modern digital technology and computerisation in the telecom network. Further, it was a mission which had to be implemented entirely by the central government and the state governments had hardly any role to play.

These specific features of the Telecommunications Mission also determined its scope and priorities. The emphasis to begin with was placed not on the revamping of the entire telecommunications system in the country but improving the quality of service in certain high density sectors in the system, in particular Bombay and Delhi. But the improvements which were proposed to be made were, by the very nature of things, difficult to define or quantify even while the system as a whole tended to decay. The evocative aim of ensuring 'customer satisfaction' was bound to remain elusive. The attempted shifting of priority from increasing what is called density to accessibility failed to make much impression when actually the waiting list for telephones tended to increase at a fast rate. So far as the attempt to improve or enlarge rural communications was concerned, it was inspired by the idea of field testing the C-Dot technology which had been developed during the first leg of Sam Pitroda's technological enterprise after his return to India four years ago. This was expected to pave the ground for wider application of C-Dot technology. The 'C-Dot/RAX Every Day' programme launched in 1988 was intended to be a demonstration of the priorities—self-reliance, customer satisfaction, accessibility—that were claimed to guide the technology mission on telecommunications.

The setting up recently of the Telecommunications Commission with full government powers with Sam Pitroda taking administrative charge of the department of telecommunication as its secretary and by virtue of that occupying the office of the chairman of the Telecom Commission has, however, been claimed to mean that the period of tinkering with the system was over and that the revamping of the entire telecom system had been placed on the agenda. The Telecom Commission may, therefore, be said to have taken over and submerged the technology mission on telecommunications. The celebrated C-Dot project of Sam Pitroda will also shortly lose its separate identity and be merged with the telecommunications research centre of the department of telecommunications to form an autonomous society for R and D purposes under the umbrella of the Telecom Commission. These developments have naturally called for reordering of priorities, establishing new balances and refining linkages in the development of the telecommunication system on a sound techno-economic basis.

The aim of the Telecom Commission as proclaimed by its chairman is to promote technological self-reliance and indigenous production capacities. Imports for the telecommunications sector are planned to be cut to less than 5 per cent of the products that go into the system. The expansion and modernisation of telecommunication services so that they become available on demand and give reasonable satisfaction to the customer is proposed to be achieved on this basis. These are commitments publicly made and have to be honoured. The Telecom Commission claims to have got down to serious business at once with wide-ranging policy and management initiatives, evidently made possible because Sam Pitroda had framed and experimented with a policy package and programme of action well in advance through his work in C-Dot and in the Technology Mission on Telecommunications. Pitorda, it is claimed by those close to him, is now ready to grapple with his wider and larger responsibility of revamping the telecommunications system as a whole. This unquestionably is an important and daunting task of far-reaching significance. The telecommunication system, after all, is a very important service industry.

The setting up of the Telecom Commission, which will plan and co-ordinate the development of this vital service industry, is indeed being proclaimed as the starting point of another 'revolution', the telecommunications revolution. Sam Pitroda is said to have wrested, after a fierce tussle, the office of chairman of the commission from the bureaucracy entrenched in the department of telecommunications (DOT). This is supposed to mark a significant victory of the technocrats over the bureaucracy in the official set-up. But the winding up of the Electronics Commission at the same time must not escape notice. The ways of the government headed by Rajiv Gandhi have always been wayward and are not necessarily influenced by rational criteria. The power of the bureaucracy in the system must not in any case be underrated. This is relevant as much to the telecommunications sector as to the other sectors of industry or infrastructure. Also, the telecommunications ministry remains, even though the Telecommunications Commission is supposed to be invested with full government powers. When the commission was formed a cabinet minister was still in position. He was not expected to cool his heels in that position and merely answer questions in Parliament. Sam Pitroda, after all, is chairman of the commission by virtue of being secretary to the department and not the other way round. The bureaucratic machine thus remains intact even in the telecom department.

Sam Pitroda has reiterated, after taking over charge of the Telecom Commission, his commitment to technological self-reliance, promotion of indigenous production capacities and capabilities and cutting down of imports of products and technologies that go into the telecommunications system. This commitment has, however, been regarded by many with a great deal of scepticism. The past record of the department of telecommunications is hardly reassuring. A problem that is bound also to arise in this context is that any slippage or lag in the indigenous effort for whatever reason will be exploited by the import lobby and the entrenched bureaucracy to deride indigenous efforts and achievements and to reverse the policy direction. The Telecommunications Commission indeed does not have a clean slate to work on. The telecommunications system is badly tangled, held together by incompatibles and cluttered with imported technologies, systems and products.

There are scores of hurriedly made foreign collaboration deals and dubious import arrangements both in the public and private

sectors. It is going to be a difficult task to clear the field for indigenous technology and production capabilities, still in their infancy, to take over and accelerate the expansion and modernisation of the telecommunication network. Will, for instance, the import orders and collaboration deals already made be simply cancelled? It is not going to be easy to get round them either. The complex bureaucratic procedures will take some doing to overhaul. A time-table is claimed to have been set for new tasks and new approaches for R and D, training of personel, farming out of orders for supplies to indigenous enterprises in the country, weeding out of wasteful investment proposals and concentrating on key products—-20 to 30—which are proposed to be produced efficiently in large volumes. How the proposed time—table will work out in practice is yet to be seen.

It is contended in many quarters that it will not be possible to curtail imports to any appreciable extent because domestic production is not picking up at a fast enough pace and there is a plethora of foreign collaboration and import arrangements to meet the pressing demands of the telecom network. There are as many as 113 such collaboration arrangements. Some of them are proposed to be made infructuous by simply not placing any orders on these sources. But many are bound to muscle in on the telecom scene. C-Dot is still not ready to productionise its technology in a big way and end dependence on imported digital switching systems. The Mahanagar Telephone Nigam was set up to expand and modernise at a fast rate telephone services in Bombay and Delhi is also going to pose problems. The lean resources available for investment in the telecom sector, as in all other sectors, have tended to be foreclosed for the modernisation of telephone services in the two metropolitan centres of Delhi and Bombay, the political and business capitals respectively, as it is said, of the country. Even Calcutta and Madras stand divested of their claims on the telephone map of the country. The elitist orientation of the management of the telephone services was indeed embodied in the very charter of the Mahanagar Telephone Nigam. This is very much in tune with the overall development philosophy of the present establishment which, besides its many other features, has a marked weakness for spectacles and extravaganzas at selected points while the national scene as a whole remains drab and depressing.

The moves initiated by the Telecom Commission immediately after its constitution have been rather striking and may even be said to be in tune with the proclaimed commitments of Sam Pitroda. The planning commission has been informed that the proposals for the development of the telecom network during Eighth plan would be reviewed and a modified plan for the telecommunication sector would shortly be prepared and presented. Significant in this context is the decision not to import any switching technology. The telecom development and expansion programme is planned to be based solely on C-Dot technology. The Telecom Commission has also found enough indigenous capacity to meet the target of commissioning 1.5 million lines yearly after 1990-91. C-Dot has given licences to 40 units for manufacturing 20,000 lines each annually. In the small-scale sector alone there exists a capacity to manufacture 6 lakh lines a year. The public sector unit at Mankapur also has a licensed capacity to manufacture 1.5 lakh lines annually. The other two units at Raebareilly and Bangalore have a combined capacity to manufacture 1.5 lakh lines. The country is, therefore, well equipped to manufacture its switching requirements. C-Dot's larger exchanges, with above 2,000 lines, are under test. They are likely to go commercial in another six months. The Telecom Commission proposes to set up four regional production units for the manufacture of larger exchanges of 8,000 lines and above based on C-Dot technology to meet the demand of the larger cities.

The Telecom Commission has also articulated reservations on the utilisation of the World Bank's $350 million loan negotiated in May 1987. The commission wants to renegotiate the loan terms with the World Bank in order to provide for import of components instead of the products listed in the agreement which can be manufactured indigenously. Import of products under the Bank loan, it is being argued, will be detrimental to the development of the domestic telecom industry. It is felt that if the Bank refuses to consider re-negotiation, the loan should not be taken. The World Bank had extended the loan to finance imports for upgrading the telecom network in the four major cities and the long distance links among them. $150 million have already been drawn for import of cables, jelly-filled cables and certain other equipment. But these products can be manufactured indigenously. Hindustan Cables in the public sector is in fact operating at only 60 per cent of its capacity due to lack of orders. The Telecom Commission has, therefore, called for a review of the agreement.

The commission has also decided to activise established capacities in the private sector also for the indigenisation programme. It proposes to procure one-third and eventually one- half of telecom equipment from the private sector during the Eighth Plan period. It is reported to have estimated that the total equipment needs including switching, transmission, terminal and ancillary equipment will be worth Rs 19,240 crore in the next five years, out of which orders worth at least Rs 7,000 crore can be farmed out to private sector firms. This is expected to encourage investment in the manufacture of the equipment. The three public sector companies--Indian Telephone Industries (ITI), Bharat Electronics and Electronics Corporation of India (ECIL)—can be relied upon to take care of the rest. A detailed list of the equipment, com-

ponents and systems required has been drawn up. A meeting with representatives of private industry was held some time ago to discuss the procurement programme. They were asked to take advantage of the procurement plan and discuss their problems relating to the manufacture of switching, transmission, terminal and ancillary equipment. Rough estimates show that industry in the private sector is utilising hardly 60 per cent of its installed capacities.

The ability of the Telecom Commission to maintain the momentum and fulfil its promise will, however, be determined by many imponderables outside its ambit and control. It is likely to encounter many adverse influences and pressures. Already, for instance, when the prime minister, very eager to make all kinds of populist noises and gestures, called for instant installation of telephones for village panchayats, Sam Pitroda was persuaded to respond without due examination of the proposition on a sound techno-economic basis. The development of telecommunications must not be allowed to be influenced by the political populist concerns of the ruling establishment; it must be governed by sound techno-economic and commercial criteria.

Sam Pitroda himself is known to enjoy the confidence and support of the prime minister. His position as the prime minister's technology advisor with the rank of minister of state has given him stature and clout in the ruling coterie. His appointment as secretary of the department of telecommunication by virtue of which he is also the chairman of the Telecommunications Commission is, however, protocol-wise rather odd. A departmental secretary holding at the same time the rank of minister is an unconventional arrangement. But such things pass in Rajiv Gandhi's regime. Sam Pitroda who returned to India four years ago is noted for his expertise in telecommunications. He plunged straight away into development of indigenous technology and its application to India's bedraggled telecommunication system. Those who have watched him at work in C-Dot feel that it could give a decisive start to the upgradation of India's technological standards and capabilities not only in the telecommunications sector but more generally. These hopes were strengthened when Sam Pitroda declared that the R and D labour of his team had laid the ground within a relatively brief period of three years for the commercial application of C-Dot technology for developing and spreading the telecom network both in the urban and rural areas in the country.

But there are some disturbing signals which must not be missed. Sam Pitroda likes to proclaim from time to time a set of priorities for the development of technological self-reliance. He, to begin with, strongly and openly opposed the import of telephone systems from diverse sources—Japan, France, Sweden—which would go against standardisation and economies of scale and rob C-Dot of competitive advantage and destroy its role in the development of India's telecommunication system on a self-reliant basis. However, the powerful import lobby and entrenched bureaucracy in the department of telecommunications went ahead with collaboration deals with foreign interests. A flash-point in these developments was the decision of the telecommunications ministry to import cellular radio mobile telephones or car telephones which Pitroda was bitterly opposing as wasteful. Pitroda suffered another setback when the government decided to spend precious foreign exchange, and that too in a drought year, to import push-button telephones even when capacities existed, albeit with foreign collaboration, for their manufacture in the country. What was ironic was the fact that the import lobby received a boost when the prime minister personally found time to visit a plant in Sweden manufacturing car telephones and made a call to the then secretary, department of communications, from there. The fact is that Pitroda's role as technology advisor to the prime minister has not been as effective as some like to believe. It visibly suffered after he stepped out of the quiet confines of C-Dot and was ready to apply the results of his R and D effort in competition with powerful transnational corporations. This position stood out starkly when Pitroda tried to seek the support of the Indian engineering industry to formulate what he called a charter on technology policy and priorities which he intended publicly to present to the prime minister. The prime minister in his address to the annual meeting of the Confederation of Engineering industry after his visit to Tokyo, however, chose to applaud the special role of foreign capital and technology which mocked at Pitroda's advice.

Pitroda is emphatic that while enterprises based on internal competition may be encouraged in all areas, there is need to protect indigenous enterprise from foreign competition. The prime minister, on the other hand, favours an open door policy for foreign technology and capital. It is not fortuitous that the sensitive area of telecommunications has been an arena of fierce competition from foreign interests. Will this position be corrected in telecommunications at least after the setting up of the Telecommunications Commission headed by Pitroda?. The trouble is Pitroda likes to stand apart from and above the system through which he must function.

In many important areas of industrial and technological enterprise in the country, among them notably fertilisers, steel and heavy electricals, indigenous R and D effort and production capabilities have been emasculated in the past by relying on imports, investment of foreign capital and so-called sophisticated foreign technology. The political leadership, devoid of any wider vision and commitment to the larger interests of the country and the people, has been the spur for perpetuating this state of affairs. The position in this respect has only worsened in recent years.

Pitroda at the head of the Telecom Commission can indeed be made to look silly with his public commitments to self-reliance and minimal imports, for he seems to have hardly any influence on the Rajiv Gandhi government's decision-making process working in favour of foreign technology, foreign capital and liberalised imports. Other distinguished scientists and technologists and experts in various fields have suffered at the hands of the entrenched political power system after basking briefly in glory as private advisors chosen by the prime minister and have been unable to influence official policy along the lines which they proclaim. This is not entirely because of the flippant style of functioning of the prime minister. The fact is that there are powerful influences working behind the scenes which turn official policy in favour of foreign capital and multinationals and control its implementation.

What is also disconcerting in this context is the clever manner in which Pitroda's position and role in R and D work in the telecommunication area has been tended to be diluted. He has been pushed out into areas unfamiliar to him. The so-called 'technology missions' for adult literacy, rural drinking water, immunisation of children and pregnant women, production of oilseeds and dairy development which have been entrusted to Pitroda for implementation are no *technology* missions at all which fall within the domain of his technical expertise. These are admittedly important societal missions of the highest priority. Sam Pitroda readily admits that he has little understanding of Indian society and is not even a serious student of the social and political forces at play in India. The very idea that the application of modern technology and management tools through the bureaucratic-administrative set-up can be relied upon to achieve results in solving societal problems which involve large masses of people is indeed quixotic. Acting on this basis will give, in the absence of structural reforms in society, results opposite to what are claimed as the ostensible purpose of the technology missions which are being carried out with much fanfare but not with impressive results. Pitroda, however, seems to be so much under the spell of his messianic role that he does not hesitate to declare that if he had to choose between the so-called technology missions and the Telecommunications Commission, he would opt for the missions. This speaks poorly of his perception of Indian socio-economic and political reality, for it would be a pity if he allowed himself to be deflected from his true calling of a technocrat and a specialist in his own field of telecommunications. Just now nothing would suit the interests of the telecommunications multinationals and the import lobby within the country than to get him bogged down in the technology missions so that his clout in the telecommunications sector is minimised.

Politics of a Food Crisis

Ashim Mukhopadhyay

Whereas the West Bengal public distribution system requires a lakh and a half tonnes of rice per month the centre's allocation has been far short of this amount. The state government's note to the centre intimating the required amount elicited a peculiar response—a further reduction of the state's share.

A SEVERE crisis confronts the public distribution system (PDS) in West Bengal. There is an acute shortage of foodgrains in both the statutory and modified rationing areas, a problem, almost without precedent since the introduction of the system. To make the situation all the more critical, a substantial portion of the cereals released so far from the central pool is reported to have been labelled as unfit for human consumption or sub-standard by the state food department. While the matter is still under investigation, one can hardly ignore the sentiments of the hundreds of thousands of consumers throughout the state affected by the quality of the rice or wheat they are being forced to accept for their very survival.

It may be mentioned that on July 20 last, the state chief minister, Jyoti Basu handed over three small packets of rice meant for the PDS to the Pradesh Congress(I) president, Ghani Khan Chowdhury who called on him at his chamber. Basu requested Chowdhury to place the samples before the union minister of state for food, Sukha Ram and urge for action against the concerned Food Corporation of India (FCI) officials who dared supply such 'harmful' material. Chowdhury carried the rice packets to New Delhi, but reportedly got no definite answer from the food minister. Anyway, when Sukha Ram himself came down to Calcutta on August 5, he said the rice shown to him was collected intentionally by the state food minister, Nirmal Bose from an FCI stock, marked unfit. Though Sukha Ram has pushed the ball into his opponent's court, the fact should not be forgotten that as a partyman, Chowdhury is not a friend of either Basu or his food minister. Had he not been convinced about the authenticity of the contents of the packets given to him, he would have been the last person to carry it to the centre.

As for the Left Front government, things are steadily deteriorating. In the statutory rationing areas under the PDS, comprising greater Calcutta and the industrial areas of Howrah, Hooghly, North 24-Parganas, Asansol and Durgapur, more than one crore of people are awaiting their weekly supply from 2,745 fair price shops. More than five and a half crore in the remaining parts of the state are fed by modified rationing through 17,045 shops. Nowhere, is the supply adequate and the consumers are far from satisfied about their standard.

A high official of the state food department told this correspondent that whereas the PDS's monthly requirements were 1,50,000 tonnes of rice and 1,30,000 tonnes of wheat, the union government had been allocating 1,25,000 tonnes of rice and 1,26,000 tonnes of wheat for some time. The state government sent notes emphasising its actual need, but in vain. On the contrary, since February, 1988, according to the official, there was a further cut in the supply. By June, the same year it went down still further and since February this year, the monthly quota of rice for the PDS has been reduced to a mere 64,000 tonnes. The monthly allocation of refined rapeseed oil has also been drastically slashed down, from 20,500 tonnes in December, 1987 to 4,100 tonnes in February, this year. In regard to the supply of levy sugar also, the state does not receive its due share. Against the annual requirement of 4.8 lakh tonnes, the supply from the central pool has been around 3.10 lakh tonnes, and the actual arrival has been even less. As a result of such a heavy reduction in allotments, the scales of distribution for foodgrains, edible oil, etc, had to be cut down drastically by the state government, according to the official.

Another aspect of the present crisis is that there is a steady rise in administered prices of rationed articles, though the matter has repeatedly been brought to the notice of the union government. For instance, the price of rice was enhanced as many as seven times within the period October 5, 1982 to January 25, 1989; wheat six times between April 1, 1981 and March 25, 1988; levy sugar eight times from November 15, 1981 to January 1, 1989; refined rapeseed oil five times from February 17, 1982 to September 1, 1988 and kerosene four times from July 11, 1981 to February 5, 1986. "It appears therefore that the centre is not at all interested in helping the PDS in West Bengal, but determined to destroy it", said an official.

This correspondent visited several villages in the South 24-Parganas, Howrah, Hooghly and Midnapore districts and tried to read the mood of the people, mainly those belonging to the poorer sections of the rural community, small peasants, sharecroppers, day-labourers and class IV employees of various government offices, whose meagre earnings have forced them to depend solely on the PDS. Almost everywhere, the ration shops have brought down the scale to half of the actual individual quota. But there is no other alternative. Buying in the open market seems to be a luxury for an office-peon or a marginal farmer. Heramba Das, a day-labourer at Suryapur Hat, near Baruipur in the South 24-Parganas said that there was plenty of rice in the stalls, but even the cheapest variety seems to be beyond his reach as it sells at Rs 5 a kg. Heramba earns only Rs 15 per day and requires at least 3 kgs of rice to feed six people including his wife. His has other requirements also like cooking oil, salt, sugar and fuel.

Indeed, the price of rice is shooting up unchecked throughout the state. From fertile and surplus districts like Burdwan, Birbhum and West Dinajpur to drought prone and scarcity zones like Bankura, Purulia or Howrah, the picture is almost equally depressing. Everywhere, the farm-hands prefer payment in kind because of the poor performance of the PDS and the steadily increasing price of rice and wheat in the open market. At Polba in Hooghly, this correspondent came across scores of day-labourers who would not accept their wages in cash. "Currency notes have no value, at least for the time being. Give us rice and wheat. We want to survive", said Bhagaban Kurmi, a Santhal youth who works as a farm-hand to a local small peasant. According to Bhagaban, his employer understands his problem, but because of his own financial limitations cannot meet his demands regularly. Indeed, rice has become a costly commodity in rural West Bengal, creating more pressure on the village economy than it did in the recent past and thereby causing much social tension and embittering relations among the peasants. At Memari, a middle peasant grumbled over his farm-hands' insistence for payment in kind instead of cash. "I am a poor man. How can I give them rice everyday. Sub-standard rice is not available in open market. I must maintain a quality while paying my employees in kind and this eats up my profit as well as my personal stocks."

Everywhere the panchayat office-bearers and the local leadership of the Left Front are campaigning for payment in kind. Almost everywhere the cultivators are grudgingly accepting the 'verdict', but at places where the employers are too hardpressed or have a good rapport with the panchayat members or local party workers, payments are made partly in

kind. The situation is easily understandable. The failure of the PDS has hiked up the price of rice. In Calcutta, Howrah city and other statutory rationing areas rice is being sold at unreasonable prices. Even the cheapest or the worst variety sells at Rs 5.50 a kg. Small traders at Garia, one of the major wholesale and retail markets in the South 24-Parganas, said that big businessmen have hoarded huge quantities of rice with a view to pushing up the prices further and making bigger profits. They claimed that although the district administration and the police are aware of the mischief no definite action has yet been taken to punish the offenders.

In the statutory rationing areas in greater Calcutta and Howrah consumers are apprehensive that the situation will take a turn for the worse during the coming Durga Puja festival. During the festival last autumn (1988) there was practically no rice in almost the entire south Calcutta for more than a week. The state government held several rounds of talks with the FCI officials and sent urgent messages to the centre, but things did not improve. Scarcity of rice marred the festival.

Given the crisis, the state food minister, Nirmal Bose has decided to buy rice from Haryana and Andhra Pradesh. The quantum to be bought, has not yet been fixed. This however, failed to impress Sukha Ram much who feels that the Left Front government has contributed least to the national food stock and yet demands the 'largest share' out of it. And, during his recent visit to Calcutta he virtually plunged into a war of words with his counterpart in the state government and blamed the latter for politicising the issue. Sukha Ram insisted that in view of the continuing droughts and floods in different parts of the country, West Bengal would have to accept relaxed specifications of rice for its PDS. He claimed that it was not the cut in the quantum of supply by the centre, but the state government's sheer mismanagement that has actually deepened the crisis.

Whatever be the assessment of the union food minister, the question that confronts the man on the street is whether the state government can tackle the situation on its own. It is a fact that the state has to feed more than eight per cent of the national population, while having just 2.7 per cent of the country's total geographical area. Yet, as the state government itself claims "against the target of 105 lakh tonnes in 1988-89, the production of foodgrains is expected to cross the target. This has been made possible by the sincerest and relentless endeavour of Left Front government" [*12 Years of Left Front Government in West Bengal*, a state government publication, June 1989, page 60]. The handbook goes on to say: "During kharif 1988 season it has been possible to increase the production of kharif rice to an unprecedented level of 86.08 lakh tonnes by taking advantage of favourable weather conditions" (page 60). At another place the handbook says: "increase in the productivity of Aus rice is another all-time record in 1988-89. As compared to that of the previous year, the productivity has increased by 40 per cent and total production has gone up to 10.7 lakh tonnes. This represents an increase of more than 64 per cent over 1987-88" (page 61).

If the situation is so bright, why does the state government depend so much on supply from the central pool for the sustenance of its PDS? Why does not it feed the system on its own? And why is it a perennially deficit state? There is another more vital question, cannot the state government impose levy more vigorously on the producers and establish its PDS on an even keel. Under the old system of percentage levy, it was necessary to hand over 50 per cent of produce. At present under the 'contractual levy', only 25 per cent of the yield has to be surrendered. Frankly speaking, most of the producers are violating the contract and evading payment of levy. They are selling rice and minting money. This year's levy target is only 1,40,000 tonnes against an estimated production of over 10 million tonnes and the collection made so far is only about 94,000 tonnes. In 1966, when the total yield was far less, the state witnessed a record procurement of 600,000 tonnes. Whether the Left Front government would pursue the policies of Prafulla Chandra Sen, the then Congress chief minister is, however, a different question. But the truth is that the system of levy, if properly implemented, can be quite helpful in creating a buffer stock to sustain the state's rationing arrangements.

Nowhere in the state is the 'contractual levy, collected with sincere effort. For instance in Burdwan, against a procurement target of 66,000 tonnes only 47,400 tonnes have been collected so far and in Birbhum, only 13,500 tonnes have been collected against a target of 19,600 tonnes,—a target which is much below actual production. Since most of the rice produced in the district is smuggled to Nepal, via Bihar, and Bangladesh, via Murshidabad, neither the state government nor the district authorities should have taken such a lenient attitude towards the producers and traders eating up the profits.

The existing levy system yields practically nothing in the districts of Malda and west Dinajpur, two other fertile zones. No levy has been collected from Malda for about 12 years, as the rice mills there are reportedly not functioning, while in west Dinajpur, rice millers have stopped paying levy since April 26 this year, following a court order. But where does their produce go? Does it sell in the local market at reasonable rates? If so, why do the poor people, mostly marginal farmers, day-labourers and village artisans go without even one square meal a day and why do they migrate to the nearby towns in search of jobs and finally how do truckloads of rice cross over to Bangladesh under the very nose of the Border Security Force and the local police.

The state government, it seems, does not want to be too strict about the collection of levy. As far as the CPI(M) is concerned, its village-based leadership argues that a direct levy has become obsolete, because there is hardly any big farmer left in the countryside. This is apparently true, but the real picture is something different. Individually, there may be only a few big farmers, but land has been evenly distributed among dependable relatives and friends to evade payment of levy, taxes and various other obligations.

That the centre's attitude towards the non-Congress(I) states is far from friendly, is an open secret and that West Bengal is a deficit state in almost all essential commodities including foodgrains is also a fact, admitted openly by the present state government. Yet, since the ruling Left is committed to strengthen the PDS, "for the benefit of the common people and also to curb price rise to a certain extent", it has to take measures to plug the loopholes. There has been a phenomenal increase in the number of both rice and husking mills throughout the state. The mushrooming of the husking mills has been spectacular. State food officials say that there are about 92,000 licensed husking mills in the state and about as many unlicensed ones. Withdrawal of percentage levy and lack of cordoning and strict vigilance by the government has encouraged the owners of these mills to do as they chose . According to the headmaster of a school at Bongaon in the North 24-Parganas district, "husking mills have become a haven for the rural unemployed just as construction of unauthorised buildings tends to be for their urban counterparts in Calcutta". Unauthorised purchase and sale of paddy and rice, by the millers, particularly, the husking mill owners and their clandestine business of smuggling of rice to Nepal and Bangladesh, has created a shortage amidst plenty and thus kept the common man both in urban and rural areas hungry. Those who argue that a direct levy or strict control over the existing levy will raise the price of rice, ignore the truth that, levy or no levy, prices are steadily increasing and that had there been any definite

policy, the state would have a much bigger stock at its disposal .

Every day, tons of rice and paddy loaded in trucks and bullock carts sneak into Bangladesh from the border districts of the North 24-Parganas, Murshidabad, Nadia, Malda, West Dinajpur, Jalpaiguri and Cooch Behar. It is useless to blame the Border Security Force, Bengal Police and other agencies guarding the international border when the state government itself has not had any definite policy about procurement or stoppage of smuggling. The smuggling of essential commodities from West Bengal to Bangladesh has another harmful effect. Both the centre and the state government should note that the continuation of smuggling will benefit the military rulers of Bangladesh who have not yet been able to give the country a sound economy.

The present rice controversy and the crisis of the PDS has also exposed the differences within the Left Front. The CPI and the RSP, two major constituents have openly criticised the government's procurement policies and were later condemned for their action by the Front chairman, Saroj Mukherjee, who also happens to be a key man in the CPI-(M)'s state committee. Significantly, the Forward Bloc, another major partner and an equally vocal critic of the CPI-(M), did not join in the anti- CPI(M) campaign this time, the reason being obvious. They have their own man holding the food portfolio. Anyway, the irony is that each of these parties has thousands of unauthorised millers and clandestine business rackets under its patronage, and is obliged to serve its respective vested interests when required.

MADHYA PRADESH

Group Warfare

Urmila Singh's removal has sparked off another round of confrontation between the Arjun Singh and Motilal Vora factions just when the high command was keen on putting an end to the infighting in the state unit of the party.

URMILA SINGH, the demure chairperson of the Madhya Pradesh Social Welfare Advisory Board, had gone to Bhopal's Raj Bhavan to invite the governor to inaugurate a seminar of women sarpanches. Even as the meeting was taking place, high drama was being enacted at the office of the Social Welfare Board, two km away. A plump, middle-aged lady reached the office, armed with an order issued by the state government a day earlier, and told a surprised secretary of the board that she had come to 'assume charge of chairmanship'.

The lady, Paratibha Chauhan, a Congress(I) activist of Durg, chief minister Motilal Vora's town, did not even extend the courtesy of awaiting the incumbent and accepting charge from her. Neither did she wait for the official copy of the order to be delivered through the proper channel to the board. She was in a hurry to occupy the post, as were the other Vora supporters who accompanied her. For them it was a coup.

Urmila Singh, a Congress(I) MLA, learnt of her ignominious ouster only when board officials swooped on her house that afternoon to whisk away her car and other facilities. She says: "I was taken by surpirse". Her supporters are both surprised and angry. It has triggered off yet another round of confrontation between the Arjun Singh and the Vora groups in the ruling party. For Urmila Singh, appointed chairperson during the previous regime, is considered a supporter of Arjun Singh, while her succesor belongs to the Vora camp. There is consternation in the dissident camp that her removal may be the beginning of the process of replacement of many more chairpersons of various autonomous corporations and boards appointed by the previous regime.

That indeed was Vora's design. It is understood from reliable sources that he has already prepared a list of chairpersons who have to be axed. Most of them, predictably, belong to the dissident lobby. But in view of the rumpus created by the dissidents—they have threatened to take up the issue with the prime minister—he has now decided to go slow. He told a supporter that one change had caused enough commotion for the time being. Obviously Urmila Singh's removal was a test case.

But it was the worst possible choice for a test case. Urmila Singh was the first tribal chairperson of the board in its 36-year-long existence. Says a former minister: "It betrays Vora's contempt for harijans and tribals". Besides the board had done excellent work during her ten-month old tenure. Said an inspection note by the women and child development department of the central government in February this year: "The MP State Board is the best functioning unit of all. It is the only one to have achieved a success in the economic development programmes for women."

Although the Madhya Pradesh government denies any political motivation behind the change, the manner in which she was shunted out leaves little doubt that she was penalised for her loyalty to Arjun Singh while Chauhan was rewarded for belonging to Vora's camp.

Urmila Singh's appointment for a three-year term in September last year was already approved by the Central Social Welfare Board. The state government had also forwarded a list of 21 persons for New Delhi's approval on December 8 last. meanwhile the government changed. But the Central Social Welfare Board approved the old list on April 20 this year and sent it back to the state government for notification.

Instead of issuing a gazette notification, Vora sent another list to the Central Social Welfare Board and finally manipulated to get it approved last month. So secret was the operation that even the department's minister, considered close to the dissident camp, was kept in dark. The chief minister directly passed the order. The minister, Ganga Potai, learnt of the change only after the official announcement.

To make the matters worse, the new board is not a very representative one. Normally, there is supposed to be a continuity in such panels because social workers are not born overnight. But in Vora's list of 26 nominees, only two are old members. The Malwa region has no representation and eminent social workers like Shalini Moghe have been ignored for the first time. Indore, which gets 50 per cent of the grant distributed by the board in the state, does not have a single member.

The dissident MLAs, who met in Arjun Singh's presence recently in Bhopal, complained that Urmila Singh's removal smacked of groupism and political vendetta. The tribal MLAs are planning to call on Rajiv Gandhi to lodge a formal complaint.

Surprisingly, Vora's offensive has come at a time when there are clear signals that the high command now wants to put a stop to infighting in the party in the election year. The replacement of MP Congress(I) Committee chief Chandulal Chandrakar by Shivbhanu Singh Solanki is a clear indication of the new direction.

The dissident camp was pressuring the high command for Chandrakar's removal for quite some time. So he had to go. But his successor is not the dissident's nominee. Neither does he belong to the Vora camp. Solanki is considered non-partisan in the state's group politics. Apparently, in the new phase, the high command would like the two warring factions to train their guns elsewhere. But that is unlikely to happen.

Restructuring Socialist Ownership

Ramnath Narayanswamy

The two phases of the Gorbachev reform show that a process of reform can never be a smooth programme moving along a pre-determined trajectory. On the contrary the process is often contradictory and inconsistent leading either to amendments of the original reform blueprint or to a redefinition of reform objectives themselves.

"THE expression 'social ownership'", wrote Alexander Zinoviev, the Soviet emigre philosopher, "is a logical nonsense. Even in cases where the collective appears to be the proprietor, this is simply a special case of private property; and it is best simply to say 'property' because the expression 'private property' is like the expression 'bread and butter with butter'. In the USSR, the land was given to the collective farms for 'their eternal use'. But the collective farms did not become collective proprietors as a result of this, for they could not sell their land, they could not even manage it at their own discretion."[1] Written by an outspoken anti-Stalinist who came under increasing harassment as a result of which he was finally expelled from the Soviet Union in 1978, these lines could have well been penned by anyone of the numerous protagonists in favour of radical reform who have sprouted in the wake of the Gorbachev offensive. The current phrase—state property is treated as nobody's property—is simply another way of officially affirming that the much-vaunted institution of socialist ownership has effectively become a positive impediment—in the Soviet and east European context—to substantive economic reform.[2]

State ownership, it may be recalled, has for long been considered to be the central pillar of the traditional economy of the Soviet-type—in conjunction with centralised planning and one-party dominance, these three features were canonised in the tortuous evolution of that body of doctrine which until recently went under the name of the 'political economy of socialism'.[3] The fact that this entire body of doctrine is today being repudiated in not only the USSR but other parts of eastern Europe (e g, Poland and Hungary) as well is an instructive commentary on the extent to which the pattern of official discourse has undergone a change in the socialist economies of eastern Europe. This change is perhaps nowhere more evident than in current discussions on the nature and future evolution of state ownership.

Two Phases of Gorbachev Reform

It might perhaps be useful to consider the Soviet debate on resource ownership by first locating it within the context of current reform initiatives in the USSR, especially because the Gorbachev reform must not be viewed as a comprehensive package of measures aimed at simultaneously transforming several aspects of Soviet society here and now, but must rather be seen as an incremental reform process that will inevitably involve several years—even decades—to bring to fruition. Indeed, the very manner in which the reform in the various sectors of the economy and society has been evolving under Gorbachev certainly does much to reinforce this impression.

The entire reform programme was itself not radical to begin with, that is to say, Gorbachev did not begin his tenure as a radical reformer. This is especially true of his first year in office (early 1985 to early 1986) when most of his proposals and actions, despite their encouraging tone, did no more than skirt the surface of the traditional model of state ownership and centralised planning. While calling for decentralisation of economic management, greater enterprise autonomy and more reliance on incentives, Gorbachev carefully avoided the use of the term 'reform', preferring to describe his measures as being directed towards 'perfecting' or 'improving' the economic system rather than substantively overhauling it.

During this period, attempts were made to reinvigorate the economic leadership by replacing ageing ministers, initiating a variety of campaigns against social vices, emphasising decentralisation and reducing the powers of the central bureaucracy. Gorbachev set faster economic growth rates as a priority goal. He called for a big increase in investment in machine building to accelerate the pace of modernisation in industry. The Gosagroprom (the state agro-industrial committee) which replaced a number of agricultural ministries and state committees was created in 1985. In fact, in a speech delivered in Kiev on June 27, 1985, Gorbachev even appeared to assume a strong anti-market posture by declaring that "our approach is to use the advantages of planned development" and "it is not the market, not spontaneous forces of competition but, primarily the plan which should determine the main aspects of economic development".[4]

It was only in early 1986—almost a year after assuming office—that Gorbachev chose to reveal his radical credentials at the Twenty-Seventh Party Congress by specifically referring to not only 'reform' but emphasising 'radical reform' for the first time. By explicitly admitting that partial measures could not bring about desired results, Gorbachev firmly identified himself as a reformer and proposed a variety of measures which included a new procurement system in agriculture which would allow farms to sell not only a significant portion (30 per cent) of their basic output of fruits and vegetables but also all above-plan output on the market at whatever prices they could get, reducing planning controls over consumer goods enterprises by allowing them to formulate their own plans based on contracts with trade outlets with a view to make these plants dependent on consumer demand rather than central planning, and switching over to wholesale trade through which plants could buy and sell goods among themselves through contract rather than through central allocation by Gossnab, the state committee for material-technical supply. Most of these proposals were subsequently translated into decrees in the months following the congress, and despite the fact that Gorbachev's position on the expansion of the private sector, market forces and the acceptance of supply and demand as the guiding lever of the economy continued to remain ambiguous, the idea that only radical reform could steer the country out of its difficulties had from all accounts come to stay.

While the notion of radical reform as a possible solution to the country's economic difficulties began to gain ground, Gorbachev's own definition of radical reform still remained unclear. In other words, what remained unclear was whether Gorbachev's endorsement of radical reform actually implied radical solutions. It was in early 1987 when Gorbachev shifted his emphasis from economic to political reform that provided striking evidence of the new general secretary's commitment to a course of reform which went deep enough to hurt and threaten a wide variety of party and government officials. Gorbachev's declaration at the January plenum that perestroika is possible "only through democracy" and that "this is why further democratisation of Soviet society is becoming the party's urgent tasks" heralded a refreshing departure from traditional solutions which perhaps explains why it was received with considerable surprise by observers focusing their attention on recent Soviet history.

Ownership and Economic Reform: Soviet Debate

It is useful to distinguish between these two phases of the Gorbachev reform if only because they help to show that a process of reform can never be a smooth uninterrupted programme of socio-economic change moving along some kind of pre-determined trajectory. On the contrary, the process is often clumsy, contradictory and inconsistent, as a result of which either the original blueprint itself may have to be subjected to further

amendments and modifications or it might in some cases even lead to redefinition of the reform objectives themselves, especially when problems that were not necessarily anticipated by the reformers arise in the process of implementation. In yet other cases, this could equally result in abandoning the entire attempt altogether which is essentially what happened to earlier reform attempts in most of the socialist economies of eastern Europe in the late sixties and early seventies. The Gorbachev attempt is no exception to this rule: in the past three years, there has been a remarkable shift in the nature of Soviet and east European discourse, of which perhaps the present debate on restructuring state ownership could prove to be most significant.

While the Soviet debate on ownership and economic reform has not succeeded in breaking new ground in the socialist world, its significance lies in the fact that such liberal thinking stands in sharp contrast to the official silence which similar discussions in Hungary and China were met with earlier. Decentralising the state sector with a view to making it more competitive and efficient has not only been a recurrent objective of east European reform initiatives in the past, but it has also proved to be an objective which has invariably proved to be inherently difficult to realise. In the Hungarian and Chinese cases, this led reformers to contemplate changes in the system of ownership, the essential idea behind which was the conviction that genuine reform required fundamental changes in resource ownership as well.[5]

The problem is a crucial one and may be schematically defined as follows: under conditions of state ownership, how can producers be motivated to behave competitively and be induced to economise on resources, explore new markets and develop new products as dynamically as they would under capitalism? Even in Hungary and China, two countries which have gone further than the Soviet Union in reforming their economies, reform successes have been generally restricted to or have stemmed from an expansion of legitimate private and co-operative activity. On the other hand, efforts to streamline the state sector have in greater or lesser measure failed to achieve their objectives. Despite the fact that state enterprises in Hungary do not receive output targets or supply allocations, they nevertheless pay more attention to the central authorities than to their customers or suppliers. This is because they do not face a threat to their survival if they fail to control costs and produce competitive products.

The Hungarian experience therefore suggests that as long as state bodies retain ownership in business ventures and have a stake in their survival, it is almost impossible to prevent them from interfering in their management. This is a problem which Hungarian planners appear to be aware of since the notion of separating the state as owner and the state as regulator by creating state holding companies undoubtedly stems from a desire to reduce managerial dependence on central or ministerial authorities. But there is more: even if state or co-operative enterprises are allowed to retain substantial funds to invest in expansion activities, this still does not help the flow of investment funds between different activities because state enterprises in Hungary still cannot embark upon a line of production by creating a new company (not without considerable difficulty at any rate) or invest in other firms that offer a higher rate of return instead of ploughing profits back to the enterprise. This explains why reformers in Hungary and China not only argue in favour of a further reduction in state regulation, but also advocate the need for the creation of some kind of capital market allowing the issue of bonds and equity shares which would however be confined to workers belonging to firms issuing them.

While the Soviet debate on these questions has not progressed to the extent that it has in countries as Poland, Hungary and China, Soviet economists are coming to increasingly acknowledge the need to accord an important role to individual and co-operative forms of enterprise in the articulation of an effective economic system.[6] It is perhaps not surprising that the Institute of the Economics of the World Socialist System of the USSR Academy of Sciences (IEMSS) headed by academician Oleg Bogomolov, should be primarily responsible for bringing questions of personal motivation and ownership and control of assets within the ambit of public debate. Founded for the study of the experiences of the socialist countries, the IEMSS has had an impressive range of reform-minded specialists as Evgeny Ambartsumov, Antoly Butenko, Gennady Lisichkin and Gely Shmelev.

In an article published in *Kommunist*, the party's theoretical journal, Bogomolov himself argued in favour of developing new forms of capital ownership alongside state ownership.[7] These included individual, family and small-group ownership as well as mixed forms of ownership as state-cooperative, state-industrial and state-capitalist. According to Bogomolov, introducing these innovations would strengthen the links between those who control the use of assets and the incomes of those who do the controlling.[8] Despite the fact that resistance to such revisionist ideas is clearly very great, the significance of the Soviet debate lies in the fact that Soviet economists, planners and ideologues have not only made a start, but also that recent legislation on ownership (as the draft law on co-operatives) bears the imprint of radical ideas which would clearly have been impossible in the absence of such ideas having been absorbed by policy-makers in the higher echelons.

It must however be said—by way of conclusion—that most reform-minded economists and ideologues have yet to convincingly confront the question whether in view of these developments the Soviet economy can still be considered 'socialist'. To some observers, the reformers are paving the way for a mixed economy, while to still others the reforms are imperceptibly leading the socialist countries back to capitalism. Whatever be the outcome, it is useful to remember the gap separating development goals such as those that are officially proclaimed and the actual course of economic development: the future evolution of the Soviet economy may or may not correspond to the expectations of those intent on transforming it. In a similar vein, the eventual outcome moreover may or may not be better than the system that preceded it. Some elements of the projected system might prove to be the most rational and desirable; on the other hand, some may not. These are indeed open questions. What is refreshing amidst these uncertainties is the public discussion of potentially conflicting alternatives, the return to the precedents set in the twenties and the fact that such questions have gradually come to be incorporated into the mainstream of Soviet economic discourse.

Notes

1 Alexander Zinoviev, *The Reality of Communism*, Paladin Books, Glasgow, 1985, p 112.

2 See Philip Hanson, 'Ownership and Economic Reform', REF/RL, April 6, 1988, p 1.

3 For a historical review of the complex evolution of that doctrine see Bernard Chavance, *Le Capital socialiste: Histoire critique de l'economie politique du socialisme, 1917-1954*, Paris, 1980.

4 M S Gorbachev, *Aktivno Deystvovat Ne Teryat Vremeni*, Speeches in Dnepropetrovsk and Kiev, June 26 and 27, 1985, *Politizdat*, 1985 in Werner G Hahn, *Gorbachev and Economic Reform*.

5 See for example Janos Kornai, 'The Hungarian Economic Reform Process: Visions, Hopes and Reality', *Journal of Economic Literature*, Vol 24, December 1986; Tamas Bauer, 'Economic Reforms within and beyond the State Sector', Gyoer Conference Paper, March 1988; W Brus, 'The East European Economic Reforms: Lessons from Experience', Gyoer Conference Paper, March 1988; Du Haiyan, *A Review of China's State Owned Enterprises during the Past Decade, 1979-1989* (unpublished).

6 'Perestroika i uroki khozyaistvennykh reform', *Voprosy Ekonomiki*, No 2, 1988, pp 55-80.

7 Oleg Bogomolov, *'Mir sotsializma na puti perestroiki'*, *Kommunist*, No 16, 1987, pp 92-103.

8 Philip Hanson, op cit, p 8.

Sexual Division of Labour

DN and GK

The division of labour between genders, far from being natural, is ordered by society, and once established acquires the force of law. It is thus forced and not voluntary.

THE division of labour between men and women seems to be the most 'natural' aspect of human society, something that is virtually beyond question, seemingly based on the actually natural (biological) division of labour in procreation. This division of labour, however, is so 'natural' only because it is such an old, pre-historical aspect of human society. But other than the biological division of labour, whereby women alone can bear children and nurse them, there is no other actually natural division of labour in human society. Going further, it can even be said that, since it is precisely labour (the conscious transformation of nature) that distinguishes human society from the rest of the animal kingdom, there is nothing natural in *any* order or division of labour in human society.

The natural reproductive role of childbearing and nursing was at one time thought to be the factor that constrained the 'economic' activities of women, being translated, for instance, into restriction to such activities as gathering, rather than hunting. In one way or another, it is the supposed social construction of the biological fact of a capacity to bear and nurse children that, according to this analysis, is the base of the division of labour. See for example the analyses by Michelle Rosaldo (1974) and Nancy Chodorow (1974). "There is a strikingly uniform division of labour in hunting-gathering societies. The women gather; the men hunt" (G P Murdock, 1968, 335). But even in this division of labour, which itself is not so uniform, neither the effort, skill nor the distance covered in gathering are anything less than that regularly involved in hunting (Coontz and Henderson, 1986, 21). Further, hunting of small game by women is a regular feature of foraging tribes, including the Birhor of Jharkhand (Jyoti Sen, 1966). The ritual 'jani shikar' (women's hunt) of the Oraon, Munda, Santal and Ho suggests an earlier period when women of these tribes may have regularly participated in hunting, a participation that subsequently became ritual as weapons came under male monopoly.

Recent evidence on the Agta of the Philippines has challenged the 'incompatibility of female reproductive roles with hunting' (Mukhopadhyay and Higgins, 1988, 476). In the study as summarised in this review, it is pointed out,

> There most women in every age group including pregnant, menstruating and lactating women, hunt regularly. Men and women take hunting trips of similar distance and duration; kill the same range of animals, including large animals; and work in mixed-sex as well as same-sex teams. Although pregnant women and women with children under six months reduce their hunting somewhat, the peak years of female hunting activity coincide with their prime childbearing years. Women themselves say hunting is no more incompatible with childcare than other subsistence activities; nor, they say, is carrying babies on hunting trips a handicap.

Even the exclusion of women from "the individualistic hunting of large mammals seems to be closely related to the making and using of hunting weapons and associated with economic and/or religious ideas" (Watanabe, 1968, 74). Further, for the Agta, "Among women who do not hunt, lack of hunting dogs rather than incompatibility with childcare is the most frequently cited explanation" (Mukhopadhyay and Higgins, 1988, 476). Whether it is hunting weapons or hunting dogs, it is the economic factor of lack of access to such resources that affects participation in hunting rather than any natural limitation. As pointed out, "There is now no evidence of any absolute constraints that prevent women—regardless or their reproductive state—from performing any activity performed by men. If none can be observed, then 'constraints' should be recognised as preferences. . ." (Mukhopadhyay and Higgins, 1988, 476).

The division of labour between the sexes, even in the early stage of foraging, is then anything but natural, nor even any extension of the natural. Irrespective of whether the division of labour was initially consciously decided upon, or was stumbled upon accidentally, once established as a social norm, the division of labour acquires the force of a law. The division of labour is then not voluntary but is forced. In the manner that it is not voluntary, the division of labour acquires the status of a 'natural' force.

What is the meaning of the division of labour in terms of the relations between those performing the (two) different spheres of activity? Since these are two parts of what is a whole, social labour, the two genders must, along with the division of labour, simultaneously establish a relation with each other, i e, a relation of production and its concomitant, one of consumption. As Marx and Engels pointed out in *The German Ideology*, "...the *division of labour* implies the possibility, nay the fact, that intellectual and material activity, that enjoyment and labour, production and consumption, devolve on different individuals, ..." (1976, 45).

The social division of labour, or, to put it in other words, the formation of the two genders of men and women, is then not a neutral matter. It is a social and not a merely technical division of labour. Further, the division of labour between the sexes is not merely a family matter. Established within the family it exists in the extra-familial, social sphere too. The exclusion of women from the political or social sphere, as, for instance, observed among the Jharkhand tribes is a feature of the social division of labour into the 'public' and 'private' domains (Rosaldo and Ortner, 1974).

What is this social order, this relation of production? It is but another term for property. Involved in this relation of production are both the control and disposition of labour power and also the distribution of the products of labour. It is for this reason that the division of labour in the family is referred to (in *The German Ideology*) as the first form of property.

> This latent slavery in the family, though still very crude, is the first form of property, but even at this stage it corresponds perfectly to the definition of modern economists, who call it the power of disposing of the labour-power of others. Division of labour and private property are, after all, identical expressions: in the one the same thing is affirmed with reference to activity as is affirmed in the other with reference to the product of the activity (1976, 46).

A division of labour, including the primordial division of labour that created the two genders of men and women, is, then, a form of property. In fact, it is the form of property. Or, to put it another way: the family, as the social institution within which the division of labour between the genders is expressed, is itself a form of property. This point, expressed so forcefully in *The German Ideology*, has been reiterated by some feminists. Christine Delphy, for instance, points out, "They [women] are neither selling what they produce for money, nor their labour for a wage. Their labour power is being given in return for maintenance" (1984, 38). And again, "Consequently, as soon as a 'lot' is attributed to women, blacks or proletarians (the 'lot' consisting not of tasks but of jobs and thus relations of production) *the hierarchy (the valuation* in Leclerc's terms) is set up. It is not established after, nor independently, but in and by the very process of attributing 'lots'; by the social, not technical division of labour" (207).

That a division of labour is not something neutral but inevitably connected with particular relations of production, can be seen in the role of certain taboos or prohibitions. For instance, in all the agriculturist (cum-forager) tribes of Jharkhand there are universal taboos against women ploughing, or even touching the plough, and against women roofing the hut. The very strong taboos against such activities are themselves understandable only if such activities had

in fact been carried out by women in an earlier period. Prohibitions, enforced with dire sanctions, were necessary to enforce a new division of labour. Since some manner of force (perhaps only a ritual force) had to be employed to establish the new division of labour, this could only have been possible if those enforcing the new division of labour already had force at their command, i e, already had a hierarchically higher position. Thus, hierarchy did not follow. Rather, the hierarchy was the pre-condition for, or at least, the necessary concomitant of the new division of labour. Of course, once established, the new division of labour has additional consequences in strengthening the hierarchy. But, it must be emphasised, the hierarchy is not established by, or not the result of the division of labour. Rather, the hierarchy and the division of labour go together. They are two parts of a whole, of a relation of production, or, in an equivalent expression, of a form of property.

If hierarchy and the division of labour are not simultaneous, then, if anything, it is hierarchy that precedes the division of labour. Both together are the consequence of a form of property, but it may be that prior seizure of political power was necessary in order to establish fully a particular form of property. This point was made in a slightly different fashion in a study of 'Band Societies', where it was pointed out by Annette Hamilton (1982, 92) "it is in the realm of the 'religious' that the first hints of truly 'economic differentiation' are to be found". This is no contradiction of the materialist position; what it does mean is that changes in ritual status (i e, power) may anticipate changes in production relations.

The strong prohibition against women ploughing must be seen in the context of the known importance of women in hoe agriculture, where the main instrument (the digging stick that became the hoe) was generally employed by women. Further, in the agriculture prevailing in Jharkhand women play the major role in all agricultural operations, other than ploughing. Overall, their contribution to even field labour itself is more than that of men. The social prohibition on women ploughing is (crucial) to establishing (justifying) men's right to the land. The prohibition is a way of establishing a division of labour, which implies both a (political) hierarchy and a form of property.

The prohibition of roofing, again, is a way of emphasising men's superiority in the home and women's dependence on them for a home. Is there any such or similar prohibition among the forager (hunter-gatherer) Birhors and hill Korwas? Both make houses of leaves and sticks arranged into a conical, tent structure. Birhor men and women together participate in all activities, including hunting (which, at least now is restricted to small game). There are no reports of any prohibitions like that on women doing the roofing, and with their minimal division of labour and in the absence of any property relation to land, it is highly unlikely that there would in fact be strong prohibitions of this kind.

As against the above analysis of the division of labour, following from the approach in *The German Ideology*, Engels in *The Origin of the Family, Private Property and the State* holds that in the phase of society preceding the establishment of private property, "They [men and women] are each master in their own sphere: the man in the forest, the woman in the house" (1972, 218). The 'world historic defeat of the female sex' is identified with the change from the earlier position, in that "The man took command in the home also;..." (120).

The same point is repeated by Eleanor Leacock who, studying foraging band societies, finds a clear-cut division of labour operating, but holds that women and men were 'separate but equal' (1981, 136). According to her, "...women were autonomous in egalitarian society—that is, they held decision-making power over their own lives and activities to the same extent that men did over theirs..."(134). Maria Mies goes further in holding that "Such a division [of labour between men and women] is a necessary consequence of all human interaction with nature" (1988, 69). So the question is not "When did a division of labour arise between men and women?" but rather "How did this division of labour become a relationship of dominance and exploitation; and why did this relationship become asymmetric and hierarchical?" (69). Leacock finds inequality or hierarchy arising from the shift in the nature of production—the shift from production for use, to production for exchange introduced by colonialism. For Mies the asymmetric division of labour arises from the 'qualitatively different bodies' with which men and women act upon nature as a result of which 'women and men appropriate nature differently' (1988, 73). (A new twist to Freud's "Anatomy is destiny"?).

Even, however, in a situation where each is 'master'(!) of an own sphere, there will still be domination of one gender over the other and control of labour power. One of the spheres, the so-called public sphere of men, of war (politics) and the forest dominates the other sphere, the so-called domestic sphere of women. Such a division of labour, therefore, does not preclude a relation of dominance. On the contrary, as it is pointed out in *The German Ideology*, with a division of labour there will inevitably be an *'unequal* distribution of labour and its products' (46). Such a relation of production necessarily accompanies even this 'primitive division of labour' between the sexes.

At the same time, the existence of some degree of autonomy within the dominated sphere, does give a certain measure of dignity to the woman. This dignity is completely lost when the man takes 'command in the home also'. This taking 'command in the home also' is the final point in the 'world historic defeat of the female sex', the defeat which fully enslaved women and established patriarchy, but it is not its starting point. The starting point of this world historic defeat of the female sex is the establishment of the division of labour that created the two genders, men and women.

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REVIEW OF INDUSTRY AND MANAGEMENT

Real Wages and Productivity in Industry

A Disaggregated Analysis

Bagaram Tulpule
R C Datta

This paper examines the behaviour of real wages, productivity and the share of wages in the value of output and value added in industries such as the sugar, cotton textile, paper and paper products, petroleum refining, cement, leather, iron and steel and coal mining over the period 1967-84.

IN an earlier paper [*EPW*, October 29, 1988] we tried to examine the behaviour of real wages, productivity, and the share of wages in the value of output and value added by manufacture (VAM) in the factory sector of Indian industry over the period 1961 to 1983. We also compared the real wage series with the series of per capita national income at constant prices over the same period. In the present paper we try to make a similar examination of real wages and productivity for some major industries and explore some other aspects. The industries we have taken for study are (i) sugar, (ii) cotton textile, (iii) paper and paper products, (iv) petroleum refining, (v) cement, (vi) leather, (vii) iron and steel and (viii) coal mining. The data are taken from several sources such as the various issues of *Annual Survey of Industries* (ASI), *Monthly Abstract of Statistics* (MAS), *Hand-Book of Labour Statistics* and so on. The period covered is 1967 to 1984 except for coal mining for which data for a much longer time series, 1960 to 1985 was readily available.

No particular merit is claimed for this selection of industries from the factory sector. The general idea was to include the larger and more important industries and also some small ones, and that the output of each of the selected industries should be more or less homogeneous. These seven industries account for a sizeable proportion of the total factory sector: 26 per cent of the invested capital, 20 per cent of the employment, 23.7 per cent of the total emoluments of the employees, 26 per cent of the value of output and 20 per cent of the VAM, all in 1984. Clearly, but unintentionally, the group is somewhat biased towards higher emoluments since it accounts for 20 per cent of the total employment but 23.7 per cent of the total emoluments of the employees.

There is, perhaps, another unintentional bias in this group of industries. With exception of leather, these industries are subject to considerable administrative and policy interventions of government including in matters of pricing, distribution, wage bargaining, management, etc. Such government intervention may have affected the different variables studied here although it is difficult to say how far and in what way without further research.

The data collected are given in Table 1. For coal mining all the data are set out in Table 2. From these data, real wages and their indices are calculated and shown in Table 3. Table 4 gives the ratios of wages to value of output and VAM at current prices. Table 5 shows the 3-year averages of the various parameters at the start and end of the series and the rise or fall therein. Since sugar is a seasonal industry, the total output and wages earned by workers depend upon the length of the crushing season as well as upon the wage rate. The crushing season varies in length considerably from year to year. Hence, for calculating the money wages, total wages earned are divided by the worker-days worked and not by the number of workers. The daily wages thus derived are then converted to real wages and index of real wage derived therefrom.

Admittedly, there are several gaps in the data we could collect. Besides, at some places, the figures given in the ASI do not appear to correct. In spite of these gaps and possible inaccuracies in the figures, we have tried to interpret the data and derive some conclusions from them.

Real Wages

It will be seen from Tables 2 and 3 that in all the industries studied, the overall trend is of rising money and real wages. While in coal mining real wages have risen almost continuously between 1960 and 1985, those for most of the other industries studied show considerable ups and downs during the much shorter period of 1967-84. Moreover there is also a broad pattern in these ups and downs. After real wages rose moderately from 1967 to 1973, there was a small set-back for a couple of years or so before the rise resumed to reach a peak around the year 1979. Again from 1980 onwards, there was a distinct fall in real wages for about 3 or 4 years before they recovered in 1984 to the level, more or less, of 1979.

The real wage series for petroleum refining shows an inexplicably sharp drop during the period 1980 to 83. This may perhaps be the result of some errors in the ASI figures.

Excluding sugar which is a seasonal industry and annual earnings in which are not comparable to those in other industries, leather and tanneries shows the lowest real wages in the group of industries studied while petroleum refining shows the highest. Cement and iron and steel also show relatively high figures of real wages.

The average annual real wage for all industries in the factory sector in 1967 was Rs 1,215. In the present group the real wages in paper and paper products and leather and tanneries were below the all-industries average in 1967. These two industries also stood below the all-industries average in the year 1984.

Table 3 also shows that the extent of increase in real wages in different industries is far from uniform. Taking 3-year averages at the start and end of the series, it is seen that the total rise in real wages for all industries is about 51.5 per cent over the period 1967-69 to 1982-84. Real wages in coal mining have risen by as much as 88.8 per cent during the same period. Iron and steel also shows a large rise of 71.3 per cent. The rise in sugar and cement is just about equal to the all industries average while in cotton textile, paper and leather, the increase is much lower than the all industries average. Ignoring petroleum refining for which the correctness of the figures for the last several years is suspect, the lowest increase in real wages is registered by leather and tanneries.

This picture of real wages and relative increases in them suggests that the two factors (1) importance of an industry in the national economy and (2) bargaining power of workers in the industry, are the most important determinants of real wages and, more importantly, of the rate of increase of real wages. In coal mining and iron and steel, both these factors have been conspicuously at work with the result that real wages in these two industries have registered most rapid increase. Indeed, in coal mining, the increase must be viewed as remarkable, for, while in 1960, real wages of coal miners were some 5 per cent lower than the factory sector average, in 1984, they stood over 45 per cent above that average. At the other end, leather does not stand high on either of the above mentioned counts and hence,

TABLE 1

Year	Invested Capital (Rs Lakh)	Fixed Capital (Rs Lakh)	No of Workers (000)	No of Employees (000)	Total Wages (Rs Lakh)	Total Emoluments (Rs Lakh)	Value of Output (Rs Lakh)	Output Quantity	VAM (Rs Lakh)
All Industries									
1967	957800	644900	3883	4716	81100	121500	930800	—	211300
1968	1067800	734000	3952	4825	87900	135600	1037800	—	230500
1969	1165700	793900	4103	5031	96600	147800	1205500	—	277600
1970	1310400	875200	4231	5216	108000	167400	1376800	—	313900
1971	1424600	914300	4393	5436	121300	188500	1527300	—	343800
1973	1717200	1075900	4660	5520	156800	249900	1957000	—	463300
1974	2148700	1192200	4762	6053	182300	305200	261000	—	608200
1975	2321700	1402900	4696	6381	214900	346900	2986700	—	6387100
1976	2660400	1617100	5210	6649	207000	363700	3409100	—	731100
1977	2975000	2015400	5541	7094	253300	418300	3892000	—	811600
1978	3515400	2288600	5667	7248	303400	461200	4434400	—	955400
1979	4158800	2683000	5962	7688	351000	537200	5225800	—	1986400
1980	4688000	2990000	6046	7715	394500	609700	6108400	—	1192900
1981	5399100	3470300	6105	7779	439400	677800	7367200	—	1455500
1982	6299200	4100600	6313	8010	514800	804600	8623800	—	1667800
1983	7249400	48606	6159	7824	592100	921800	9353700	—	2113700
1984	8050200	5484200	6091	7872	675700	1066000	10556600	—	2088700

Year	Invested Capital (Rs Lakh)	Fixed Capital (Rs Lakh)	Workers (000)	Employees (000)	Wages (Rs Lakh)	Emoulments (Rs Lakh)	Value of Output (Rs Lakh)	Output Quantity (000 Tonnes)	VAM (Rs Lakh)
Iron and Steel (330)									
1967	150251	112217	246	312	7669	11626	70463	—	13096
1968	154310	114815	231	305	7947	12568	77033	—	15957
1969	157461	112772	248	324	8654	14012	87469	—	17751
1970	160391	116343	245	320	9732	16090	99399	—	21822
1973	133363	83946	176	231	10150	17562	109070	5679	23854
1974	138556	76204	138	200	11591	19079	140724	5567	36261
1975	253228	162912	186	252	15792	24852	184020	6554	43698
1976	280342	180654	181	247	16021	25136	200032	7708	45655
1977	286034	198094	193	268	17145	28241	218958	8199	41577
1978	310322	218326	204	290	19357	29909	288700	8289	56900
1979	427941	289623	215	294	25061	37602	364400	8267	62400
1980	499816	328225	234	308	27121	40076	443048	7796	80413
1981	632601	412063	245	326	31119	46558	595800	8847	121800
1982	726836	483840	236	318	35865	53654	684312	9028	117778
1983	789101	559999	245	328	41417	61785	664372	8375	131751
1984	917663	665506	282	384	56395	87421	836999	8550	123826
Cement (324)									
1967	13937	9641	28	36	257	1288	13169	—	3493
1968	15063	10711	28	36	829	1457	13779	—	3262
1969	15890	11274	28	36	870	1543	16796	—	3993
1970	19884	14693	29	38	867	1601	17409	—	3866
1973	21906	14366	35	46	1417	2452	21361	1251	3296
1974	23390	15156	32	43	1694	2837	25181	1189	4114
1975	27620	17862	35	46	2249	3561	35872	1354	7067
1976	28012	18913	35	46	2236	3649	40494	1861	7969
1977	28746	19911	36	46	2341	3822	43825	1598	10296
1978	32413	22651	34	44	2739	4218	45606	1636	9281
1979	28039	41106	39	51	3209	4952	52000	1520	10100
1980	54786	29835	43	54	3682	5634	58974	1483	9722
1981	71054	53234	45	57	4177	6335	69600	2077	11200
1982	93886	69600	51	65	5663	8519	123068	2250	35865
1983	135539	103999	52	66	6841	10345	150676	2536	40952
1984	148808	108369	53	69	8165	12382	198416	2916	52322

Year	Invested Capital (Rs Lakh)	Fixed Capital (Rs Lakh)	Workerdays (Lakh)	Employees (000)	Total Wages (Rs Lakh)	Emoulments (Rs Lakh)	Value of Output (Rs Lakh)	Output Quantity (000 Tonnes)	VAM (Rs Lakh)
Sugar (206)									
1967	25590	12729	261.5	—	1688	2714	24965	2247	4536
1968	31504	14151	261.5	—	1869	3000	45560	3557	7541
1969	42753	15023	336.5	—	2435	3837	59420	4261	11401
1970	52019	16011	348		2728	4417	55789	3740	9232

(Contd)

	Invested Capital (Rs Lakh)	Fixed Capital (Rs Lakh)	Worker Days (Lakh)	Employees (000)	Wages (Rs Lakh)	Emoluments (Rs Lakh)	Value of Output (Rs Lakh)	Output Quantity (000 Tonnes)	VAM (Rs Lakh)
ar (contd)									
3	49073	19928	299	—	3183	5579	71347	3183	9390
4	56572	23842	296	—	3522	6266	80139	3304	10302
5	76880	27831	478	—	5086	8970	108512	3997	13462
6	72625	31839	473	—	5125	8963	96433	3550	14890
7	99973	40509	501	—	5307	9688	107516	4035	13755
8	129656	47944		—	7232	11559	134600	5392	15500
9	131710	52241	409	—	7811	12583	125300	4870	15800
30	103254	56283	349	—	7783	13019	120648	3220	15732
31	111493	59801	385	—	9557	16032	196700	4290	28900
32	196094	60785	469	—	13803	22850	293329	7030	45980
33	249192	71568	491	—	16105	25743	198461	6860	51410
34	209261	88522	432	—	15801	29093	238427	4930	44507

r	Invested Capital (Rs Lakh)	Fixed Capital (Rs Lakh)	Workers (000)	Employees (000)	Total Wages (Rs Lakh)	Emoulments (Rs Lakh)	Value of Output (Rs Lakh)	Output Quantity (Mn Metres)	VAM (Rs Lakh)
tton Textile (231)									
67	99446	50822	966	1059	24300	31500	169651	4097	44278
68	107177	53541	1051	1165	26930	33833	182902	4366	45755
69	110953	53764	1038	1152	27744	34372	195994	4168	50471
70	112631	52770	1021	1131	29550	36709	207427	4157	54318
73	106130	43074	720	804	30634	37829	205055	4169	68392
75	127280	54355	749	839	42178	53179	253916	4032	62286
76	135875	58603	729	818	40894	50375	294619	3881	67329
77	155489	64576	744	834	43530	58564	350062	3223	81429
78	169456	73310	783	876	52947	64082	394700	3251	106600
79	183962	83217	776	873	58412	71659	409600	3206	121800
80	205220	110108	733	823	62855	76618	438200	3476	122819
81	219331	109202	675	756	61871	74823	437200	3147	109100
82	255848	139624	707	799	69030	84820	481810	2258	103811
83	297985	167928	739	828	83340	101511	549921	2704	131626
84	320987	183655	671	757	84122	103348	569799	2573	118771

ar	Invested Capital (Rs Lakh)	Fixed Capital (Rs Lakh)	Workers	Employees	Wages (Rs Lakh)	Emoluments (Rs Lakh)	Value of Output (Rs Lakh)	Output Quantity (000 Tonnes)	VAM (Rs Lakh)
troleum Refining (304)									
67	17080	14236	6223	8935	312	647	13872	—	3365
68	17248	14577	6325	8940	362	783	21998	—	4203
69	18482	15511	7041	10035	446	886	23462	—	4352
70	22467	18562	6877	10705	507	1079	26730	—	4759
73	17549	12260	4750	7550	462	1014	34657	1594	4397
74	28059	14372	5630	9510	694	1535	99994	1617	8447
75	35533	18743	5265	8686	655	1732	123002	1697	8978
76	39302	22234	6069	9667	857	1832	150489	1766	15335
77	38824	22330	5967	9593	974	2054	192880	1900	19406
78	50529	23767	6000	10000	1167	2200	200500	1996	11400
79	70483	24323	6600	10000	1218	2242	265700	2197	13500
80	138307	27076	10316	17336	1220	2218	365915	1966	15966
81	173801	59855	11700	20000	1289	2587	503600	2298	22200
82	184890	81118	33900	38774	3986	5893	689947	2500	45285
83	238701	109721	12145	17539	2410	4740	641144	2692	15274
84	285979	134082	10650	16403	2764	5844	729063	2747	28929
per and Paper Products (280)									
67	18740	13793	61	75	1217	1951	14465	—	3664
68	19159	14082	55	70	1225	2070	16004	—	4071
69	20697	14916	58	73	1508	2591	19052	—	5520
70	23343	15903	61	77	1717	2978	22743	—	7229
73	24914	16703	57	72	2096	3552	27394	687	8036
74	34093	21697	59	75	2587	4611	45156	778	16889
75	37373	24470	60	77	2710	4936	43097	721	14655
76	39641	28299	62	79	2962	5120	42882	778	12467
77	45911	33144	74	92	3700	6310	50312	813	14211
78	47391	35034	70	89	4478	6915	54900	863	14900
79	63510	43066	79	100	5323	8406	72700	881	18900

(Contd)

TABLE 1 (*Contd.*)

Year	Invested Capital (Rs Lakh)	Fixed Capital (Rs Lakh)	Workers (000)	Employees (000)	Wages (Rs Lakh)	Emoluments (Rs Lakh)	Value of Output (Rs Lakh)	Output Quantity	VAM (Rs Lakh)
Paper and Paper Products *(contd)*									
1980	85114	63634	82	105	6217	9546	85511	922	19940
1981	103354	77618	85	109	6990	10983	103500	1052	23710
1982	125600	95705	92	120	7388	11684	102751	1108	15619
1983	152269	121148	85	113	8148	12822	123037	1081	19278
1984	199300	159600	84	111	9113	11411	164893	1297	31375

Year	Invested Capital (Rs Lakh)	Fixed Capital (Rs Lakh)	Workers (000)	Employees (000)	Wages (Rs Lakh)	Emoluments (Rs Lakh)	Value of Output (Rs Lakh)	Output Quantity (000 Tonnes)	VAM (Rs Lakh)
Leather (290)									
1967	1886	390	16	19	283	377	6773	—	729
1968	2377	527	18	20	307	416	7579	—	840
1969	2563	714	16	19	316	436	7919	—	737
1970	1901	478	11	13	230	334	4552	—	625
1973	3521	871	17	21	468	635	13282	—	1129
1974	4782	1480	18	21	531	770	14680	—	1841
1975	5718	1559	18	22	614	881	16827	—	1855
1976	8675	2796	23	27	825	1185	27056	—	2633
1977	9797	3186	22	27	781	1104	25134	—	2507
1978		4055	24	33	1056	1391	36100	—	3300
1979	16460	5434	26	32	1211	1645	36500	—	4500
1980	15550	5498	25	30	1227	1920	38910	—	3692
1981	17502	6160	27	32	1512	2044	42900	—	3900
1982	17852	7352	25	31	1606	2238	41631	—	4292
1983	20889	8425	26	32	1817	2507	44904	—	6939
1984	20984	7985	30	36	2195	2966	57172	—	7024

Source: (1) ASI, different years.
(2) Output Quantity from Monthly Abstract of Statistics, different numbers.

TABLE 2

Year	Average Weekly Earning Per Worker (Rs)	Average Annual Earning Per Worker (Rs)	CPI (Jharia), 1960=100	Real Wage Per Year at 1960 Prices (Rs)	Index of Real Wage, 1960=100	No of Workers (000)	Total Coal Production (Lakh Tonnes)	Output Per Worker Per Year (Tonnes)	Index of Productivity
Coal Mining									
1960	23.56	1133	100	1133	100	411	—	—	—
1961	23.56	1133	100	1133	100	433	561	136	100.0
1962	24.36	1169	103	1135	100.2	451	6321	146	107.4
1963	26.63	1278	109	1173	112.8	431	650	144	105.9
1964	26.71	1282	124	1034	91.3	425	627	145	106.6
1965	31.18	1497	142	1054	93.0	425	672	158	116.2
1966	34.56	1659	159	1043	92.1	425	680	160	117.6
1967	46.31	2223	188	1182	104.3	414	682	165	121.3
1968	49.77	2389	175	1365	120.5	395	708	179	131.6
1969	52.31	2511	171	1488	129.6	396	754	190	139.7
1970	54.19	2601	182	1429	126.2	392	737	188	138.2
1971	56.27	2701	186	1452	128.3	382	718	188	138.2
1972	60.17	2888	199	1451	128.1	410	757	185	136.0
1973	72.16	3464	239	1449	127.9	475	771	162	119.1
1974	86.60	4157	327	1271	112.2	505	841	167	122.8
1975	119.87	5754	310	1856	163.8	522	962	184	135.3
1976	117.80	5616	283	1985	175.2	510	1010	198	145.6
1977	126.44	6069	313	1939	171.3	497	1001	201	147.8
1978	131.18	6297	315	1999	176.5	497	1019	205	150.7
1979	135.00	6480	332	1952	172.3	499	1038	208	152.9
1980	141.16	6776	368	1841	162.5	499	1091	219	160.8
1981	204.96	9838	412	2388	210.8	513	1231	240	126.5
1982	240.24	11532	456	2529	223.2	530	1285	242	177.9
1983	239.88	11515	512	2249	198.5	535	1348	252	185.3
1984	301.67	14480	517	2801	247.2	550	1445	263	193.4
1985	327.13	15702	530	2963	261.5	551	1499	272	200.0

Source: Indian Labour Statistics, different years.

TABLE 3

Year	Total Wages (Rs Lakh)	No of Worker Days (Lakh)	Wage Per Day (Rs)	CPI 1960=100	Real Wage Per Day (1960 Prices)	Index of Real Wage 1968=100
Sugar						
1968	1869	261.5	7.15	177	4.04	100.0
1969	2435	336.5	7.24	175	4.11	101.7
1970	2728	348.0	7.84	184	4.26	105.4
1973	3183	298.8	10.65	236	4.51	111.6
1974	3522	295.9	11.90	304	3.92	97.0
1975	5086	478.2	10.64	324	3.28	81.2
1976	5125	473.3	10.83	296	3.66	90.6
1977	5307	501.0	10.59	321	3.30	81.7
1978	7232	—	—	329	—	—
1979	7811	408.8	19.11	350	5.46	135.1
1980	7783	348.6	22.32	390	5.72	141.6
1981	9557	384.7	24.84	441	5.63	139.4
1982	13803	468.8	29.44	475	6.20	153.5
1983	16105	490.6	32.83	532	6.17	152.7
1984	15801	431.9	36.58	576	6.35	157.2

Year	Total Wages (Rs Lakh)	No of Workers (000)	Average Annual Wages (Rs)	CPI 1960=100	Real Average Annual Wage (1960 Prices)	Index of Real Wage, 1968=100
Paper and Paper Products						
1967	1217	61	2002	172	1164	100.0
1968	1222	55	2219	177	1254	107.7
1969	1508	58	2596	175	1483	127.4
1970	1717	61	2829	184	1537	132.0
1973	2096	57	3703	236	1569	134.8
1974	2587	59	4377	304	1426	122.5
1975	2710	60	4539	324	1401	120.4
1976	2962	62	4754	296	1606	138.0
1977	3700	74	5020	321	1564	134.4
1978	4478	70	6397	329	1944	167.0
1979	5323	79	6738	350	1925	165.4
1980	6220	82	7674	390	1968	169.1
1981	6990	85	8224	441	1865	160.2
1982	7388	93	7987	475	1681	144.4
1983	8150	85	9600	532	1804	155.3
1984	9113	84	10849	576	1883	167.8

Year	Total Wages (Rs Lakh)	No of Workers (000)	Average Annual Wages (Rs)	CPI, 1960=100	Real Average Annual Wages (1960 Prices) (Rs)	Index of Real Wage 1967=100
Cotton Textiles						
1967	24312	966	2517	172	1463	100.0
1968	26930	1051	2562	177	1447	98.9
1969	27744	1038	2673	175	1527	104.4
1970	29550	1040	2841	184	1544	105.5
1973	30634	720	4255	236	1803	123.2
1974	30074	749	4015	304	1321	90.3
1975	42178	749	5631	324	1738	118.1
1976	40894	729	5610	296	1895	129.5
1977	43530	744	5851	321	1823	124.6
1978	52947	783	6762	329	2055	140.5
1979	58412	776	7527	350	2151	147.0
1980	62855	733	8575	390	2199	150.3
1981	61871	675	9166	441	2078	142.0
1982	69030	707	9764	475	2056	140.5
1983	83340	828	10065	532	1892	129.3
1984	84122	671	12536	576	2176	148.7
Cement						
1967	757	28	2717	172	1579	100.0
1968	831	28	2950	177	1666	105.5
1969	886	29	3088	175	1764	111.7
1970	867	29	3022	184	1642	104.0
1973	1417	35	4035	236	1710	108.3
1974	1694	32	5297	304	1742	110.3
Cement (Contd)						
1975	2249	35	6343	324	1957	123.9
1976	2236	35	6366	296	2150	136.2
1977	2341	36	6572	321	2047	129.6
1978	2739	34	8054	329	2448	155.0
1979	3209	39	8228	350	2351	148.9
1980	3682	43	8588	390	2201	139.4
1981	4177	45	9282	441	2105	133.3
1982	5663	51	11044	475	2325	147.2
1983	6841	51	13541	532	2545	161.2
1984	8165	53	15455	576	2683	169.9
Iron and Steel						
1967	7699	246	3133	172	1809	100.0
1968	8355	231	3615	177	2042	112.8
1969	9154	276	3314	175	1893	104.6
1970	9732	245	3972	184	2158	119.3
1973	10150	176	5763	236	2441	134.9
1974	11591	138	8403	304	2764	152.8
1975	15792	186	8481	324	2617	144.7
1976	16021	181	8844	296	2987	165.1
1977	17145	193	8898	321	2772	153.2
1978	19357	204	9489	329	2884	158.3
1979	25061	215	11656	350	3330	184.1
1980	27121	234	11607	390	2976	164.5
1981	31119	246	12723	441	2884	159.4
1982	35865	236	15210	475	3202	177.0
1983	41417	245	16895	532	3175	175.5
1984	56395	282	19972	576	3467	191.7

Year	Total Wages (Rs lakh)	No of Workers	Average Annual Wages (Rs)	CPI 1960=100	Real Average Annual Wages (1960 Prices) (Rs)	Index of Real Wage 1967=100
Leather						
1967	283	15758	1796	172	1044	100.0
1968	307	17535	1751	177	989	94.7
1969	316	15798	2000	175	1143	109.5
1970	230	11237	2047	184	1113	106.6
1973	468	17429	2685	236	1137	108.9
1974	531	17767	2989	304	983	94.2
1975	614	17916	3427	324	1057	101.2
1976	825	22991	3588	296	1212	116.1
1977	781	21951	3557	321	1108	106.1
1978	1056	24000	4400	329	1337	128.1
1979	1211	26000	4658	350	1331	127.5
1980	1227	25269	4856	390	1245	119.3
1981	1512	27000	5600	441	1270	121.6
1982	1606	25497	6299	475	1326	127.0
1983	1817	26029	6981	532	1312	125.7
1984	2195	30000	7317	576	1270	121.6
Petroleum Refining						
1967	312	6223	5014	172	2914	100.0
1968	362	6325	5723	177	3233	110.9
1969	446	7041	6334	175	3619	124.2
1970	507	6877	7372	184	4006	137.5
1973	462	4750	9726	236	4121	141.4
1974	694	5630	12327	304	4054	139.1
1975	755	5265	14340	324	4426	151.9
1976	857	6079	14098	296	4762	163.4
1977	974	5967	16323	321	5085	174.5
1978	1167	6000	19450	329	5920	203.2
1979	1218	6600	18455	350	5273	181.0
1980	1220	10316	11826	390	3032	104.0
1981	1289	11700	11017	441	2498	85.7
1982	3986	33900	11758	475	2475	84.9
1983	2410	12145	19843	532	3729	128.0
1984	2764	10650	25953	576	4505	154.6

Note: Calculated from data in Table 1.

TABLE 4

Year	Wages/Output At Current Prices (Per Cent)	Wages/VAM At Current Prices (Per Cent)	Wholesale Price Index (1970=100)	Value of Output Per Worker-Day at Current Prices (Rs)	Value of Output Per Worker-Day at 1970 Prices (Rs)	VAM Per Worker Day at Current Prices (Rs)	VAM Per Worker Day at 1970 Prices (Rs)	Output Per Worker (Tonnes)
Sugar								
1967	6.8	37.2	1528	—	—	—	—	—
1968	4.1	24.8	149	174.2	116.9	28.8	19.3	13.60
1969	4.1	21.4	101	176.6	174.9	33.9	33.6	12.66
1970	4.9	29.6	100	160.3	160.3	26.5	26.5	10.75
1973	4.5	34.0	157	238.4	151.8	31.4	20.0	10.65
1974	4.4	34.2	170	271.0	159.4	34.8	20.2	11.17
1975	4.7	37.8	173	226.9	131.2	28.2	16.3	13.51
1976	5.3	34.5	159	203.7	138.6	31.4	19.7	8.01
1977	4.9	38.6	147	214.6	146.0	27.5	18.7	8.55
1978	5.4	46.7	177	—	—	—	—	—
1979	6.2	49.4	250	306.5	122.6	38.6	15.4	11.91
1980	6.5	49.5	259	346.1	133.6	45.1	17.4	9.24
1981	4.9	33.1	228	511.3	224.3	75.1	32.9	11.15
1982	4.7	30.0	231	625.7	270.9	98.1	42.5	15.00
1983	5.6	31.3	244	590.00	241.8	104.8	43.0	13.98
1984	6.6	35.5	290	552.0	190.3	103.0	35.5	11.41

Year	Wages/Output At Current Prices (Per Cent)	Wages/VAM At Current Prices (Per Cent)	Wholesale Price Index (1970=100)	Value of Output Per Worker At Current Prices (Rs)	Output Per Worker At 1970 Prices (Rs)	VAM Per Worker At Current Prices (Rs)	VAM Per Worker At 1970 Prices (Rs)	Output Per Worker (Metres)
Cotton Textiles								
1967	14	55	86	17562	20400	4584	5330	4240
1968	15	59	89	17403	19600	4353	4892	4150
1969	14	55	92	18882	20500	4862	5285	4020
1970	14	54	100	20296	20300	5320	5320	4070
1973	15	45	134	28480	21300	9499	7089	5790
1974	11	38	173	35893	20700	10458	6045	5760
1975	17	68	162	33901	20900	8316	5133	5380
1976	14	61	166	40414	24300	9236	5564	5320
1977	12	53	179	47115	26300	10945	6114	4340
1978	13	50	184	50409	27400	13614	7399	4150
1979	14	48	193	52784	27300	15696	8133	4130
1980	14	51	209	59782	28600	16753	8016	4740
1981	14	57	231	64770	28000	16163	6997	4660
1982	14	66	244	68149	27900	14682	6017	3190
1983	15	63	253	74414	29400	17808	7039	3680
1984	15	71	258	84918	32900	17705	6862	3830

Year	Wages/Output At Current Prices (Per Cent)	Wages/VAM At Current Prices (Per Cent)	Wholesale Price Index (1970=100)	Value of Output Per Worker At Current Prices (Rs)	Output Per Worker At 1970 Prices (Rs)	VAM Per Worker At Current Prices (Rs)	VAM Per Worker At 1970 Prices (Rs)	Output Per Worker (Metres)
Leather								
1967	4.2	39	104	42330	40700	4556	4381	—
1968	4.1	37	101	39880	39500	4667	4620	—
1969	4.0	40	102	49660	48700	4606	4516	—
1970	4.6	37	100	41380	41400	5682	5682	—
1973	3.5	41	170	78130	46000	6641	3907	—
1974	4.6	29	184	81560	44300	10228	5559	—
1975	3.7	33	208	93480	44900	10306	4955	—
1976	3.1	31	228	117640	51600	11448	5021	—
1977	3.1	31	228	114250	50100	11395	4998	—
1978	2.9	46	265	150420	56800	13750	5189	—
1979	3.3	27	345	150390	40700	17308	5017	—
1980	3.2	33	380	155640	41000	14768	3886	—
1981	3.5	39	368	158890	43200	14444	4001	—
1982	3.9	37	361	166524	46100	17168	4756	—
1983	4.1	26	385	172710	44900	26888	6932	—
1984	3.8	31	414	190570	46000	23413	5655	—

(Contd)

TABLE 4 *(Contd)*

Year	Wages / Output At Current Prices (Per Cent)	Wages / VAM At Current Prices (Per Cent)	Wholesale Price Index (1970=100)	Output Per Worker At Current Prices (Rs)	Output Per Worker At 1970 Prices (Rs)	VAM Per Worker At Current Prices (Rs)	VAM Per Worker At 1970 Prices (Rs)	Output Per Worker (Tonnes)
Petroleum Refining								
1967	2.25	9.27	088	230030	262500	54070	61413	—
1968	1.64	8.61	92	366633	407400	66450	72228	—
1969	1.90	10.23	95	335171	352800	61809	65062	—
1970.	1.90	10.65	100	381857	381900	69200	69200	—
1973	1.33	10.51	142	693140	488100	90463	63710	318.80
1974	0.69	8.21	240	1666567	694400	150035	62510	269.50
1975	0.53	7.30	257	2460040	957200	170522	66350	339.40
1976	0.57	5.59	268	2508150	935900	252678	94280	294.33
1977	0.50	5.02	168	3214667	1199500	325222	121350	316.67
1978	0.58	10.24	270	3341667	1237700	190000	70370	332.67
1979	0.46	09.02	309	3795714	1228400	204545	66200	313.86
1980	0.33	7.64	414	3659150	883900	154769	37380	196.60
1981	0.26	5.81	501	4196667	837700	189743	37870	191.50
1982	0.58	8.8	518	2008668	387800	133584	25790	73.53
1983	0.38	15.8	538	5342867	993100	125760	23380	224.33
1984	0.38	9.6	542	6627845	1222800	271633	50120	249.73
Paper and Paper Products								
1967	8.4	33	88	24108	27400	6007	6826	—
1968	7.7	30	91	19098	32000	7402	8134	—
1969	7.9	27	98	32848	33500	9517	9711	—
1970	7.5	24	100	37284	37300	11851	11851	—
1973	7.7	26	129	48060	37300	14098	10929	12.05
1974	5.7	15	185	76536	41400	28625	15473	13.19
1975	6.3	18	184	71828	39000	24425	13274	12.02
1976	6.9	24	180	69115	38400	20108	11171	12.55
1977	7.4	26	185	67989	36800	19204	10381	10.99
1978	8.2	30	196	78249	40000	21286	10860	12.33
1979	7.3	28	237	90875	38300	23924	10095	11.01
1980	7.3	31	262	104282	39800	24317	9281	11.24
1981	6.8	29	282	121765	43200	27894	9891	12.38
1982	7.2	47	300	111686	37200	16977	5659	12.04
1983	6.6	42	326	144749	44400	22680	6957	12.72
1984	5.5	29	364	196301	53900	37351	10261	15,44
Cement								
1967	5.75	21.7	89	47000	52800	12475	14017	—
1968	6.02	25.6	90	49200	54700	11650	12944	—
1969	5.19	21.7	96	60000	62500	14261	14855	—
1970	4.98	22.4	100	60000	60000	13331	13331	—
1973	6.63	43.0	112	61031	54500	9417	8408	356
1974	6.73	41.2	148	78691	53200	12856	8687	411
1975	6.27	31.8	171	102491	59900	20191	11808	353
1976	5.52	28.1	174	115697	66500	22763	13082	530
1977	5.34	22.7	177	121736	68800	28600	161508	449
1978	6.01	29.5	197	134135	68100	27297	13856	481
1979	6.17	31.8	229	133333	58200	25897	11309	390
1980	6.24	37.9	233	137149	58900	22609	9704	346
1981	6.00	37.3	270	154667	57300	24889	9218	462
1982	4.60	29.1	365	241310	66100	70324	19267	441
1983	4.54	16.7	422	295443	70000	78715	18653	502
1984	4.12	15.6	464	374370	80700	98721	21276	552
Iron and Steel								
1967	10.9	59	83	28643	34500	5323	6413	—
1968	10.0	52	88	33348	37900	6908	7850	—
1969	10.5	49	92	35270	38300	7158	7780	—
1970	9.8	45	100	40571	40571	8907	8907	—
1973	9.3	43	143	61972	43300	13553	9478	32.3
1974	8.2	32	171	101974	59600	26276	15366	40.4
1975	8.6	36	184	98935	53800	23494	12768	35.2
1976	8.0	35	187	110515	59100	25224	13489	42.6
1977	7.8	41	188	113450	60300	21542	11459	42.5
1978	6.7	34	213	141520	66400	27829	13095	40.6
1979	6.9	40	259	169488	65400	29023	11206	38.5
1980	6.1	34	272	189337	69600	42735	15700	33.3
1981	5.2	26	332	243184	73200	49714	12846	36.1
1982	5.2	30	387	289963	74900	49906	12896	38.3
1983	6.2	31	416	271172	65200	53776	12927	34.2
1984	6.8	46	463	296808	64100	43910	9494	30.3

Note: Calculated from data in Table 1.

Table 5A

	Money Wages	Real Wages at 1960 Prices
1 *Coal Mining*:		
Average 1960-62 Rs py	1145	1134
" 1983-85	13899	2671
Rise (per cent)	1114	136
Average 1967-69 "	2374	1124
" 1982-84 "	12509	2526
Rise (per cent)	427	125
2 *Sugar*		
Average 1968-70 Rs pd	7.41	4.14
" 1982-84 "	32.95	6.24
Rise (per cent)	345	50.7
3 *Cotton Textile*		
Average 1967-69 Rs py	2584	1479
" 1982-84 "	10788	2041
Rise (per cent)	318	38
4 *Paper and Paper Products*		
Average 1967-69 Rs py	2272	1300
" 1982-84 "	9479	1789
Rise (per cent)	317	37.8
5 *Leather and Tanneries*		
Average 1967-69 Rs py	1849	1059
" 1982-84 "	6866	1303
Rise (per cent)	271	23.2
6 *Petroleum Refining*		
Average 1967-69 Rs py	5690	3255
" 1982-84 "	19185	3570
Rise (per cent)	237	9.7
7 *Cement*		
Average 1967-69 Rs py	2918	1670
" 1982-84 "	13347	2518
Rise (per cent)	357	50.8
8 *Iron and Steel*		
Average 1967-69 Rs py	3347	1915
" 1982-84 "	17359	3281
Rise (per cent)	419	71.3
9 *All Industries (Factory Sector)*		
Average 1967-69 Rs py	2222	1272
" 1982-84 "	9620	1926
Rise (per cent)	333	51.4
10 Rise in Per Capita National Income, 1967-69 to 1982-84, at constant prices (per cent)		26.2

workers in that industry made a meagre gain of 23 per cent in real wages over a period of 15 years. The organised textile industry has also yielded primacy in production to the decentralised sector and hence, in spite of relatively good organisational strength, textile workers have not fared well in the matter of gains in real wages.

The effect of technology on wages also is noticeable. Relatively high technology industries like petroleum refining, iron and steel and cement are able to pay relatively high wages to workers. One exception to this seems to be coal mining where the wages since 1980 have been high and risen rapidly although it cannot be considered a high technology industry.

Wages and Productivity in Coal Mining

Coking coal was nationalised in the year 1971 and rest of coal mining in 1972. The immediate impact of this on both labour productivity and real earnings, it will be noted from Table 2, was adverse. It is possible that the very nature and expanse of the coal mining industry was such that the termination of private ownership of mines caused some dislocations and tensions and the new public sector organisations that took over from the private owners took some time to gain real control over operations. In any case, the immediate post-nationalisation years saw a fall both in labour productivity and real earnings.

It will be noted that while during the 12 years 1961-72, the total output of coal rose from 56.1 to 75.7 million tonnes, i e, by about 40 per cent, during the 13 post-nationalisation years 1973 to 85, the rise was from 77.1 to 149.9 MT, i e, about 94 per cent. Similarly, in the 12 pre-nationalisation years coal output per employee-year went up by about 36 to 38 per cent. After a brief set, back on nationalisation, output per employee-year returned approximately to that level in 1975 and in the subsequent 11 years of nationalised working up to 1985, the output per worker-year went up by over 48 per cent.

Over the entire period 1961-85, output of coal per worker-year has, far from remaining stagnant, doubled, and much of this increase has come after nationalisation of the industry was consolidated.

The benefit that workers derived from nationalisation is even more notable. During the 12 years, 1961-72, real wages rose by a mere 28 per cent. After a couple of years' set-back, the index of real wages (1960=100) rose from 112.2 in 1974 to 267.5 in 1985, a rise of 155.2 points or about 138 per cent. Even allowing for the fact that coal miners wages were very low in 1960 and even in 1974, the gains in real wages secured by them after 1974 are, indeed, remarkable and not matched, perhaps, by workers in any other industry. These gains have also far outstripped the gains in labour productivity.

Labour Productivity and Share of Wages

For the factory sector as a whole, the share of wages in value of output and value added by manufacture (VAM) has been falling steadily over the years (Table 4). For the group of industries studied here, however, we get a mixed picture. In sugar and cotton textiles the share of wages in both output and VAM has increased over this period. In paper and petroleum refining, although wages as a proportion of the value of output has fallen, its share in VAM has risen. In leather, cement and iron and steel, the share of wages in both output value and VAM has fallen.

A similar mixed picture appears in respect of labour productivity measured in terms of VAM per worker at constant (1970) prices and where figures were available, physical production per worker. (For sugar, for reasons explained earlier, both VAM and production are taken per worker-day.) VAM per worker at constant prices shows a fall for paper and petroleum refining, although for the former, physical production per worker

Table 5B

	Wages / Output (Per Cent)	Wages / VAM (Per Cent)	Output Per Worker/Day at 1970 Prices	VAM Per Worker/Day at 1970 Prices	Physical Production Per Worker
1 *Sugar*					
Average 1967-69	5.0	27.8	170.4	26.5	12.33 T/day (Av 1968-70)
Average 1982-84	5.7	32.3	234.3	40.3	13.47 "
Change (per cent)	14	16	38	52	9
2 *Cotton Textile*					
Average 1967-69	14.3	56.3	20167	5169	4137 M/Year
Average 1982-84	14.6	66.7	30067	6639	3560 "
Change (per cent)	2	18	49	28	−14
3 *Paper and Paper Products*					
Average 1967-69	8	30	30967	8220	12.42
Average 1982-84	6.4	39	45167	7626	13.40
Change (per cent)	−20	30	45.9	−7.2	7.9
4 *Leather*					
Average 1967-69	4.1	39	42967	4506	
Average 1982-84	3.9	31	46667	7366	
Change (per cent)	−5	−20	6.3	63.5	
5 *Petroleum Refining*					
Average 1967-69	1.93	9.37	340900	66234	30923 T/Year
Average 1982-84	0.45	11.4	1328200	33097	18253 "
Change (per cent)	−77	21.7	290	−50	−41
6 *Cement*					
Average 1967-69	5.64	23.0	47667	13939	373
Average 1982-84	4.42	20.5	72267	19732	498
Change (per cent)	−21.6	−10.9	51.6	41.6	33.5
7 *Iron and Steel*					
Average 1967-69	10.5	53	36900	7348	36 T/Yr.
Average 1982-84	6.1	36	68067	11772	35.5
Change (per cent)	−42	−32	84.5	60.2	−1.3

has risen slightly. For the other five industries in the factory sector, VAM per worker at 1970 prices has risen although in cotton textiles and iron and steel physical production per workers has fallen, only marginally so in the latter.

The relation between VAM per worker at constant prices and real wages, again, fails to show any consistent pattern. By and large, real wages in these industries seem to have risen more than VAM per worker except in sugar where the rise in both is more or less the same and in leather and tanneries, in which increase in real wages has lagged far behind the increase in VAM per worker.

Why the behaviour of these variables should be so erratic is difficult to understand. Presumably, at the level of individual industries, a number of parameters such as capacity utilisation, relative movement of prices of inputs and outputs, the rate of wage increase, the effects of administered prices, volume of employment and so on, play a part in determining the share of wages in output value and VAM, labour productivity in value and physical terms and its relation to real wages. Aggregated for all industries in the factory sector, the effect of fluctuations in these parameters possibly get cancelled out and we obtain consistent time series.

CONCLUSION

For the group of industries studied here, it is found that both money and real wages are highest in petroleum refining and iron and steel, and lowest for leather. This is possibly the result of the higher capital intensity of the former two and the low capital intensity of leather. The invested capital to VAM ratio in 1984 was 9.89 for petroleum refining, 7.41 for iron and steel and 2.99 for leather. The other contributory factors would be the organised strength of workers and the importance of the industry in the country's economy.

For the industries covered here, the rise in both money and real wages over the period covered is far from uniform. The highest rise is recorded in coal mining and iron and steel and the smallest in leather (ignoring that in petroleum refining for reason indicated earlier). Here again the gains made by workers appear to be influenced by the importance of the industries in the national economy and the organised strength of workers.

In all these industries excepting leather the rise in real wages is higher than the rise in real per capita national income in the same period, very considerably higher in coal mining and iron and steel.

In all these industries, again excluding leather, the rise in real wages, during the period covered, has been higher than labour productivity measured as VAM per worker at constant prices, although only marginally so for sugar. In all but two industries, share of wages in value of output has fallen but share of wages in VAM has risen in as many as four of the seven factory industries during the period covered. These factors would have important implications in the context of wage policy and prices which will need further research.

Technical Change and Competitiveness in Indian Textile Industry

Sushil Khanna

Why is it that the pace of technical change in Indian industry has been so poor? What are the forces that determine the pace of this change? Since Indian research and development efforts have been meagre, why is it that industry has not imported more advanced techniques from the advanced capitalist economies? What has been the role of Indian capital goods sector in this process? This paper seeks to examine these issues in the context of the cotton textile industry.

THE last a few years have witnessed an uneasiness with the industrialisation strategy hitherto followed amongst Indian planners and policy makers. It is argued that the old strategy has focused almost exclusively on the home market and has ignored technological changes in the other parts of the globe, mainly the advanced capitalist economies. "The protection from international competition of the earlier semi-insular phase has given rise to high cost manufacturing, which is inhibiting both the expansion of the domestic market and more rapid development of exports" [India, 1985:16].

Hence 'modernisation' has become a central objective of the new strategy of liberalisation of the economy. The search is on for 'appropriate stimuli' that would prompt Indian industry to adopt 'radical restructuring', re-equip and retool as well as fan out into new areas of 'sunrise' industries [India, 1985].

The search for 'appropriate stimuli' has prompted our planners to gradually dismantle the entire structure of licensing and controls and slowly open up the economy to international competition. This has meant a more liberal import regime with lower and declining tariffs and a renewed invitation to international monopoly capital to come and invest in India. It is argued that the bulk of new technologies and innovation are generated within the research and development laboratories of transnational corporations (TNCs) and if Indian industry is to be modernised there is no option but to allow greater inflow of capital and technology from abroad. No distinction is made between intra-TNC technology transfers and those between TNCs and independent Indian firms. The influence of the import lobby is obvious from the fact that the government seriously considered putting imports of technology under OGL (Open General Licence)!

As far as traditional and older industries like cotton jute textiles are concerned the crisis in them is attributed to technological obsolescence. Government policies in these sectors, it is argued, have been biased against fresh investments; and import restrictions on capital goods and advanced technology have condemned entire industries to obsolete technologies. Such high levels of protection have made our industries oblivious to rapid technical change, made them internationally uncompetitive and 'high cost' producers. In the cotton textiles sector, where sickness has become endemic, the relative success of a few 'modern' firms like Reliance and Bombay Dyeing is used to reinforce the argument that the rest of the industry should be prodded to 'modernise'.

Such a viewpoint has in recent years brought forth a new 'liberalised' policy regime with regard to the older industries, which it is argued will correct the earlier bias towards outdated technology. Imports of technology and capital goods have been liberalised and import duties dramatically reduced. The public sector financial institutions have been asked to fund special modernisation programmes at subsidised rates of interest and reduction of workforce accepted as a necessary evil.

The question that needs to be asked is: why is it that the pace of technical change in Indian industry is so poor? What are the forces that determine the pace of this change? Since Indian research and development efforts have been so meagre, why is it that the industry has not imported more advanced techniques from the advanced capitalist economies? What is the role of Indian capital goods sector in this process?

It is our hypothesis that there are good economic and structural reasons why several industries like textiles have not modernised. Firstly, the very direction of technical change in advanced capitalist countries has been shaped by the specific characteristics of these economies. Secondly, the very process of production of new technologies—in the R and D laboratories of transnational oligopolies—has been shaped by the corporate strategies of the TNCs to enhance their market power. Lastly, it is (paradoxically) the very success of some industries in successfully absorbing early generation of foreign technology and becoming efficient and competitive producers of capital goods and technical services that has acted as a barrier towards shift to more advanced techniques. And all this has hardly been a disaster, as our policy makers seem to think.

In this brief paper, we intend to examine the cotton textile industry in India. In this, we intend to move away from the production function type of analysis and use technical and engineering information to understand the direction of new techniques of production and the factors underlying these (Section I). This is crucial to our appreciation of the 'appropriateness' of technical innovations generated by the international textile industry during the last three decades to Indian conditions. In Section II we discuss the structure of Indian textile industry and its international competitiveness. Section III examines the Indian textile machinery sector, whose technology and skill levels as well as technology absorption capacity have influenced the pace of technical change in the cotton textile industry within the country. The international competitiveness of this sector and its consequences for modernisation of the Indian textile industry are discussed. The consequences of these structural and economic factors for technical change in the Indian textile industry are discussed in the next section (Section IV). The case of textile industry has important lessons for technology and industrial policies in third world countries (Section V).

I

Technical Change in International Textile Industry

The last three decades have seen a very rapid change in the technology for production of yarn and fabric construction. The very structure of the textile industry and the technology have been influenced by changes taking place in other industries, especially the petrochemical industry and micro electronics. These have influenced the pace and direction of this change. The major innovations have been concentrated in the advanced capitalist economies of western Europe, North America and Japan, though some firms from the socialist countries too have played an important role.

Since the bulk of these innovations are concentrated in a small group of transnational oligopolistic combines, it is essential to identify the main actors in this synthesis of technical innovation and capitalist accumulation. These comprise the two groups of oligopolies controlling the man-made fibre (mmf) industry and the textile machinery manufacturers. Of course, the background is the crisis that gripped the post-war textile industry in Europe and North America.

In 1950, 81 per cent of the world's spindles and 66 per cent of loomage was concentrated in western Europe and the US, with a significant share of the world exports [Thigpen, 1978:19]. With the expansion of the textile

industry in the third world, the export market was rapidly lost and the industry in advanced capitalist countries found its competitive position eroded due to rising wage costs. There was added problem of third world cotton producers being unable to provide adequate supplies to meet the post-war surge in demand. In response to these factors, the industry in the advanced capitalist countries began to scrap spindleage and looms; and by mid-sixties the share of west Europe and the US had fallen to 40 per cent of world spindleage and merely 26 per cent of looms [Thigpen, 1978:20]

The second response was to introduce innovations that would reduce workforce and raise productivity. The methods used in the cotton textile segment were to reduce the number of processing stages, to run machines faster and to produce larger packages in the spinning sector, and to introduce automatic looms in the weaving sector. However, the impact of these changes was marginal on productivity and employment. The output per spindle hour improved marginally from 0.023 lbs to 0.026 lbs during the 1950s and auto doffing in weaving sheds brought some reduction in workforce [UNCTAD, 1981:239].

More significant innovations in the international textile industry are to be attributed to the introduction of synthetic fibres made from petroleum feedstock. A highly oligopolistic petrochemical industry led by Du Pont in the US, ICI in UK and the Farben sisters (BASF-Bayer-Hoechst) in Germany, along with other major actors like Monte Catini, Akozo and Courtaulds evolved aggressive corporate strategies to penetrate the textile industry. Backed by their vast market power and large amounts spent on 'application research', this helped to tilt the inter-fibre competition in favour of synthetics. Their earlier efforts were to produce filament yarn that would replace the cotton yarn in the weaving and knitting sectors. Though nylon easily replaced silk in women's stocking, the penetration into other segments was poor because of the fibre quality, low consumer acceptance and difficulty of dyeing synthetic fabrics. Soon texturising of synthetic yarn helped overcome these difficulties. The technology to produce textured synthetic filament imparts qualities like bulk, greater aesthetic value and superior weaving properties usually associated with yarn spun of staple fibres. This process completely eliminates the spinning stage and made possible the use of synthetic fibres in large variety of textile products [UN, 1965:164]. The other major innovation was the conversion of tow. The converter technique makes use of the natural formation of man-made fibres produced by chemical plants to convert the uniform, parallel filament into short length fibres (staples) without disrupting their parallelism and convert it into staple sliver and subsequently yarn of high quality [Press, 1969:265]. Besides being used for production of 100 per cent mmf spun yarn, the tow can be converted to 'top' to be blended with natural fibres. This substantially reduces the cost of fibre to sliver conversion in the spinning mills.

TABLE 1: TECHNICAL CHANGE IN TEXTILE INDUSTRY

Processing Step	Processing Features: Traditional	Processing Features: Modern	Remark
(1) Opening and Cleaning			
(a) Plucking	Manual pluck and feed	Auto belt/coursel feed Mechanical pluck	35 per cent increase/hour. Faster plucking speed can break cotton fibres.
(b) Scutcher	Manual doffing and change of axis	Auto doffing and axis change, larger lap, auto transfer to cards. Better dust collection	Lap weight rises from 20 to 60 lbs. saves labour at feed, lap doffing and transfer. Direct chute feed to cards possible.
(2) Carding	Low speed vibrating combs manual doffing and small cans	High speed rollers, auto doffing and large cans	Up to 400 per cent rise in output, labour and capital saving due to fall in number of cards and space.
(3) Drawing	Slow speed, manual doffing	High speed, auto doffing and larger cans. Auto-leveller needed if chute feed at cards	Larger cans mean fewer stoppages and higher machine efficiency. Output higher by 10-15 per cent.
(4) Roving	Manual doffing	Auto doffing	Output rises by 30 per cent; does not offset higher machine cost. Roving eliminated in open-end spinning.
(5) Spinning			
(a) Ring	Manual doffing and piecing	Auto doffing and piecing	Auto piecing expensive and less in use.
(b) Open-end		Sliver from draw frame broken into constituent fibre in spinning vessel (rotor). Higher rpm and draft factor	Integrates roving and spinning. Can eliminate cone-winding since packages larger.
(6) Cone winding	Manual feed of spindle and cheese, doffing and knotting	Feed, knotting and doffing automated. Little speed change	Eliminated in open-end spinning
(7) Warping	Slower speed and smaller beam size	Higher speed, larger beam and double sided creels.	Double-sided creel allows operative to prepare one side while the other is winding
(8) Pirn winding	Manual feed and doffing	Auto feed and doffing	Eliminated in shuttleless looms and some auto looms.
(9) Weaving			
(a) Shuttle looms	Manual shuttle change and lower yarn tension	Auto shuttle change/doffing unifil attachments can wind pirns at loom	Non auto looms put less tension on yarn and can use low quality yarn. Require skilled operatives and stoppages frequent. Auto loom output higher if yarn quality good.
(b) Shuttleless looms	—	No shuttle. Wider transfer of weft by rapier, air/water jets. 250-600 ppm speeds	Water jets using synthetic fibre can have 800-1200 ppm speeds. Cotton yarn cannot withstand such high speeds.

Source: [Amsalam, 1983] and [Pickett and Robson, 1981].

Yet, technical innovation alone was not sufficient to replace cotton as the major apparel fibre. The other major component of the strategy of the mmf producers was to absorb a substantial segment of the textile industry within their fold. Thus, in UK, ICI and Courtaulds actively promoted mergers and vertical integration in the textile industry. Courtaulds became the largest textile group while ICI acquired 65 per cent stake in Carrington-Viyella. In some cases, noted an EEC report, "Courtaulds co-operated with ICI during 1963-68 in providing funds to support major textile groups" [EEC, 1975]. By 1969, the Monopolies Commission noted, that the two man-made fibre manufacturers controlled more than 39 per cent of the British spinning capacity, 56 per cent of the filament weaving, 65 per cent of warp knitting and 57 per cent of dyeing [UNCTAD, 1973:29-33]. Similarly in France, Rhone-Poulence was linked through the share-holding of Gillet family with Dollfus-Mieg, a leading textile group [Bolton, 1976:21].

Thus the synthetic fibre industry used its market and financial power to 'capture' specific end-uses and create captive markets for their products. Their R and D efforts were aimed not only at elucidating physical and mechanical properties of synthetic fibres, but also towards developing new chemicals, dyes and pigments and to develop special machines to convert the synthetic into attractive consumer products. Du Pont developed a new range of reactive dyes and machines to process synthetic fabrics. The technology for dyes was shared with other members of the oligopoly like ICI with whom Du Pont had cross-licensing agreements, while patents for processing fabrics (involving high temperatures and pressures) were licensed to textile machinery manufacturers [Khanna, 1984:72-98].

The market power of the petrochemical oligopoly ensured that synthetics would penetrate cotton end-uses irrespective of price ratios. All through the first two decades after the second world war, nylon and later polyester whittled away cottons' market share despite the fact that polyester/cotton price ratio was as high as 3.0-4.0 [Thigpen, 1978: 15-16]. Technical innovation, product development and marketing techniques came to play an important role. The imbalance between research and development expenditures on natural and chemical fibres was matched by an equally large gap in advertising outlays which are estimated to be about 1 to 2 per cent of sales. Hoechst, Germany's largest synthetic fibre producer, estimated that about 90 per cent of the consumers were aware of their 'Trevira' brand by 1968 and the marketing strategy shifted to shaping fashion trends through a chain of fashion studios. Advertising was not only aimed at the apparel public but also for providing 'market guidance' to the textile industry [UNCTAD, 1981:154].

The sharp rise in commodity prices after 1974, combined with the fact that North American cotton production is extremely energy intensive, reduced the polyester/cotton ratio below 1.0. By 1976, cotton had lost about 50 per cent of the world market and about two-thirds of the market in OECD countries [Thigpen, 1978:16].

The rise of synthetics also saw the gradual decline of rayon staple (cellulosic). Sharp rise in capital costs, pollution control and shortage of pulp increased rayon production costs substantially and dampened fresh investments in OECD countries. Thus polyester and acrylic became the major apparel fibres by mid-1970s.

The other major group of actors on the scene has been the oligopoly represented by the textile machinery manufacturers. This consists of about 25 transnational corporations who control a major portion of world-wide production of machinery, either directly or through their licensees. Some of these like Sulzer, Ruti, Rieter (all Swiss), Zinser and Schlafhorst (from FRG) Platt-Saco-Lowell (UK/US), SACM (France) and Nissan and Toyoda from Japan are well known names. Their close links with the petrochemical oligopoly are demonstrated by the fact that every major advance in textile engineering technology since the second world war has favoured chemical fibres over natural fibres. In addition, the drive of machinery manufacturers has been to reduce workforce, to increase machine speeds, reduce the number of processing stages and produce larger packages. This continuously raised capital costs and by 1965, OECD was already classifying the textile industry as one of the capital intensive industries [OECD, 1965].

Table 1 presents an overview of some of the major technical innovations in textile technology. These represent the more important advances in raising machine speeds, automation of doffing and transfers between sections, and integration of several processes or pieces of equipment in the same machine. The best example of the latter is the open-end rotor spinning that integrates roving and spinning, eliminates speed frame process and cone winding since it produces larger packages [Cripps, 1973]. Table 1, however, does not present several other significant innovations which are applicable only to synthetic fibres. One example is the growth of a completely new machinery segment, namely, the texturising machines discussed above. Here too the speed of texturising has risen from about 50 metres per minute in 1950 to the current rate of 800 metres per minute. This has been made possible by the integration of separate processes of drawing, twisting, setting, untwisting and final setting of yarn [West, 1979]. These high take-up speeds make higher claims on polymer quality of yarns, illustrating the symbiosis of yarn qualities and machinery design. To be sure, the new type of yarn, i e, Crimplene, could be knitted on double jersey machines, but the double jersey machine itself was in turn made possible by the existence of such new types of yarn. Major advances in knitting are to be attributed entirely to synthetic yarns. The development of nylon yarn resulted in the use of warp knitting machines, while polyester yarn led to better patterning ability on circular knitting machines [Rothwell, 1980]. Between 1972 and 1977 the warp knitting machine speed increased from 1,000 to about 1,700, and Raschel knitting machines from 550 to 1,000 courses per minute [UNCTAD, 1981:243]. These innovations have raised the fabric output per hour on knitting machines to levels substantially higher than those from most modern looms. The latest knitting innovation, the 'Presser Foot', ushers in a qualitative change in the entire textile industry. Developed by Courtaulds through 13 years of research, the machine can produce partially or completely finished garments rather than simply knitted fabrics. The Swiss firm Dubied was the first to produce the Presser Foot under a Courtaulds licence, but now Courtaulds have sold exclusive rights for the machine (in Japan) to Mitsui [UNCTAD, 1981:244]. The links between textile machinery oligopoly and petrochemical transnational corporations have capitulated many textile engineering firms as important suppliers of equipment and technology for man-made fibres. Thus, Zimmer (FRG) is engaged in commercialising technology and supplying equipment for polyester plants while Rieter and Inglostodt are important suppliers of melt spinning plants for nylon and polyester [Boon, 1981:92-96].

The point that needs to be emphasised is that most of the major innovations in textile technology that provide higher spinning and weaving (or knitting) speeds make demands on the textile and mechanical properties of filament or yarn. Petrochemical corporations responded by 'engineering' new fibres with polymer properties to withstand the increase in take-up speeds. An example is the rate of picking in weaving. This used to be 150 picks per minute in the Lancashire loom; now it is 600 picks per minute in water jet looms and recent innovations are aimed at picking rates in excess of 2,000 [West, 1979]. Cotton begins to disintegrate at speeds of 500 picks per minute. Similarly, the use of water jets to project the weft requires hydrophobic (water-repellent) yarn or subsequent drying of woven cloth. Hence, water jet loom are ideally suited for pure nylon or polyester yarn, though through use of hydrophobic sizes cotton yarn can also be used [Ray, 1984].

What has been the impact of these innovations on the economics of textile industry? Firstly, it needs to be noted that modern technology is extremely capital intensive, in the sense capital requirements per unit of output are 8 to 10 times higher than the machines in vogue during the 1950s and 60s (Table 2). This substantially raised capital costs as a proportion of total costs and made it imperative to work the machines on three shifts. Also any downtime due to yarn breakages or other technical faults would make it uneconomic and raise costs. All this demand greater level of efficiency

and integration of all the three stages of cloth production, namely, spinning, weaving and finishing [Schmitz, 1985].

Secondly, the vast range of alternative technologies available makes possible several combinations, though best results are derived only if the 'best-use' practices at each stage are introduced.

Thirdly, the range of labour and capital usages is very wide. The most advanced techniques may sometimes use as little as 7 per cent of the workforce compared to a 'traditional' mill [Amsalem, 1983:45].

And lastly, the more capital intensive techniques have a greater share of their capital requirement in equipment compared to buildings and require greater proportion of their workforce to consist of skilled and supervisory workers compared to earlier techniques [Amsalem, 1983:47].

This rising capital intensity per unit of output implies that the modern technologies will be introduced only if the higher capital costs are offset by the savings in the wages, power and lower wastage of raw material. Sharply rising economy wide productivity and wage rates in the advanced capitalist countries has obviously made it economically worthwhile for textile firms to introduce these new technologies. Also the increasing penetration of chemical fibres has been a major driving force. Besides, with the use of synthetic fibres and yarn, certain technical rigidities are introduced, especially at the fabric processing and printing/dyeing stages, since special chemicals and process have to be necessarily employed. This has made some degree of modernisation imperative.

II

Structure and Competitiveness of Indian Textile Industry

Indian textile industry is the largest in the world in terms of capacity installed. There are 732 spinning mills and 282 composite mills. The installed spindles are a staggering 28.0 million, of which about 20-25 per cent are not worked. The number of composite mills has not changed much since the early 1950s and the total loomage in the mills have remained stagnant at about 210 thousand, about two-thirds of which were actually worked around 1987 [ICMF, 1989:23-26].

The structure of the Indian textile industry has undergone a profound change during the last forty years. Unlike the trends in western economies, the Indian textile industry has become more fragmented with a decline in the degree of integration between the three stages. As is well known, the weaving is largely in the decentralised sector with the mills playing a diminishing role. The restrictions on the expansion of looms in the mills imposed in the 1950s, ostensibly to protect the handlooms, has spawned a vast decentralised powerloom sector which has proved to be the most dynamic and rapidly growing sector of the industry. The government's efforts to control the expansion of powerlooms through restrictions on sale of looms, etc, have been negated by the technical ingenuity of small engineering workshops and powerloom workers and technicians [India, 1974]. Thus, the number of powerlooms has continued to grow through the last two decades. The 'registered' powerlooms jumped from about 2 lakh in late 1971 to more than 6.4 lakh in 1984-85 [IIJ, 1986], while the unofficial estimates put the figure at more than 10 lakh. The decentralised sector produces more than 78 per cent of all cloth produced in the country. Though, there is no firm estimate of the output from the powerloom sector, it is believed that 50-60 per cent of India's cloth output comes from this sector.

Contrary to the general impression, the 1980s saw a rapid expansion in the mill sector. The number of spinning mills jumped from 370 in 1980 to 752 in 1987-88 and the installed spindles increased from 20 million to 28 million. Bulk of this increase was located in the southern states of Tamil Nadu and Karnataka and Andhra Pradesh. Obviously, the expanding powerloom sector needed spun yarn and the new mills were concentrated nearer to the tracts that had recently come under cotton cultivation. There has also been a rapid increase in 'processing houses' for finished fabrics and most of the new capacity is concentrated in and around major powerloom centres like Surat, Ichalkaranji, Coimbatore etc.

There is a general impression that the expansion of the powerloom sector has been possible because of the excise evasion and other 'illegal' transactions. However, studies conducted by ATIRA and other organisations show that despite the fact that the powerlooms pay 10-20 per cent higher prices for yarn, they are the cheapest producers of fabrics. Their cost advantage springs from lower overheads, cheaper fixed assets resulting in lower capital costs and lower wages [Ranganathan et al, 1985: 100-119].

The mill sector presents a mixed picture. There is a strong opinion that the composite mills have been doing badly since their higher wages and overheads far exceed the economic benefits of integration [Anubhai, 1988]. It is true that the condition of many composite mills has worsened during the 1980s, specially since 1984-85. But it is more likely that poor management and shop floor practices have more to do with the differential performance in the mill sector and both spinning and weaving mills seem to be equally affected.

TABLE 2: INDEX OF PRODUCTIVITY AND CAPITAL INTENSITY IN COTTON SPINNING AND WEAVING

	1950	1960	1970	1980
	Spinning			
(1) Output per worker	100	219	371	732
(2) Output per machine	100	147	216	300
(3) Capital labour ratio	100	116	219	316
(4) Capital output ratio	100	254	812	2640
	Weaving			
(5) Output per worker	100	166	307	517
(6) Output per machine	100	119	240	532
(7) Capital labour ratio	100	126	209	330
(8) Capital output ratio	100	209	643	1707

Source: [Schmitz, 1985: Table 4.3 and 4.6].

TABLE 3: INTERNATIONAL YARN AND FABRIC COSTS, 1987

Cost	Yarn Cost (US$/Kg Ne 20s)					Fabric Cost (US$/yd)				
	Brazil	Germany	India	South Korea	USA	Brazil	Germany	India	South Korea	USA
Waste	0.1058	0.1199	0.1015	0.1214	0.1039	0.020	0.022	0.019	0.023	0.019
Labour	0.1192	0.7414	0.0935	0.1145	0.3591	0.055	0.351	0.044	0.023	0.019
Power	0.0383	0.2387	0.2219	0.1690	0.1357	0.017	0.100	0.090	0.068	0.058
Aux. Material	0.1216	0.0745	0.1040	0.0861	0.0752	0.058	0.068	0.070	0.067	0.058
Capital	0.9676	0.6601	0.7059	0.4806	0.4955	0.443	0.363	0.329	0.245	0.240
Raw material	1.3000	1.4550	1.2500	1.4700	1.2800	0.242	0.271	0.232	0.273	0.238
Total Yarn Cost	2.6530	3.3896	2.4768	2.4416	2.4494	0.835	1.175	0.784	0.725	0.799
Index (FRG=100)	81	100	75	74	74	71	100	67	62	68

Source: [ITMF, 1987: 17].

In order to understand the crisis afflicting the textile industry, it is important to focus our attention on the raw material sector as well as the demand structure. Cotton has continued to be the main raw material for the Indian textile industry. With the partition of the country, the industry was robbed of supplies of long staple cotton from west Punjab and was forced to rely on imported cotton to bridge the gap. The indigenous supplies were not only inadequate, but bulk of it consisted of short and medium staple (less than 22 mm), was poorly ginned and had poor spinning characteristics. The government encouraged expansion of area under cotton cultivation which quickly rose from 6-6.5 million hectares to 8 million hectares by 1956. Yet, yields were dismally poor and the country produced less than 5 million bales. All through the 1960s imports accounted for 15-20 per cent of the cotton consumed by the mills in India.

The mid-70s saw a qualitative break in the scenario. Indian agricultural scientists succeeded in producing new long staple cotton varieties suitable to Indian conditions like Suvin, MCU, Varalaxmi, H-4, etc. This also helped to raise the yields to about 195 kg/ha from 120 kg/ha in 1967-71 period. Since 1978-79, India has been completely self-sufficient in cotton. Simultaneously, there has been a marked improvement in the quality of cotton grown; an increasing proportion of output is composed of long and extra long staple cotton with excellent spinning properties. Thus in 1984-85, about 85 per cent of cotton grown in India had a staple length of above 22mm compared to only 20 per cent in early 1950s. Since 1978-79, India has emerged as a marginal exporter of long staple cotton; but this is largely due to the inability of the textile industry to absorb increasing supplies of cotton and significant decline in per capita cotton cloth consumption (ICMF, 1987). It should be borne in mind that despite low yields, India is an internationally competitive producer of raw cotton [Gulati, 1987] and prices of cotton have been a major factor in the competitiveness of Indian textile industry.

Till 1979, almost 70 per cent of all man-made fibres produced in the country and two-thirds of all imports consisted of cellulosic staple and filament. Made from wood pulp and cotton waste and short fibres, these are easily adapted to cotton spinning systems and present little difficulty in post-weaving processing. The penetration of synthetic fibres (polyester, nylon, acrylics, etc) accelerated since the introduction of multi-fibre policy and increasing domestic supplies of synthetics especially polyester staple and filament. Almost the entire filament is woven in the decentralised powerloom sector (due to restrictions on use of filament in weft by mills) with Surat being the most important centre, while a small oligopolistic group of mills specialise in spinning blended yarn and fabrics. This group, consisting of firms like Reliance, Bombay Dyeing, Mafatlals, DCM, etc, have built strong entry barriers through large-scale advertising, exclusive retail outlets and differentiated product promotion strategies [Chandrasekar, 1984].

In recent years domestic synthetic fibre availability has under-expansion of domestic petrochemical industry and the emergence of a powerful combine of synthetic fibre producers has led to official patronage to the industry strategy to penetrate the textile industry. This has been achieved through the introduction of multi-fibre policy, dramatic reduction in the excise duties on synthetic fibres and yarns and an encouragement given to mills to instal machinery to process synthetics in the name of modernisation.

Despite all this, cotton continues to be the main fibre used in the Indian textile industry. Thus, in 1985, only 15.9 per cent of fabrics available for domestic consumption were pure man-made fibre fabrics, while another 10 per cent was accounted for by blends. If one keeps in mind that more than half of all man-made fibres consumed in India are cellulosic, the share of petrochemical based synthetic fibres would be less than 12 per cent [ICMF, 1981:42].

The penetration by synthetics has been significant only in some end-uses, namely, suitings (trouser fabrics), shirting, and sarees. In 1978, 52 per cent of all trouser cloth was made of mmfs and blends in terms of metres and 86 per cent in terms of value [India, 1980]. The penetration by mmfs is not significant in end-uses like dhotis, ladies dress material and long cloth. Though there has been some increase in these proportions in recent years, this would not alter the overall picture. The hopes generated by the large cuts in taxes on synthetics during the last two years have not yet resulted in any significant increase in consumption of blended and mixed fabrics, though at the margin substitution has accelerated. The production of blended yarn by the mill sector has remained stagnant at 200-225 million kgs during the last five years. As a matter of fact, current levels are about 100 million kgs lower than the production of blended yarn in 1977-79 period. There has, however, been a shift from viscose staple fibre to polyester staple in the mill sector. The increase in use of synthetic filament has been more significant, but as discussed above most of this is consumed outside the mill sector. The consumption of polyester filament has doubled from 72 million kgs to 120 million kgs. The decline in consumption of viscose filament has been marginal.

Roots of Crisis

One can argue that during the last decade, Indian textile industry has not faced any major bottlenecks in supply of major inputs. The problems faced lie entirely on the demand side. There have been closures of mills especially in Bombay-Ahmedabad region, crisis in the powerloom and handloom sectors where a large number of artisans have been thrown out of work.

With 28 million spindles and more than a million powerlooms, besides a very large number of handloom, the installed capacity far exceeds the current levels of demand and production. It is possible to argue that the potential output can be 60-100 per cent higher without major additions to capacity. The roots of the crisis lie in the inability of the consumer to spend greater proportions on cloth. The availability of all kinds of fabrics (i e, cotton, blends and pure mmf fabrics) has grown on an average by 2.2 per cent per annum during 1970-1987.[1] In other words, the cloth output/demand has grown at just below the population growth rates. The per capita cloth consumption (all kinds of fabrics) declined from 16.5 metres in 1965 to about 15.55 m in 1970 and to 14.74 m in 1987 [ICMF, 1989]. The cotton cloth consumption declined from 15.2 m per capita in 1965 to 14.74 m in 1987.

The argument that increases in proportion of man-made fibre fabrics implies that cloth consumption has actually gone up since such fabrics last much longer is entirely fallacious. As we saw above, till recently, bulk of mmfs consumed in India consists of viscose (rayon) staple and filament. Though high tenacity rayon fibres are available and used, bulk of those consumed in India consist of poor quality and cheaper staples and filament that are considered to be inferior to cotton; and fabrics woven from such fibres only have about 80 per cent of the life span of similar cotton fabrics. Only, petrochemical-based synthetic fibres (polyester, acrylic) have a longer life span and fabrics blended with such yarns or entirely made from them have a life span that is 2 to 2.5 times longer [Khanna, 1984].

A large number of studies have estimated the relationship between demand for cloth and cotton/total apparel fibres on the one hand and growth of per capita income and/or economic activity indicators like the Index of Industrial Production on the other. In none of these studies do we find a negative correlation between per capita income or any other index of per capita economic well-being (like GNP, per capita GNP, IIP, etc) and cloth consumption. A major World Bank study based on fibre consumption data for 104 countries and using both cross-section and time-series analysis found a strong and positive relationship between income growth and fibre/cloth consumption. The coefficient of elasticity of per capita fibre consumption with respect to average income was found to be 0.5 for developing countries while developed countries had a coefficient of 0.07[2]. The elasticity for cotton cloth/cotton fibre was also positive, the exact coefficient being a function of cotton/synthetic price ratio assumed in the study [Thigpen, 1978]. In other words, India is one of the very few regions in the globe, where despite rising per capita incomes, the per capita cloth consumption has declined. This, probably is due to increase in income inequalities in the economy.

If our hypothesis that worsening income istribution has depressed overall demand or cloth is correct, and this is specially arked in the demand for cheaper cotton oth, an increase in per capita cloth conumption hinges on factors that will stimute demand for cloth through providing reater purchasing power to the poor in ndia. The other possibility, of a reduction n real price of cloth is ruled by the fact that ndia is already one of lowest cost producer nternationally, and cloth consumed by the oor is hardly taxed. The wide difference in ne price of synthetic and cotton fabrics imlies that cotton fabrics will continue to ommand consumer preference because of heir lower cost and because of the kind of abrics consumed by the Indian consumers. t is at this segment of industry any effort o stimulate demand must focus.

This decline in consumption must also be veighed against the fact that the Indian texile industry is one of the lowest cost proucers of cotton cloth in the world. An TMF study on international production osts shows that Indian yarn and fabric prouction costs are lower than most other ountries (Table 3). The main advantages of he Indian mills lies not only in the low wage osts but the fact that the Indian farmer is competitive producer of cotton. It should e kept in mind that the cost comparisons re based on costs in a standard mill equipped with 13,000 Reiter ring spindles and 140 Sulzer type looms. Since only an insignificant proportion of mills use Sulzer type looms (though Reiter type spinning plants are more common), the capital costs are grossly overstated. Also the study assumes an interest rate of 18 per cent pa for India compared to 22.5 per cent for Korea and 7.5 per cent for the US [ITMA, 1987:11]. This explains, how in the ITMF study costs in Korea and the US turn out to be closer to Indian costs.

In reality, Indian textile industry largely depends on indigenously produced machinery of the traditional kind. Due to the use of second hand and locally produced looms used in the decentralised sector, the fabric production costs should be substantially lower than those shown in Table 3. That the quality of the fabrics produced from such equipment may be different from those considered in the ITMF study and may affect fabric exports need not concern us here. As far as the Indian textile industry is concerned, it is the domestic market that determines the health of the industry. The lack of purchasing power and the inability of the consumer to absorb higher priced quality fabrics produced from shuttleless looms has made the market extremely price sensitive. Hence, the ability of the industry to keep capital costs low has been an important factor in competitiveness. Here, the textile machinery manufacturers have played a crucial role and it is they whom we bring into our focus.

III

Indian Textile Machinery Industry

Since capital costs form about 40-55 per cent of textile industry's production costs the world over [ITMF:1987], the international competitiveness of the textile industry depends to a great extent on the costs of fixed assets especially the machinery costs. Given the tight import regime, the Indian textile machinery producers also shaped the choice of technology.

Till the Second Five-Year Plan, the bulk of textile machinery installed was imported. It was during the 1960s that the textile machinery sector made major strides. The share of imports in the total machinery available fell from about 60 per cent in 1961 to less than 9 per cent by 1974 [World Bank, 1975:2]. By 1982-83, imports again rose to about 25 per cent of machinery purchases [ICMF, 1987:93]. This rise is partly due to the inclusion of machinery for synthetic fibres (strictly speaking chemical machinery) in the data and partly due to the higher import content of new generation modern machines now produced in the country since the late 70s. The Indian textile machinery sector also exports about 8-10 per cent of its total output.

Except for two firms (Lakshmi Machine Works and National Machinery Manufacturers) all the firms engaged in textile

machinery production, produce a wide range of industrial machinery. However, different firms tend to concentrate on a narrow product range. Thus Lakshmi concentrates on spinning and pre-spinning machinery, Texmaco/CIMMCO and MMC concentrate on weaving sector while others like Swastik and Maneklal on processing machinery [Desai, 1983].

The bulk of the output of textile machinery is based on designs acquired from leading international firms from Switzerland, Germany and UK during the 1950s and 1960s. Most Indian machinery producers have well absorbed the technology, developed local ancillary suppliers and made minor design changes to suit Indian conditions and raw materials. However, only few had R and D programmes of any consequence.

Given the government's policy which placed restrictions on expansion of powerlooms in the mills or the decentralised sector, the weaving machinery constitutes only 15-20 per cent of the total output. The unauthorised expansion of powerlooms led to the growth of a large number of small-scale powerloom manufacturers who sold their output in semi knocked down condition as accessories. Most of these are Lanchashire type underpick looms, though overpick looms are now becoming popular. About 55-65 per cent of total machinery output was spinning machinery catering to the large number of new spinning mills coming up in Tamil Nadu and other centres.

In the early 1960s, the spate of collaborations had narrowed the gap between Indian and foreign technology [Desai, 1983:158]. The gap began to increase once the textile industry in advanced countries began to switch to synthetic fibres as a major raw material and a flood of imports from centres like Hong Kong and Korea hastened modernisation. Thus by 1975 the technology gap between Indian machinery manufacturers and those in advanced capitalist countries was wider [World Bank, 1975].

But, as mentioned above, leading firms like Laxmi Machine, Star Textile, etc, were able to successfully absorb the technology imported in early 1960 and developed a chain of local suppliers of components and accessories. Amongst the more efficient firms, the product designs are regularly improved and quality is comparable to the best machines of conventional designs. The small R and D programmes were directed at redesigning components to meet Indian conditions, marginally increasing the speed of existing machines and adopting machines for other than their original purpose (e g, cotton ring frame for worsted spinning or doubling) and copying the design of an imported machine with some modification to suit the Indian market or the manufacturer's machine tools. Sometimes, the programmes were aimed at cheapening the machine (e g, CIMMCO's efforts with auto-looms) by removing more sensitive components [World Bank, 1975:19].

A fiercely price sensitive domestic market and fluctuations in demand ensured that the best firms in the industry enjoy enormous cost advantage over international producers. Thus, the World Bank study found that Indian firms sold ring frame for Rs 1.96 lakh compared to Reiter's price of Rs 3.45 lakh and speed frames for Rs 2.4 lakh against comparable machines international price of Rs 5.4 lakh. However, products like combers, which had a high import content (in 1975), were only 10-20 per cent below world prices [World Bank, 1975:28]. All this was achieved with machine shops that used single purpose non-automatic light machine tools.

Table 4 compares cost structure of a leading Indian manufacturer and a Swiss TNC. The Indian firm has significant cost advantage in labour and overhead costs, which together account for half the price differential between Indian manufacturer and the TNC. Indian plants were also less capital intensive, used older generation machine tools and antiquated foundries. This led to lower capital cost (depreciation and interest). In other words, the Indian textile machinery industry has a substantial cost advantage in all factors of production.

These advantages have partly been eroded by higher steel prices in recent years. A study by Pickett and Robson found Indian textile machinery to be 30-50 per cent cheaper during 1980s [Pickett and Robsons, 1981:21].

The diffusion of knowledge to fabricate parts, accessories and even entire pieces of fairly sophisticated machinery has led to a thriving un-organised and small-scale sector that supplies both mills and the unauthorised powerloom sector. The technological ability of this segment to maintain, recondition and produce new machinery largely underlies government's failure to check the expansion of decentralised powerloom sector in places like Bhiwandi and Surat. These producers often are able to supply the equipment and accessories at prices that are a fraction of even the organised sector Indian machinery manufacturers' prices.

The general conclusion that one can draw is that once the Indian capital goods producers successfully absorb the imported technology, the imported components are replaced by local manufacturers and links with local suppliers forged, Indian's vastly cheaper skilled and supervisory manpower provides comparative advantage, making the more efficient firms in the capital goods sector cost competitive by international standards. This is not to deny that the less efficient firms may have higher costs, may be producing goods of poor quality and may find it difficult to maintain market shares.

TABLE 4: COMPARISON BETWEEN INDIAN AND FOREIGN COST STRUCTURE FOR SIMILAR MACHINES

	TNC	Indian	Difference	
			Absolute	Relative
Sale price	100.0	60.0	40.0	40.0
Raw material	40.0	28.0	12.0	30.0
Labour	11.0	2.2	8.8	80.0
Overheads and salaries	18.0	7.3	10.7	55.0
Sale and royalty	7.0	6.0	1.0	12.0
Depreciation	7.0	3.0	4.0	55.0
Interest	4.0	1.5	2.5	63.0
Profit before tax	15.0	12.0	3.0	20.0

Source: [World Bank, 1975: 28].

TABLE 5: RETURNS ON MODERNISATION IN INDIAN TEXTILE MILLS

Stages of Manufacture	Type of Replacement		Payback Period (Years)
(1) Blow room	Single process auto doffing		50.0
(2) Cards	High production cards—30 rpm		9.5
	—	40 rpm	5.5*
(3) Combers	High speed combers		13.0
(4) Fly frames	High speed canfed inters		17.0
(5) Ring frames	High speed warp ring frames		1.2*
(6) Winding	High speed winding		
	—Barber Colman type		8.0-9.0
	—Autocomer type		3.5*
(7) High speed machine	0.7*		Warping
	Super speed machine		13.5
(8) Loomshed	Auto loom		6.0
	High speed auto loom		10.0
	Shuttleless loom		33.0

Note: * acceptable.
Source: [ATIRA, 1977: Table 16].

IV

Issues in Modernisation

The government of India, faced with a rowing crisis in the textile industry, has dentified lack of modernisation as the najor reason for growing sickness. The igher profit rates and rapid expansion of ome members of the textile industry oligopoly specialising in fabrics of man-nade fibres and blends has also fostered the mpression that the use of advanced techni-ques embodied in the latest generation of extile machinery is the key to survival of irms. In response, the public sector finan-cial institutions are providing subsidised redit and import duties on advanced machines have been lowered. The Indian tex-ile machinery industry has sent numerous delegations to centres in advanced countries o look for collaborations [ITMA, 1979]. Thus Laxmi Machine has entered into colla-boration with Reiter for wider blow room ine and with Investa (Czechoslovakia) for open-end spinning, Mafatlal with SACM for rotor (OE) spinning, and shuttleless looms, CIMMCO with Dornier for Rapier looms [TMMA, 1982:24]. These new machines re-quire a large percentage of imported com-ponents and the manufacturers are forced to modernise their machine shops and tools. The royalty payments for technology and import duties on components make the se-cond generation textile machines 20-50 per cent more expensive than world prices, leading to a pressure by mills to allow duty free im-ports of similar machines [Bhagawati, nd].

Thus while the 'conventional' textile machinery prices in India are about 40 per cent below world prices, the more modern machines are about 30 per cent more expen-sive. If one keeps in mind that the most ad-vanced machines raise the capital output ratios 5 to 10 times (Table 2), then the modernisation is a capital deepening process.

Given the low wage rates in India (amongst the lowest in the world), the sav-ings from the reduction in workforce per unit of output are hardly enough to defray the increased capital costs of introduction of advanced machinery.

This is clearly brought out in a study by ATIRA [ATIRA, 1977], summarised in Table 5. The study was limited to modern machines manufactured in India in 1976 and excludes the latest generation techniques like bale plucking in blow rooms, chute feed to cards, autolevellors, open-end spinning, etc. As Table 5 shows, given the low-level of wages in India, most of the modern machines had pay back periods ranging from 10 to 50 years. The picture would be even more dismal if more expensive third generation imported or import-based machines were to be considered. This, thus, constitutes the most important economic reason for the reluctance of Indian mills to modernise.

The other important factor is that the fibre used in Indian textile industry is still mainly cotton. This is even more true of the mill sector at which the modernisation pro-grammes of the public sector financial insti-tutions are aimed. For example, in 1983, 83.5 per cent of yarn produced by mills was 100 per cent cotton and another 8.5 per cent con-sisted of cellulosic and cellulosic-cotton blends. Thus synthetic and cotton-synthetic blends constituted only 8 per cent of the yarn output in the mill sector [ICMF, 1987:27]

But if modern techniques of production help the Indian textile industry to produce high quality cotton and synthetic fabrics, will not better sales realisation help to amor-tise higher capital costs? Here one is forced to return to the peculiar characteristic of Indian market and the process of incoome generation. The low purchasing power of Indian consumer has acted as the most significant barrier along with the fragmented structure of textile industry. Bulk of Indian cloth is sold at prices range of Rs 6-8 per metre. Studies have shown that machinery renewal even without change in technology in the weaving sheds of composite mills (i e, by replacing non-auto looms with the same type) the capital costs of replacement would require fabric prices to rise to at least Rs 10 per metre [Bhave et al, 1983]. For shuttleless looms that sell in India for Rs 8-10 lakh compared to Rs 15,000-20,000 for non-auto-matic loom the fabric price would have to be at least Rs 25-30 per metre for the moder-nisation to be viable. Same is true of spinning mills where modernisation compels mills to shift their product-mix towards high-priced yarn varieties[Shanbhag, 1985:39].

There is little possibility of the Indian con-sumer paying such high prices for so-called 'better quality' fabrics. Actually, India is one of the few countries where despite rising per capita income, per capita cloth consumption had declined. It is because of the limited market for high priced fabrics (less than 20 per cent of total output [Shanbhag, 1985:47]) that 70 per cent mills that moder-nised slid into crippling losses after moder-nisation. Many of these mills expected to change their product mix towards synthetic blends but found it difficult to successfully sell their products. A powerful and well knit oligopoly has successfully erected powerful entry barriers to this segment of the market [Chandrasekhar, 1984]).

V

Conclusions

Why is it, asked Rosenberg in a well known paper, that in underdeveloped coun-tries, with abundant supplies of labour and scarce capital, the scarcity of capital has not led to the development of capital-saving techniques? [Rosenberg, 1963]. Others, like Well, have been concerned with the rising capital intensity despite factor proportions in such countries favouring labour intensive methods of production [Well, 1975: 71-93].

Rosenberg's answer to this lack of sym-metry between factor endowments and

technical change was simple. Third world countries lack an efficient capital goods sector where new machines are to be produced to change the techniques of production in the consumer goods sector. Improving the efficiency in the capital goods sector which would lower the cost of capital goods would amount to a capital-saving innovation for the economy as a whole. The small size of the home market and the narrow industrial base of the third world economies make it impossible to realise these efficiencies. Given this, the consumer goods industries in such countries are forced to depend on imported technologies and capital goods and possibilities of capital saving innovations are aborted. The use of 'advanced' capital intensive techniques is more pronounced when the investor is a transnational corporation enjoying a monopolistic position [Well, 1975: 85].

The case of Indian textile industry bears out these contentions. One can argue that the 'failure' of Indian textile industry to modernise must be attributed to the inappropriate techniques available from advanced countries and to the efficiency of the Indian capital goods sector. The low and declining cost of textile machinery in India has provided a capital-saving possibility which has been well exploited by the textile industry, both organised and unorganised. Low purchasing power of the people has made the demand extremely price sensitive. An efficient raw cotton producing sector has made any large-scale shift to synthetic impossible without raising the fabric price to the consumer. The advanced techniques' bias towards synthetics has been an additional factor. Thus, the technical change in the advanced countries has only marginal relevance to Indian conditions.

It is difficult to draw economy-wide conclusions on the basis of an industry study. If however, one may take liberties, the question of international (price) competitiveness of Indian industry is far more complex and imports of advanced techniques of production is not necessarily the answer. As a matter of fact, one may argue that if public policy is biased towards imported technology and associated capital goods, this may sunder the links between the user industry and domestic capital goods producers. Such a process would also undermine the future of domestic capital goods sector, depriving the economy of innovations and supply of techniques more suited to our factor endowments. A structural transformation of the economy through a strategy of industrialisation will continue to elude us.

Notes

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1 A semi-log regression fit with time as the independent variable and total cloth availability as dependent variable provides a regression coefficient of 0.0226.

2 The study is based on data from 104 countries and uses (a) inter-country cross-section analysis of relation between per capita consumption of cotton and apparel fibres, and per capita income and (b) multiple regression analysis of mill consumption of cotton cloth and cotton prices and income. Indian Planning Commission projections of demand for cloth are based on similar models with similar elasticity. See, for example, India, 1977.

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NOTICE

It is hereby notified for the information of the public that **Lipton India Limited** proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of Sec. 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the establishment of a new unit. Brief particulars of the proposal are as under:-

1. Name and address of the applicant	:	Lipton India Limited, Dayanand Bhawan, 5/3 Asaf Ali Road, New Delhi 110 002
2. Capital structure of the applicant organisation	:	Authorised Share capital Rs. 2500 lakhs Subscribed Share capital Rs. 1575 lakhs Paid up Share capital Rs. 1575 lakhs
3. Management structure of the applicant organisation indicating the names of the Directors, including the Managing/ Wholetime Directors and Manager, if any.	:	Board of Directors Mr. B.R. Shah Mr. C.J. Mahimker Mr. P.K. Dutt Mr. S.M. Dutta Mr. K.B. Dadiseth Mr. P.M. Sinha Mr. A.C. Chakravorty
4. Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division.	:	New Unit
5. Location of the new unit	:	Etah (Uttar Pradesh)
6. Capital structure of the proposed undertaking	:	NOT APPLICABLE
7. In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate:	:	
(i) Name of goods/articles	:	Packet Tea and Processed Instant Tea
(ii) Proposed Licensed capacity P.A.	:	10,000 M.T.
(iii) Estimated annual turnover	:	Rs. 50 crores
8. In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover, etc.	:	NOT APPLICABLE
9. Cost of the project	:	Rs. 2.5 crores
10. Scheme of finance, indicating the amounts to be raised from each source.	:	Internal accruals.

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhawan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

Sd/-
O.P. AGARWAL
COMPANY SECRETARY
LIPTON INDIA LIMITED
P-44 HIDE ROAD
CALCUTTA 88

Dated this Twentyeighth day of August 1989

Market Structure and Innovation

A Survey of Empirical Studies of Schumpeterian Hypothese for Developed Countries and India

Sanjay Kathuria

This paper seeks to provide a fresh appraisal of the empirical literature that analyses the Schumpeterian hypothese pertaining to the relationship between firm size and market structure, on the one hand, and inventive activity on the other. In the traditional literature on developed countries, the consensus was that large firm size and increasing concentration increased innovative activity only upto a point. However, more recent literature which adopts a more comprehensive approach has questioned the received wisdom. The writings on India, like on other developing countries, have mainly adopted a case-study approach to these questions, and have come up with insightful but as yet non-generalisable conclusions.

I

IN Schumpeter's characterisation of the modern industrial economy, (a) large firms exploit economies of scale in R and D and unforeseen innovations better than smaller firms; (b) monopoly power, which often goes hand-in-hand with large firms, enables the firm to prevent imitations and hence gives them incentives to innovate. Moreover, the process of 'creative destruction' keeps these firms alive to the threat of rival innovators and potential rivals. On this latter point, Schumpeter's observations are instructive:

> It is hardly necessary to point out that competition of the kind we now have in mind acts not only when in being but also when it is merely an ever-present threat. It disciplines before it attacks. The businessman feels himself to be in a competitive situation even if he is alone in his field or if, though not alone, he holds a position such that investigating government experts fail to see any effective competition between him and any other firms in the same or a neighbouring field and in consequence conclude that his talk, under examination, about his competitive sorrows is all make-believe. In many cases, though not in all, this will in the long run enforce behaviour very similar to the perfectly competitive pattern [Schumpeter 1949, p 85].

and in an earlier paragraph:

> But in capitalist reality as distinguished from its textbook picture, it is not that kind of competition which counts but the competition from the new commodity, the new technology, the new source of supply, the new type of organisation (the largest-scale unit of control for instance)—competition which commands a decisive cost or quality advantage and which strikes not at the margins of the profits and the outputs of the existing firms but at their foundations and their very lives [Schumpeter 1949, p 84].

Most of the empirical studies of Schumpeterian hypotheses in developed countries (DCs) have tended to neglect this most important notion of existing and potential rivalry. One of our intentions in this paper, while surveying this literature, is to indicate possible associations of the empirical studies with the concept of existing and potential rivalry.

In this survey, we have identified a dual task for ourselves. In the first part, we shall, as mentioned above, survey the DC empirical literature. This should be seen partly as a complement to the existing surveys, viz, Kamien and Schwartz [1975, 1982] and Scherer [1980], in that, while mentioning all the important findings, we have sought to include and often highlight work that has not formed part of these surveys. More importantly, recent evidence that has been published, after the earlier surveys were completed, calls into question the validity of the earlier conclusions, and occupies a prominent place in our survey. The second part of this survey deals with the literature on India, with a focus on those studies that either explicitly or implicitly analyse the Schumpeterian hypotheses.

Section II mentions the variables most frequently used to explain R and D activity in DCs. The subsequent sections take up each of these variables in turn. Section III looks at the studies on the relationship between R and D and firm size; Section IV on R and D and concentration; Section VI on R and D and technological opportunity; Section VII on R and D and barriers to entry; and Section VIII on R and D and rivalry. In Section V, we point out connections between the variables mentioned above and aspects of rivalry. Section IX briefly examines the case for treating R and D as a capital stock. Section X presents new evidence on Schumpeterian hypotheses. The second part of this survey begins with Section XI, where we introduce the developing country picture of technological change (TC). Section XII looks at the econometric treatment of TC in India, XIII surveys the case-study approach, and XIV sums up the Indian literature. Concluding comments are offered in Section XV. Throughout this paper, we shall be dealing only with TC in business firms and industries, and not in research institutions, universities, etc.

II

Explanatory Variables

A vast amount of work has been done in the last two decades on empirical studies of the Schumpeterian hypotheses; yet most o[f] the substantive claims made are shrouded i[n] controversy.[1] Many different variables hav[e] been adduced to explain R and D behaviou[r] of firms and industries. These variables ar[e] not mutually exclusive, and often overlap. The most important ones to have bee[n] studied are: (i) firm size, (ii) concentratio[n] and market share, (iii) barriers to entry (iv) technological opportunity, and (v) riva[l] R and D behaviour. Each one of thes[e] variables is associated with the degree o[f] rivalry in R and D behaviour of a firm an[d] conditions the environment in which rivalry takes place. The extent of rivalry influence[s] the degree to which a firm can appropriat[e] the benefits from its innovations and, thus determines the incentives for undertaking R and D. R and D is also undertaken as a defensive measure to prevent loss of markets via rival pre-emption. The likelihood of pre-emption is obviously related directly to the degree of rivalry.

The empirical work has been conditioned by availability of data. We shall not discuss the problems that have been caused by this nor, indeed, those relating to the definition of an industry. These are documented in Grabowski and Mueller [1970].

III

R and D and Firm Size

(a) *Size and Research Intensity*: The size of firms was alternately measured by employees, capital assets and sales volume; R and D by R and D expenditure, scientific personnel engaged in R and D, invention patents received, and sales associated with new products introduced. Each measure has its own merits, which are discussed in Kamien and Schwartz [1975]. The general conclusion of these studies is that research intensity (R and D/size) increases up to a certain firm size followed by a constant or even declining intensity (for the US this threshold size is near the bottom of *Fortune's* 500 biggest firms [Scherer 1980, p 420]. The threshold varies from industry to industry. In the chemical industry this pattern is not observed, where there seems to be increasing research output intensities

ith size. In the engineering, metal manu-ctures and rubber industries, patents crease less than proportionately with ze [Needham 1975, p 250].

Later work in this field has grown in phistication. Loeb and Lin [1977] vestigate the R and D-size hypothesis for e pharmaceutical industry, using a speci-cation error approach. They test four ifferent equations, incorporating non-nearities in the structure and find an une-uivocally declining research intensity with rm size. Soete [1979] finds no evidence for his relationship for individual industries ut, at the global level, he finds research in-ensity increasing with size (research is easured by company-financed R and D). oete hopes to have invalidated most of the arlier empirical work. The data he uses is or 1976 and 1977 from *Business Week* but is not clear why earlier data should be 'ob-olete'. Moreover, R and D expenditure is, s mentioned earlier, just one of the many easures that can be used to estimate R and D, and is not the universally best riterion, as Soete suggests. In particular, ur choice would depend on whether we vant to focus on inventive effort or output, nd we may even wish to use more than one easure. We should also remember that R and D expenditure measures only the for-nal dimension of R and D activity, whereas nuch of R and D is informal in character, argely undertaken by smaller firms [Scherer 980, Kamien and Schwartz 1975].

A major problem with Soete's results is is use of a global analysis covering all ndustries (this is true for much of the preceding empirical literature). He has not attempted to standardise data for the effect of differing technological opportunities in different industries; both theoretical and em-pirical literature predict a very significant role for this variable in influencing R and D activity (see Sections VI and X).

(b) *Size and Efficiency*: Estimated elasticities of research output with respect to research input suggest economies of scale at low firm sizes, but diseconomies at large sizes [Kamien and Schwartz 1975]. There seems to be a good deal of evidence to sug-gest that for a piece of work that is within their capacity and resources, small firms are far more efficient. Large firms tend to be cramped, sluggish and bureaucratic. Where they come into their own is in innovation in areas requiring large-scale R and D, product development and marketing.

Link [1980] approaches the efficiency issue via a rate of return criterion for a cross-section of firms in the chemical industry. He finds that a large firm is a pre-requisite for efficient innovative activity (measured by rate of return on R and D expenditure) only up to a point, beyond which the influence of size remains constant. This is at variance with the earlier conclusion that the chemical industry all over the world exhibits a greater than one elasticity of R and D output to firm size.

Link's study is an answer to the criticism voiced by Fisher and Temin [1973] that existing studies relating innovative inputs with firm size do not test the Schumpeterian hypothesis because the hypothesis relates to inventive output and not to input. This is supported by two studies quoted in Link [1980]. It is shown theoretically by Kamien and Schwartz [1969] and empirically demon-strated by Link [1978] that, given economies of scale in production of output and in pro-duction of innovations, the transformation between R and D inputs and innovative out-put is not necessarily monotonic. However, as we have seen, these scale economies do not seem to exist beyond a modest firm size. Kamien and Schwartz [1982] conclude that the use of either input or output measures of inventive activity is justified (p 57). Kohn and Scott [1985] argue that since it is easier to measure R and D input than output, we should try to learn as much as possible about the R and D output—size relation-ship by observing the R and D input-size relationship.[2]

(c) *Size, Liquidity and Profitability*: Large firm size and monopoly power often coin-cide. Firms with high liquidity and pro-fitability are generally large and mono-polistic. This financial slack (alongwith organisational slack), the Schumpeterian hypothesis argues, enables the large firm to undertake substantial investment in R and D. The (large) firm could also look at current profits as an indicator of success of its past R and D efforts and of the likelihood of future profits and therefore go in for higher R and D [Mueller 1967, p 62].

Mueller [1967] estimated a four- equation model of the firm to explain R and D, capital investment, advertising and dividend pay-ments for a 67-firm sample over 1957-60. He found that profits in the R and D equation act as a significant measure of expectations (the coefficient of profits varies directly with the level of overall business activity); depreciation seems to represent the flow of liquidity and is statistically significant.

These results are supported in Howe and McFetridge [1976]: for 81 firms over the period 1967-71, depreciation and after-tax profits are statistically significant for domestic firms. Mueller [1967] and Grabowski and Mueller [1972] write that there are pitfalls in focusing on only one aspect of firm investment behaviour and stress that, especially for policy purposes, the inherent simultaneity of many of the firm's decisions must be taken into account. Each of the dependent variables, R and D, fixed capital investment, cash dividend payments (and also advertising, in the Mueller paper), is assumed to be a function of the others and a group of predetermined variables. The equations are estimated by simultaneous equation techniques.

The multi-dimensional focus is vindicated when Mueller [1967] finds that resources shift into different activities in response to variations in the industrial climate. In reces-sionary years, for example, the returns on capital investment are lower than normal, and depreciation funds are diverted into R and D, the returns from which are less subject to cyclical fluctuations. Mueller also finds that absolute R and D outlays decrease with firm size, and seeks to explain it away by citing the superior explanatory power of the other variables, like profits, depreciation and a ten-year growth variable, as these are stated to be better indicators of uncertainty and demand-pull factors.

The paper by Grabowski and Mueller adds another dimension to Mueller's article. They incorporate a managerial and a stock-holder maximisation objective in two dif-ferent models. The equilibrium condition in both cases is that the marginal rate of return on each investment activity should be equated to the marginal cost of finance. The differences arise in the set of exogenous variables that are expected to be important. For example, the level of cash flow should strongly influence the managerial firm's marginal cost of finance (MCF) schedule, but is irrelevant for the neo-classical firm's investment decisions (the neo-classical variant is used to express stockholder max-imisation), where stockholder opportunity cost replaces cash flow in the MCF equa-tion. Also, dividends in the neo-classical case are not codetermined with R and D and capital investment.

Using data for 66 firms in seven industries over the period 1959-66, Grabowski and Mueller find that, in the managerial model, the most significant of the exogenous fac-tors in the R and D equation are the cash flow terms. Analogously, the cost of capital variable is most significant in the stock-holder model. However, the explanatory power of the stockholder model is much lower (R^2 is 0.025 as opposed to 0.37 in the managerial case), and Grabowski and Mueller come out strongly in favour of the managerial model as a superior theory of motivation.

The importance of liquidity is also sup-ported in a time-series study by Grabowski and Baxter [1973]. On the other hand, there are a number of studies which point in the opposite direction.[3] Scherer [1980] points out that this could be due to the fact that there may be a two-way causation: high pro-fits might cause higher R and D spending, but successful R and D could, in turn, lead to higher profits (with a lag). A careful study by Branch [1974] estimated distributed lag functions and found that the effect of R and D output (patents) on pofits was more consistent and statistically stronger than the effect of profits on patents.

The work by Branch indicates that there is no a priori reason why different aspects of firms' investment decisions have to be treated simultaneously as done by Mueller and Grabowski and Mueller—there could be a sequential process taking place. The lack of clear-cut evidence leads Kamien and Schwartz [1982] to conclude that the support for the hypothesis that liquidity or pro-fitability are conducive to innovation is slim. They do add, however, that this does not

negate their importance, and perhaps liquidity or profitability could be 'threshold' factors, necessary to some extent for R and D, but has no linear relationship with it.

d) *Size and Diversification*[4]: Diversification is distinct from large size and market power but will very often accompany them. In a world of uncertainty, with inventions and discoveries in unexpected areas, diversification into many products will positively influence a firm's expected profit from R and D effort. Also, the very range of the firm's interests implies an effective cushion against risk, which the less diversified firm does not possess. On the whole, there is weak support for this hypothesis. One study found that the advantage of diversification for research is confined to a branching out by the firm into technically related products within the same two- digit industry group.[5]

Armour and Teece [1980] explore another strategic decision of the firm—vertical integration. They find a statistically significant and positive relationship between vertical integration (measured by participation in an additional stage of the petroleum industry production process) and basic and applied research for firms in this industry over the period 1954-75. A positive relationship is also found between the diversity variable (the number of activities in which the firm is involved) and basic research, although it is not significant. Another notable result to emerge from this study is that the R and D expenditure geared to more specific projects is not influenced much by diversification.

The part of the Schumpeterian hypothesis tested in the literature on (firm) size has it that the large firm is in a better position to generate technical progress, given the demands of modern technology. From the available evidence it appears that the advantage of large firm size for R and D exists up to a threshold size which varies from industry to industry. This evidence does not reflect informal R and D, which is often the domain of small firms. Another point in favour of the small firm is that the sequential character of modern R and D makes it possible for them to play a major role in technological innovations. Large firms are responsible for much of the development of these ideas and innovations towards commercial utilisation. On the whole, small firms contribute more to technical advance of society than is reflected in R and D expenditure statistics.[6]

IV

R and D and Concentration

The causal link that is normally explored goes from concentration to R and D. A highly concentrated market structure, it is argued, insulates the dominant firms from competitive pressure and enables them to appropriate the fruits of their innovations. Antagonists say the presence of market power with concentration enables the firm to reap profits without necessarily being innovative.

The empirical literature reflects this indeterminancy. There is little consensus on the effect of concentration on R and D. In most cases, a statistical relationship has not been observed between these variables [Kamien and Schwartz 1975, p 22]. Rosenberg [1976] selects firms at two extremes of technological opportunity, and finds a tenuous negative relationship between market share (which is correlated with concentration) of the firm and its R and D intensity. Shrieves [1978], using a sample of 411 firms in 1965, concludes that the role of concentration appears to be ambiguous when the manufacturing industries are divided into 'sectors' characterised by different product-market features. Needham [1975] believes that firm size and the implied market share influence R and D independently of any effect of seller concentration, so that, in order to test whether R and D is independently related to concentration, it is necessary to eliminate the aforesaid influence of market share. Needham quotes a study by Comanor [1967] which finds that, for given levels of firm size, higher concentration may be associated with greater research in industries where prospects for product differentiation are limited. There is no evidence for this relationship in industries where product differentiation is important.

Two recent studies also come out with opposing conclusions, reflecting the lack of consensus. Using the number of successful innovations as a measure of R and D output, Acs and Audretsch [1988] find a negative relationship between this measure and the degree of concentration. Kraft [1989] also uses an indicator of R and D output—the percentage of sales that can be attributed to products developed during the last five years. A cross-section analysis for 57 West German firms in 1979 finds an unambiguously positive relationship between product innovation and the degree of concentration (proxied by the inverse of the number of main competitors in the major markets in which the firm operates).

Farber [1981] points out a variable that is rarely noticed in the extant literature. He finds that R and D activity would increase with buyer market concentration when the sellers' market is concentrated, but may decline with buyer concentration when the sellers' market is unconcentrated. He also found evidence that the effects of seller concentration on R and D intensity might be biased upward due to not controlling for buyer concentration and price-cost margins.

It appears that the relationship between R and D and concentration is particularly murky. One reason is that (as is also true for firm size) concentration is related to many other variables like profits and entry barriers in a simultaneous manner: it affects them and is affected by them in turn. Thus seller concentration may influence R and D via a number of different channels, and the statistical relationship observed is the net outcome of many different relationships interacting simultaneously with both R and D and concentration. R and D and concent[ra]tion should themselves be treated in [a] simultaneous framework. Another probl[em] is the use of concentration ratios as the re[le]vant concentration concept [Kamien a[nd] Schwartz 1975, p 20].

A limited body of research also looks [at] the reverse causation, viz, the effect [of] innovation on concentration. The mo[st] quoted study in this regard is the one [by] Blair [1972], who, by looking at the effe[ct] of technical change on minimum efficie[nt] plant size, found that, since World War Tw[o] centralising technologies have been displac[ed] by decentralising technologies, becau[se] recent technical advances have tended to pe[r]mit production with smaller plants. A pap[er] by Mansfield [1983] is more circumspe[ct] and cautions against predicting the effect [of] technological change on concentratio[n] unless the nature and sources of ne[w] technology are known. In a study of th[e] chemical, drug, petroleum and ste[el] industries he finds no evidence to suppo[rt] Blair's hypothesis. On the other han[d] Mukhopadhyay's [1985b] study is supporti[ve] of Blair's conclusion, although the autho[r] makes no mention of the latter's stud[y]. Using econometric analysis, his paper show[s] that during 1963-77, concentration ratio[s] decreased in the high-R and D industries [in] the US, and he explains this by observin[g] that the net rate of entry was much highe[r] in these industries.

V

Aspects of Rivalry

We have so far looked at R and D in rela[]tion to firm size and concentration and th[e] related variables. The Schumpeterian hypo[]thesis that pertains to firm size stresses th[e] importance of the supply side factor[s] (resources, skills, abilities) for R and D; con[]centration and monopoly power are con[]sidered important because they enable th[e] firm to internalise the benefits of thei[r] innovation, their presence giving the firm a[n] assurance that they are at least temporaril[y] safe from profit erosion. These arguments, however, concentrate on one aspect of the Schumpeterian hypothesis and neglect th[e] stimulus factor. Schumpeter stressed th[e] paramount importance of potential rivalr[y] in keeping a firm on its toes and hence i[n] engaging in R and D continuously. Indice[s] like the concentration ratio which focus o[n] the current market structure are not indi[]cative of potential rivalry[7] (one manifesta[]tion of which is rivalry in R and D). On[e] way to incorporate potential rivalry would be to consider the conditions of, and scope for, entry into the industry. A more complet[e] characterisation would also consider entry into R and D activity.

The next two variables that we will consider come closer to this concept than firm size or concentration. The 'barriers to entry' variable, even though it is related to concentration, looks beyond it to other factors

e advertising and capital intensities. With gh barriers to entry, there may not be too any rivals to contend with. The 'techno-gical opportunity' variable, conditions the traction *inter alia*, of entering the industry id also of joining the R and D race. hrieves [1978] expands on this theme, as e shall see.)

VI

and D and Technological Opportunity

Technological opportunity may well be the ngle, most important determinant of and D, for it is accepted that the intensity f R and D effort is strongly correlated with e indices of technological opportunity, no atter how the latter is measured. It also apes the environment for other deter-inants of R and D. After differences in chnological opportunity are taken into ccount, the correlations between R and D nd other explanatory variables tend to ecome weaker and statistically less signifi-ant [Scherer 1980].

Rosenberg [1976], in a cross-section study f 100 American firms in 1963-64, finds that igh technological opportunity is the trongest and most significant explanatory ariable for research intensity in two of three quations. Wilson [1977] suggests that there re two relevant dimensions of the techno-ogical environment which ought to be onsidered—the richness of opportunities or product-change arising from exogenous dvances in science and technology or op-ortunity; and the ease with which physical haracteristics of a product can be altered r complexity. These are not necessarily ndependent of one another. The presence of rich possibilities for product innovation imits research effort directed towards pro-ess innovations, and hence also limits licen-ing (process innovations are more readily icensable) from that source. However, op-ortunity for product technical advances often leads to breakthrough product innova-ions which belong to the most licensable ategory. The hypothesis, then, is that op-ortunity influences both product innova-ion effort and licensing positively, while omplexity influences product innovation ositively but licensing negatively. For the omplexity dimension, Wilson uses the share of a durable goods industry's output sold to he final demand sector on the grounds that durable final goods allow for the most com-plex configuration options. For the oppor-unity dimension, 'high' and 'low' dummy variables represent high and low opportunity ndustries. This classification is admittedly entative.

With firm-level data from 350 firms for 1971, Wilson finds the coefficients signifi-cant as predicted in the above hypothesis. The implication is that licensing may be a elevant variable to consider in the situation of R and D rivalry—licensing of inventions can be used to achieve joint profit maximisa-ion by saving imitative research costs.

Shrieves [1978] points out that the crucial differences in the controversy over the relationship between market structure and innovation lie in the respective assumptions regarding the speed and ability of rival imitation. While a measure for this 'degree of technical appropriability' is not available, it is likely to be related systematically to technological and product-market characteristics. Technological characteristics of a firm are represented by an index of the ratios of the number of R and D scientists and engineers employed in various scientific disciplines to total R and D employment figures. Product-market characteristics are indicated by input-output ratios on sales of consumption goods, investment goods, materials and sales to government, and also a durable goods dummy variable. He finds that the rate of imitation of innovations would be greater in the non-durable consumer goods and material inputs industries, because technological complexity in them is less and because of the repetitive nature of the demand in these industries. In such industries, concentration is conducive to innovative activity. On the other hand, in durable goods the existence of a 'first mover' advantage may dampen the pressure to innovate if the industry is concentrated. Shrieves' results are significant because they stress that the technological characteristics of an industry account for a large part of R and D activity, and that these may interact in a complex way with concentration to determine R and D levels. Scherer [1980] suggests that in high-opportunity and rapidly-shifting industries, fear of market overcrowding is less likely to deter vigorous innovative effort. In low-opportunity fields, technological pioneering may be realtively unprofitable, so that only companies with a substantial organisational slack (like large firms in concentrated industries) may engage in R and D.

We have found that consideration of technological opportunities clears up a substantial portion of the ambiguity surrounding the R and D concentration relationship. It seems that concentration may have an independent influence on R and D, and that this is positive in low opportunity industries. In Section X, more recent evidence is presented and this serves to re-emphasise the significance of technological opportunity. It also brings into question the role of concentration as an independent factor.

VII

R and D and Barriers to Entry

Low entry barriers give rise to fear of imitation and erosion of profits; high entry barriers to lethargy. What is needed is an optimal combination of both. This, it is suggested, occurs when industries have moderate barriers to entry. Comanor [1967] depicts these in terms of a four to seven per cent share of industry output by a firm and/or a capital investment of $20 million to $70 million. He finds that R and D intensity is positively influenced by moderate entry barriers. Rosenberg [1976] defines entry barriers in terms of advertising, capital intensity and returns to scale. In a sample of 100 companies from the *Fortune 500 Directory*, he finds that high barriers are conducive to R and D. He seeks to explain away the difference between his and Comanor's results as variations in sampling, measurement of barriers, and industry definitions. He also finds that entry barriers complement the impact of federal government subsidies in encouraging R and D. The introduction of entry barriers to the equation, he feels, comes at the expense of the technological opportunity variable. A more recent study by Farber [1981] finds R and D intensity diminishing in the presence of high financial and technical barriers to entry.

Porter [1979] has suggested a different line of enquiry on the subject of entry barriers. The structure within an industry, he says, is an important explanation of variation in profit rates among the firms in an industry. Traditionally, firms within an industry are assumed to be alike in all economically important dimensions except size. It is useful to view an industry as composed of clusters of groups of firms, where each group consists of firms following similar strategies in terms of the key decision variables. These groups are called 'strategic groups'. They are not properly defined industries, because they reflect 'different approaches to operating in the same competitive arena' (p 215). These different approaches manifest themselves in marketing methods, technologies and scales of activity; and the standard sources of entry barriers (economies of scale, capital requirements, cost advantages and proprietary knowledge) can also vary across strategic groups. For example, product differentiation barriers will be greater for a more heavily advertised national brand than for a local brand name. It follows that there can be a barrier to entry into the industry as well as into strategic groups within the industry. This latter barrier exists both for new firms and for firms already in the industry. Porter calls these dual-function barriers 'mobility barriers'.

The presence of strategic groups influences inter-firm rivalry as well. Divergent strategies increase the likelihood of rivalry because the ability of oligopoly to have tacit co-ordination is reduced. Overall, the structure within an industry consists of its configuration of strategic groups, including their mobility barriers, size and composition, strategic distance and market interdependence.

In his empirical investigation, Porter used a simple, *ad hoc* procedure, identifying the relative size of a firm in an industry as a proxy for its strategic group membership. He then divided firms in an industry into leader and follower firms. Leaders were the biggest firms accounting for 30 per cent of total industry sales; the others were followers. The leader group will, it is expected, include strategic groups whose strategies are geared

toward achieving scale economies, vertical integration, a marketing network, and so on, if these exist in the industry. The follower group may include strategic groups following more specialised strategies. The distinction between leader and follower should therefore capture at least some of the variance among strategic groups. The forecast then is that different structural models will be appropriate to explain average firm profitability in the leader and follower groups. This forecast is supported by the findings: leader group firms are on the whole more profitable; concentration has a positive effect on their profits, but has a negative influence on followers' profits; growth and capital requirements, advertising, production scale economy, and so on, also have strongly asymmetrical effects on leader and follower groups.

Perhaps these ideas could be fruitfully developed to try and explain R and D behaviour of firms and industries. For example, we could expect firms in strategic groups with moderate mobility barriers to have high research intensities, other things being equal. The assumption that we can identify groups within an industry is attractive. We can expect inter-group rivalry to be important and firms within a group may indulge in tacit or open co-operation. The definition of strategic groups makes use of many of the variables we may consider to be important in explaining R and D activity (e g, diversification, vertical integration, scale of activity, entry barriers, and so on). It will not be surprising, therefore, to find R and D intensities varying across strategic groups even if other things are equal.

As Porter discovered, the practical problem is to identify different configurations of strategic groups. Detailed industry studies would be able to tackle this problem more effectively than cross-industry studies based on secondary data.

VIII

R and D and Rivalry

Few studies have attempted to come to grips with this issue in practice. It is accepted that investments in R and D are especially difficult to co-ordinate at joint profit-maximising levels [Scherer 1967, Grabowski and Baxter 1973], and so a particularly important form of rivalry is in R and D.

Scherer [1967] uses simulation techniques and specific assumptions on parameter values to come to the general conclusion that rivalry stimulates rapid R and D. Grabowski and Mueller [1978] suggest that greater concentration in research-intensive industries leads to increased intra-industry rivalry in R and D—an inference they substantiate empirically.

Grabowski and Baxter [1973] have conducted one of the rare studies that looks at competitive interaction in R and D expenditures of firms within an industry. Since then, we have also attempted a similar exercise for firms in certain US industries [Kathuria 1982]. These studies look at potential rivalry in a more direct and identifiable form than the earlier ones which examined technological opportunity and barriers to entry. It also means, however, that only potential rivalry from immediate rivals is considered, and that the equally important rivalry that could emanate from unknown firms is not incorporated.

The premise Grabowski and Baxter start with is that while there will always be some a priori analytical ambiguity associated with competitive interactions in oligopoly, we can nevertheless expect an aggressive response to R and D outlays, given the structural and psychological climate in which it is undertaken. They use a sample of eight firms in the US chemical industry for the period 1947-66. The chemical industry is particularly appropriate, since it is highly research-intensive and has several large firms undertaking substantive research.

The equations were estimated for every firm. The dependent variable was change in the firm's R and D expenditure since the preceding year. The explanatory variables were (1) one-year lagged change in a rival's R and D outlay, (ii) lagged change in own R and D outlay, (iii) change in cash flow, (iv) change in market valuation of firm (b) a dummy variable to reflect decline in earnings or sales (the hypothesis being that a depressed investment climate leads to shift of resources into R and D, which is not subject to the same sort of cyclical fluctuations as other types of investment (see Section III).

Almost all the coefficients from the eight equations estimated turn out to be of the postulated positive sign; the most significant are those for the cash flow variables. The coefficient of rival R and D is significant in four of the eight equations,[8] and is especially strong in the case of the two largest firms responding to each other's outlays.

The fitted equations reveal an interesting result the authors have not fully noticed. The only significant coefficient in the equation of the leader firm is the coefficient of rival R and D. Moreover, this coefficient is larger than in any of the other seven equations. On the other hand, the dummy variable, cash flow, and own R and D coefficients are not only statistically insignificant but also smaller than the corresponding figures for the other seven firms in 17 out of the 21 cases (all the exceptions being in the own R and D coefficients column). This seems to lend support to a hypothesis akin to 'Stackelberg behaviour' by the leader, and something approaching 'Cournot behaviour' by the smaller firms. The leader firm works on the reaction function of the second firm. For the former this activity is to be pursued at a priority level, which implies that one of its very important goals could be the preservation of its market share by keeping ahead in the R and D race. The Cournot postulate for the other firms is more open to challenge, but the dominance of non-rivalry motives in a majority of the firms offers so[me] evidence to back it up.

Using cross-section analysis for 29 i[n]dustries, Grabowski and Baxter also try [to] prove that concentration increases R and [D] rivalry. They do this by finding the coef[fi]cient of variation in research intensity acro[ss] industries to be inversely related to eigh[t-]firm concentration ratio. However, th[ey] agree that this is only a very tentative co[n]clusion, given the many other forces influe[n]cing R and D, and the more severe econ[o]metric problems associated with cros[s-]section data.

In a later study [Kathuria 1982] we use[d] firm-level data for four US industries fro[m] various issues of *Business Week* [1977-1982]. Since time-series data was available for fi[ve] years only, we made the assumption tha[t] firms within an industry have the sam[e] behavioural pattern and accordingly poole[d] this data. The model draws heavily from th[e] work of Grabowski and Baxter [1973]. Th[e] dependent variable is percentage annu[al] change in R and D outlay; the independen[t] variables are also in the form of percentag[e] annual changes.

While the most significant and consisten[t] explanatory variable turns out to be curren[t] profits, there is evidence to support th[e] hypothesis of R and D rivalry (with a on[e-] year lag) in three of the four industries; i[n] the fourth industry, aerospace, potentia[l] rivalry from outside the industry seems t[o] be more important in the form of th[e] European Airbus. Other than in food an[d] beverages, profits are significant at the 9[5] per cent level for the equations in each o[f] the other three industries (aerospace[,] semiconductors, information processing)[.] One explanation is that the food industr[y] moves along at a sedate pace, with growth opportunities limited, and research intensity is only 0.6 per cent of sales. The other industries are highly research intensive and the technologies are fast changing, and the potential rewards for innovation are very substantial. Profits may therefore be appearing as a constraint in the R and D activities of firms in these industries, and so additional profits will boost R and D. These results support the self-finance arguments of Kamien and Schwartz [1978].

It is possible, as Grabowski and Baxter point out, that in an interdependent and uncertain environment, competitive response patterns of the type observed may be perfectly compatible with profit maximisation or other objectives; indeed, it is an example of an 'adaptively rational' decision-making approach.

IX

Capitalisation of R and D

Grabowski and Mueller [1978] argue that empirical work has ignored the capital investment character of R and D. As in the case of fixed capital investment, the effect of investment in R and D lingers beyond the immediate time period in which it is

nvested. They find that the variance of profit rates computed after incorporating R and D as an R and D stock is reduced. Allowing for this more realistic picture of R and D may not alter the nature of the conclusions we reached in this paper. But it could make the observed relationships more stable.[9] Some of the immediate possibilities that come to mind are related to the interaction of profits and entry barriers with R and D: present profits are influenced partly by an appropriate sequence of lagged R and D expenditures (profits in turn influence R and D investment); current entry barriers created by R and D are the result of a lagged series of past and present R and D expenditures. A related theme is concerned with firms reacting to an appropriately lagged R and D expenditure of the leader firm, rather than just to a one-period lagged R and D, as in Grabowski and Baxter [1973].

X

New Evidence on Schumpeterian Hypotheses

Recent theoretical developments have looked beyond unidirectional causation, and have attempted to model the inherent simultaneity between market structure and innovation. Innovation generates transient market power which in turn is eroded by rival innovation and imitation (in the spirit of Schumpeter's creative destruction). For a review of this literature, see Kamien and Schwartz [1982], Kathuria [1982] and Dasgupta [1986]. Also see Nelson and Winter [1982] for a very interesting simulation approach. This simultaneity implies that market structure and innovation must be jointly determined by more basic factors: demand conditions, technological opportunities, nature of capital markets, and technological and institutional conditions governing appropriability. So far, however, most of the empirical studies that are reviewed in the following pages have not analysed innovation and market structure in a simultaneous framework but the majority of them do analyse the role of basic variables.

One study that has treated concentration and R and D intensity (and also advertising intensity) as being jointly determined by the profit-maximising actions of individual firms is the one by Levin and Reiss [1984]. They use 'at best crude proxies' for technological opportunity and appropriability—five industry dummies, share of basic research in total R and D, age of the industry, government-funded R and D, share of R and D devoted to new products and share of process R and D that is borrowed rather than generated internally. Using data for 20 industries for three years, they find that:

> ...on the whole the findings support the Schumpeterian view that R and D investment and market structure are appropriately regarded as jointly determined outcomes of the competitive process. The private R and D equation performs especially well, yielding results that are quite robust and yet sufficiently precise to reject decisively the hypotheses that opportunity and appropriability conditions do not matter [Levin and Reiss 1984, pp 201-02].

They find a strong positive effect of R and D on industry concentration and a negative effect of concentration on R and D intensity which becomes positive for industries having higher product as opposed to process R and D.

The R and D equation performs relatively better than the one for concentration, which could be explained by the dynamics of the situation [see Tandon 1984]. The effect of technological change on concentration is likley to be a long- term effect, one not easily captured in the Levin and Reiss data which spans only ten years. On the other hand, the reverse causation is more likely to be a short-term one.

Pakes and Schankerman [1984] develop a model that integrates what they call 'three competing explanations' of R and D activity—expected market size, conditions of appropriability for innovation, and technological opportunities. They use data for 433 large firms in 1963, and perform regressions separately for four broad industry groups. Data limitations and model specification require them to specify opportunity and appropriability as unobservable factors in a way that allows assessment of their joint effect on R and D intensity. They find that the observed variation of R and D intensity of firms within an industry can be explained primarily by inter firm differences in appropriability and technological opportunities, and not by growth rates of the firms. After aggregating the firm-level figures to the industry level, it is found that inter-industry variations in R and D intensity are primarily accounted for by industry growth rates. These findings have been interpreted to mean that industry differences in technological and market opportunities predominate in the firm's decisions. In other words industry-level factors are more important than the firm's own history and specific abilities in explaining R and D intensity at the firm level.

Bound et al [1984] have, according to Cohen et al [1987], used a larger and more comprehensive sample of Amercian firms than any earlier study of the R and D-size relationship at the firm level. Using a sample of 2595 firms, they came to the conclusion that both very large and very small firms are more R and D intensive than average-size firms, which is contrary to the consensus that R and D intensity increases up to a threshold size (see Section III). Although this study is not in the mould of the others reviewed in this section, we have included it here because of its comprehensive approach. It does in fact attempt to take industry-specific effects into account by putting in 21 industry dummies, although these are admittedly poor substitutes for the kind of appropriability and opportunity variables developed by Richard Levin and his colleagues.

All the studies reviewed so far in this essay have employed somewhat crude proxies for the opportunity and appropriability variables, because they cannot, for example, distinguish adequately between differences in ease of imitation and strength of patent protection. In an effort to capture the effect of these factors more accurately, Richard Levin et al [1985] have collected primary data on appropriability and opportunity from a survey of executives in 130 industries. The variables used to represent technological opportunity were closeness to science, external sources of technical knowledge, and industry maturity. For appropriability, the effectiveness of various mechanisms (patents, secrecy, lead time, and so on) was characterised on a seven-point scale. The survey data was used to explain differences in the Federal Trade Commission data on industry-level R and D intensity. The authors find that when the survey variables are included in their equations, the regression coefficients for 'concentration' fall by an order of magnitude and become statistically insignificant and the appropriability and opportunity variables were jointly significant. This is true for the R and D input as well as output equation. However, the appropriability variables were not individually significant in the R and D input equation.

In a more recent paper that uses the same data base, Cohen et al [1987] explore the firm size-related implications of Schumpeter's hypotheses. They criticise previous literature for ignoring the multiproduct character of firms. They distinguish between size of the business unit (operating in a particular product line) and size of the firm. After removing outliers from the data, and controlling for inter-industry differences in the R and D environment (using appropriability, opportunity, demand and concentration variables), Cohen et al find no relationship between firm size and research intensity. Business unit size did affect significantly the probability of doing R and D, but it did not influence R and D performed within the group of R and D performers. Also, the magnitude of the size effects (either business or firm size) is always minute, explaining less than 1 per cent of the variance in R and D intensity, whereas industry characteristics explained half the variance.

Another study that has employed primary data is the one by Pavitt et al [1987]. They have made use of the extensive Science Policy Research Unit Survey of 4378 innovations in the UK since 1945. They have attempted to not only analyse the influence of firm size on innovation, but also that of innovation on firm size and performance. From the 1950s to the 1980s, small (500-1000 employees) and large (more than 10,000 employees) firms had above average innova-

tion intensity (defined as share in innovation to share in employment) while medium-sized firms (2000-9999 employees) had below average intensity. Moreover, over the four decades, the very small firms (1-499) employees saw an increase and the medium-sized firms a decline in their innovation intensities. The authors posit, supporting Bound et al [1984], that the relationship between firm size and innovative activity (R and D/sales or innovation/sales) is U-shaped rather than r-shaped (declining after a point), and growing increasingly so over time. They also find that

> technological opportunities that result in large firms have less to do with the requirements of scale in production, than with the possibilities for R and D-based diversification into related product markets.

Inter-sectoral differences in technological behaviour are also analysed. More details on sectoral patterns will be found in two papers by Pavitt [1984] and Robson et al [1988], and which point to the pitfalls of attempting generalisations in the conceptualisation of technological change.

The difference between these and earlier approaches[10] is that there is now an attempt at a more comprehensive approach toward understanding the basic determinants of R and D and innovation. Although nothing conclusive has been proved so far, the new approach and evidence cast some doubt on the received empirical wisdom that has been surveyed earlier in this paper. Thus, for example, whether and to what extent market structure has an independent influence on innovation is now (more) inconclusive.

XI
The Developing Country Picture

The theoretical literature on TC relates mainly to developed countries. Empirically, however, development economists have taken much interest in the process of TC in the third world, particularly in the last decade,[11] although the approach has been somewhat different from the previously reviewed literature.

The developed country empirical literature has focused on the analysis of R and D expenditure by companies, partly because data on R and D output tends to be incomplete. In reality, however, TC emanates not only from formal R and D expenditure, but arises from other divisions of a company such as production plants, tool and die-making plants, ancillary development, marketing, etc. This kind of TC, which includes the 'learning-by-doing' variety, is almost always of an incremental as opposed to breakthrough, nature. Most of the DC literature has tended to ignore the very significant role that incremental TC has played in overall technical advance.

In developing countries, incremental innovations are even more important than in the developed world. Most manufacturing enterprises do not have the capability to produce frontier technologies. They usually start off by implementing technology borrowed from abroad. A major part of their TC efforts are determined by the need to use different raw materials, scale down plant size, diversify product mix, adapt product design, use simpler and lower capacity machinery, etc. This is because conditions in developing countries tend to be very different—markets are usually smaller, functional characteristics of a product are more important than aesthetics, there are local-use regulations, etc.[12] Moreover, there is always incomplete information in any technology transfer, so that every firm will develop a unique or 'idiosyncratic' production function. This description makes it apparent that non-R and D departments of developing country firms are likely to be equally involved in the TC process.

In order to capture this reality, development economists have tended to focus on description and analysis of TC of individual firms and industries, relying heavily on qualitative evidence. The trade-off has been the non-generalisability of the findings but rich insights have nevertheless been generated.

All this is as true for India as for the other industrialising countries that have been studied. While the evidence for India is diffused in terms of coverage of issues and industries, a pervasive theme is the influence of government policy on R and D, both directly as well as indirectly via its effect on market structure.

Our survey includes studies that have looked not only at own R and D but also at imported technology as a source of TC, since the latter is very important in developing countries.

XII
Econometric Analysis of R and D in India

Subrahmanian [1971a] finds no evidence for the Indian chemical industry to suggest a positive relationship between R and D intensity and firm size, or between R and D intensity and relative firm size (used to indicate market power). This is therefore contrary to the finding that in the international chemical industry, research intensity increases with firm size (see Section III). The deficiency in the analysis is that no factors other than firm size are considered. In a subsequent article on the same data set (although a reduced one), Subrahmanian [1971b] does consider other variables such as profits, retained earnings, depreciation, gross investment and lagged R and D expenditure. He then finds that absolute R and D expenditure is positively related to size, as also to depreciation and lagged R and D. However, we are given no estimates of the elasticities, and it cannot therefore be established as to whether R and D increases more than proportionately with firm size.[13]

In another econometric analysis of R and D activity in 100 engineering firn Lall [1983] found that R and D intensity positively influenced by size, age a technical absorptive capacity (proxied percentage of total wages and salaries pa to employees earning more than Rs 3000 p month) of the firms. Unlike in DCs, India engineering firms have not reached threshold size and this, Lall suggest explains the positive relationship of size ar R and D.[14]

Yet another cross-section study, this tim at the industry level, was done by Katra [1985]. He finds the elasticity of R and expenditure with respect to sales to be le than unity, which is contrary to Lall's resu above. However, there could be a number c reasons for this. Katrak's sample is a mix c different industries, unlike Lall's. We hav seen that technological opportunity could b a decisive influence on R and D, and Katra has not taken account of this[15]. Secondl Katrak's data relates to industries and nc to firms, and this, as he himself acknow ledges, could affect the results. Finally, Lall data is more detailed and permits testing fo a much larger number of variables.

Katrak has attempted to resolve some o these problems in a later paper.[16] Firm-leve data was collected for 51 enterprises, an published data for another 300 firms wa used. As in the earlier paper, larger enter prises were found to spend proportionatel less on R and D, both for technology im porting and non-importing firms as a whol as well as for technology importers only Katrak classified his sample firms as belong ing to either 'low technology' or 'high technology' sectors, but this still permits a large degree of heterogeneity within each o the two categories[17] and does not resolve the problem of different degrees of technica opportunity.

Siddharthan's [1988] paper comes up with conclusions different from both Katrak and Lall. He uses published data for 166 manufacturing firms for the year 1983-84, and finds a U-shaped relationship between R and D intensity and sales turnover, with the turning point occurring at a sales level of Rs 600 million. A similar relationship is also observed when separate regressions are performed for electronics, machinery and textile firms. However, for chemical firms, he finds a negative relationship between R and D intensity and size since the quadratic term is not significant.

In a more comprehensive coverage of Indian industrial R and D, Kumar [1987] analyses 1143 companies in 43 manufacturing industries, based on RBI data. He explores the other Schumpeterian hypothesis, viz, the role of market structure, using a four-firm concentration ratio. The company-level data has been aggregated to the industry level by adding up. He controls for technological opportunity by introducing variables such as capital intensity and skill intensity, employs dummies for engineering, chemical, consumer and consumer conve-

ience goods, and also brings in advertising intensity (advertising expenditure to sales atio). Kumar finds that R and D intensity negatively related to concentration, which ould occur because in India concentration ften arises on account of government policy hich protects firms from both domestic as ell as import competition. In addition, umar also finds a negative relationship between R and D intensity and direct foreign nvestment in Indian firms, but a positive elationship with licensed use of technology.

This strand of the technology literature of ndia, following in the mould of its DC ounterpart, suffers from the same limitaions as the latter but to an even greater egree, partly because of data limitations. n addition, many of the Indian studies have sed industry rather than firm-level data, which tends to wash out the effect of firmevel variables such as size, technical capaity, age, and so on.

XIII

ase Study and Other Approaches

A pioneering study on industrial change n India from 1937-55 by George Rosen 1958] documents, *inter alia*, TC in cotton extiles, cement, paper, iron and steel, and ugar. Rosen considers TC in terms of the ntroduction of new machinery. In cotton extiles, Rosen concludes that competitive ressures in the domestic market and for ompeting in international markets were forcing the introduction of both labour-saving as well as quality-improving and outputwidening machinery. These pressures were reinforced by the old vintage of machinery and the wage movements in the industry. Institutional constraints on expansion and a ban on certain types of machinery also played a part. Rosen finds that investment in new machinery is much more in firms with investible reserves, and this was widening the gap between the efficient and inefficient firms. Industries other than cotton textiles were all expanding ones and were able to introduce labour-saving machinery by absorbing the displaced labour force.

The general influences on the introduction of labour-saving machinery are identified by Rosen to be the need to import machinery from abroad, which was laboursaving; the availability of reserves within firms; government policies which raised the relative cost of labour to capital; and the competitive market situation which meant that firms which did not introduce such machinery were left progressively behind.

Another form of TC that can be considered is the import of technology. An NCAER [1971] study shows that of the number of technology collaborations by Indian firms up to 1967, two-thirds had been made by firms with sales of less than Rs 50 million, i e, firms that were small or medium even by Indian standards (this of course does not mean that collaborations per firm are higher for small firms). Moreover, it found that the import content of technology decreased with the size of the firm because larger firms have the ability to complement parts of the technology package with their inhouse R and D capability. On the basis that licensed technology is superior to other production know-how (the former involves more comprehensive involvement by the seller and bears higher royalties), the study shows that larger firms which obtain a higher proportion of licences than other production know-how, receive and exploit better quality technology than smaller firms. This was also confirmed by interviews conducted by the study team. The success rate of technology agreements was found to be unrelated to the size of firm, but positively related to the number of earlier collaboration proposals, thus exhibiting a learning sequence through import of technology.

The NCAER study, which is based partly on questionnaires and interviews, states that firms that did substantial R and D emphasised the relative (to imported technology) cost and time factors. *Ceteris paribus* the slower the growth of the domestic market, and the less the chance of another firm entering into it earlier, the more ready were firms to undertake R and D. Thus, if the market was growing faster, firms may prefer the import route to TC in order to cash in quickly on the buoyant situation.[18]

The tractor industry in India has attracted a good deal of attention because of the successful development of a totally indigenous tractor by Punjab Tractors (PTL). An analysis of PTL's story has been made, among others, by Laroia [1988] and Morehouse [1980], and makes very interesting reading. However, for the purpose of this survey, what is relevant is the conclusion that "...when the tractor industry was suddenly faced with competitive forces, there was a qualitative shift in their attitude towards R and D".[19] In this competitive situation, the technological strength of PTL was a positive factor in its success in tractors, and other companies were also induced to improve their engines and bring out new models.[20] When the initially designed PTL tractors (25 hp) proved to be uncompetitive in the market in 1973 owing to the presence of more powerful but only slightly more expensive tractors, PTL designed and produced a 35 hp tractor. Subsequently, it designed and manufactured a small tractor (20 hp) at a significantly lower price than available in the market.[21] Also, by the seventies, price competition had become very important in tractors, and those firms who had made suitable changes in their production technology, mainly towards designing low-cost machine tools, did relatively better.[22]

Textiles is another sector on which much research has been done. The organised cotton textile industry has operated under a severely constraining government policy, probably more so than for any other sector. This meant that the unorganised sector, particularly powerlooms, has been able to increase its share of total cloth production over time. According to Desai [1983], the weaving mills, whose capacity had been virtually frozen in order to protect the unorganised sector, responded to the competition from powerlooms by (a) increasing the capacity utilisation of looms by increasing third shift operation (b) weaving stronger and more durable cloth by increasing the number of picks per metre of cloth, and (c) processing (pre-shrinking, dyeing, printing) more of their own cloth. Firms which lagged behind in making these improvements and increasing product differentiation were driven into bankruptcy, and 112 were nationalised and put under the National Textile Corporation. Chandrashekhar's [1984] analysis goes a step further. He divides the mill weaving sector into two sub-sectors: (i) an oligopolistic segment with a limited number of firms catering to the sophisticated fabric market where product differentiation is the main form of rivalry and quality is at a premium. Competition between firms here necessitates a high rate of investment and TC, and their oligopolistic positions and growing market size allow the firms to do this and yet earn high profit margins; (ii) a non-oligopolistic segment involving the large majority of firms in the weaving sector, catering to less sophisticated and cheaper varieties of fabrics. The pace of TC is very slow because profit margins are limited and the market is stagnant or growing slowly. It is this segment that has been steadily losing ground to the decentralised sector.

Overall, there is a clear division between the efficient modern sector and the rest of the textile producers, and this has persisted over time at least partly because of government policy. The net result is that an industry which should have been at the forefront in international terms is now considered to be amongst the relatively backward even within India.

The automobile industry is another which is seen to have been constrained by government policies which treated it (particularly the passenger car segment) as a non-priority sector. A study by Gumaste [1988] finds little evidence of a relationship between the degree of competition (measured by an 'H' index)[23] and R and D intensity. Besides the fact that the index of competition used is incorrect, the paper does not mention the year for which the index is calculated. The deductions drawn are based on a cross-section picture of six sub-segments (scooters, mopeds, motorcycles, cars, heavy and light commercial vehicles), and the figures do not permit any conclusive inferences. A more fruitful procedure would have been to correlate the concentration ratios and R and D intensity in each sub-segment over time. In fact, a detailed study on commercial vehicles shows that the pace of introduction of new and improved products has increased significantly as the environment has become more competitive after 1983.[24]

Detailed micro studies such as the one by Mascarenhas [1982] bring out the complexity of factors involved in the technological

development of a company. Although Hindustan Machine Tools (HMT) has developed broad-based and impressive technological capabilities, its process technology has lagged behind. Initial technological capability in HMT came about because of the necessity to import substitute. But R and D came into its own only during the recessionary period of 1966, and was accompanied by aggressive marketing and a programme of diversification. The quality of HMT's top leaderships has been constantly emphasised as a positive factor in its development. However, both in Mascarenhas' study as well as in the HMT case study in Lall [1987], the influence (or lack of it) of other firms operating in the industry has not been adequately addressed.[25]

Another study of a public sector organisation is provided by Sengupta [1984]. Sengupta points to the slow pace of change in the technologies employed in the public sector steel plants, resulting in only a marginal decline in the specific energy consumption per tonne of saleable steel. He cites as reasons the non-professional attitude of government and the system of accountability in the public sector, as well as political factors. But this is not the whole story. There are also other issues such as the incentive to maximise production rather than productivity, which had an adverse effect on the nature of R and D undertaken. Moreover, the protection of the market coupled with the cost-plus pricing strategy has meant that all kinds of inefficiencies have been protected had have "...removed the elements of compulsion to innovate for higher productivity" (p 211). However, although it may well be true, this last inference is more in the nature of an assertion since it has not been substantiated. Working in the same protected environment, TISCO's technical performance has always been superior, despite very much older equipment than SAIL.[26] The difference lies not only in the fact that TISCO is a private organisation and suffers from far less political and bureaucratic interference, but also that "...technological effort is given a scope and freedom in TISCO which seems to be absent in SAIL".[27]

Bhagwati and Srinivasan [1975, chapter 15] provide a guarded assessment of the influence of what they call the QR (quantitative restriction) regime. They quote from in-depth studies by Frankena in support of the hypothesis that the QR regime produced incentives for a lag in adaptation to more efficient designs that clearly dominated the ones in use in India.[28] Examples are electric motors, distribution transformers and cotton textile machinery, where the productivity of the alternative technology was clearly superior. However, they caution that while strongly suggestive, these results cannot be taken as conclusive proof of their hypothesis since it may be that the costs of buying or copying the superior technologies may be greater than the gains from their adoption. They also say that an export-oriented strategy does not by itself increase the incentive to do R and D, but "...we can still argue ...that the general incentives to reduce costs and to maintain quality cannot but have been reduced by the sheltered markets provided by policies of automatic protection and strict control over domestic entry."[29] These conclusions were borne out later by Sanjaya Lall's work on leading Indian enterprises, as we shall see.

One of the key studies for our survey is the one by Ashok Desai [1984], which analyses the relationship between market structure and TC on the basis of statistical correlations as well as a series of case studies of different industries. He calculates Herfindahl indices of concentration for 42 industries based on CMIE[30] data for 1978-79, as also an 'E' index of inequality.[31] In most industries outside the vehicle sector, the H indices are low, the size distribution is highly skewed, and the number of firms are large ('long-tailed'). Where the number of firms was less than ten, the H index was above average whereas the E index was below average, implying that the size distribution of firms was less skewed in oligopolistic industries ('short-tailed'). Desai finds that in most of his short-tailed industries, such as explosives, mining machinery, metallurgical machinery, cement machinery, generators and commercial vehicles, the proportion of the sales of firms doing R and D to total sales of industry was high. By contrast, the proportion of firms doing R and D was lower and highly variable in long-tailed industries. Amongst firms that imported technology those doing R and D were larger than those that were not doing R and D, particularly in industries with greater product differentiation. Desai also found that firms importing technology were larger than those that did not, perhaps because technology suppliers prefer buyers who can command a large market. However, the market share of firms who obtained technology without importing it and without doing R and D was high. Desai concludes that "...whilst technology imports on their own tend to create oligopolistic market structures, R and D reinforced the competitive advantage of large firms. But the leakage of technology within the country had led to the emergence of many small firms, and they had appreciably increased their market shares in many differentiated large group industries."[32]

Sanjaya Lall's [1987] study analyses the process of acquisition of technological capability in 19 Indian enterprises[33] in detail. Besides looking at the influence of firm-specific factors, Lall highlights the role of government policy in the acquisition of different kinds of technological capability (project execution, product engineering, process engineering, industrial engineering and technology transfer). One of the important issues to which his study draws attention is the nature of the technological skills acquired by Indian enterprises amidst a protected environment. Under the existing regime, the leading Indian manufacturi enterprises have acquired diverse and de technological capabilities for designing a manufacturing capital goods, selecting a implementing foreign technologies, adapti and improving upon these over time, setti up supplier networks, transferring techn logy in the form of licensing turnkey plant joint ventures and technical assistanc However, the study feels that some of t capabilities were put to wasteful use, su as the need to adapt to the often inferior ra materials produced domestically; the regim (licensing, restriction of foreign competitio protection of public sector and small-sca industry, etc,) also detracted from enginee ing and managerial efforts to implemen even existing knowledge fully, and from e forts to constantly upgrade technologies i line with international standards. "Ther seems little doubt that a much greater ir flow of foreign product technology, in more liberal and outward-looking polic framework, *would have reaped a muc richer industrial harvest from the same se of capabilities*."[34]

That India has developed technologica capabilities that have been under-exploite at home could be a possible inference fron the fact that of the newly industrialisin countries it is a much better exporter o technology than of products.[35] While pro duct exports were frustrated by constraint on firms, by reliance on high cost inputs an general bureaucratic impediments, techno logy exports did not suffer from these. I fact, Rajiv Lall's [1986] study concludes tha one of the most important motivations fo foreign direct investment (one form o technology export) by Indian firms was th desire to avoid the effects of governmen policies that restricted their domestic growt and undermined their export competitive ness.[36]

Let us consider the market structure fo R and D activities. The government ha sought to promote technology directly wit the aid of science and technology policie such as fiscal concessions for in-hous R and D, licensing of all foreign collabora tion agreements alongwith restrictions o payments and terms of the contract and Foreign Exchange Regulation Act to contro direct foreign investment. The ICRIER NCAER technology project and als Sanjaya Lall's work[37] suggest that thes policies have restricted the supply o technology to India, particularly if we con sider the possibility that foreign firms woul supply a technology package commensurat with the terms offered by India. In som cases, the policies may have helped India firms to bargain for better prices.[3] However, it appears that the overall impac of technology import policies may have bee limited because most Indian firms in an case do not demand the complete know-wh of a technology (that would enable them t improve and even generate new technology on account of lack of market pressure.[39]

XIV

Sum-up of Indian Literature

To sum up the discussion on India, it was seen that there are two strands in the literature. One follows the econometric approach characteristic of writings on developed countries, but suffers from paucity of data as well as lack of attention to a large number of variables that can affect R and D behaviour. Besides, only a handful of studies have adopted this approach, and the results are not uniform. The only study among these (using industry-level data) which attempts to test for the influence of market structure finds a negative relationship between R and D intensity and concentration. Overall, it would be fair to say that the econometric approach to Schumpeterian analysis of R and D has not yet come of age in India.

It is not as if the case-study approach has been able to offer firm conclusions. Indeed, an inherent limitation is the inability to generalise from it. But its merit lies in its attempt to unravel the complexity of factors that lie behind technological behaviour, including basic determinants such as demand, the institutional structure, government policy, etc. In a highly interventionist economy like India's, government policy can play a key role in influencing R and D activity, and only case studies can capture the nuances and often contradictory effects of different policies.

There is a considerable amount of case-study literature on technological change in India, both published and unpublished. Given the focus of this survey, we have included only those studies which have a bearing on Schumpeterian hypotheses relating to firm size and market structure. There is no definitive conclusion with respect to the impact of firm size on R and D intensity or on the quantum of technology imports. However, there does appear to be a minimum scale for doing R and D for importing technology. The import content of technology collaborations decreases with the size of the firm, and larger firms also obtain a greater proportion of licences than other production know-how.[40] All this has led to the conclusion that as compared to small firms, large firms can exploit the results of R and D and of imported technology more fully. On the other hand, success of technology agreements was found to be unrelated to the size of the firm.

All the studies reviewed have pointed to the favourable impact of an intensification of competitive forces on technological activity. In some cases, such as machine tools in the 1960s and automobiles in the 1980s, the pressure was generated at least partly by the environment itself on account of recession on demand falling short of planned output. In tractors, Indian industry had become sufficiently mature by the seventies, and competition between the existing firms became more severe. By and large, however, it is government policy that has shaped the extent and nature of competition through licensing, import controls, etc. Amongst the sectors reviewed here, textiles and steel have been particularly subject to government controls, and these are seen to have perpetuated dualism in the case of textiles and created a lack of compulsion to innovate for higher productivity in the case of steel.

Desai's work has substantiated the role of competitive forces through a detailed statistical analysis. He finds that competitive pressure is greatest and technology search more active when there are a small number (between two and six) of roughly comparable size firms in an industry, which is supportive of the notion of a threshold environment as the most favourable for TC. According to this, market structures with either one firm or a large number of firms of different sizes will not be conducive to technical progress.

The protection given to domestic R and D activity and to the manufacturing sector has induced a high degree of technological capability. However, after a series of case studies S Lall has concluded that these capabilities have not been fully exploited because of the lack of compulsive competitive pressure and because of bureaucratic requirements and restrictions. Not only this, but much of the technological effort has been directed at complying with local-use regulations rather than focused on improvement of productivity. The case-study approach has therefore been able to address some fundamental questions regarding the basic determinants of technological activity. However, most of the conclusions that have been reached are somewhat tentative, and the more careful studies have emphasised this point. While more research is certainly required, it would help if future studies paid more attention to the need for giving firmer evidence (either qualitative or quantitative) to back up the arguments posed. This appears to be a lacuna in much of the case-study literature.

XV

Conclusions

The objective of this paper has been to provide a survey of the empirical literature on the Schumpeterian hypotheses relating R and D and innovation to firm size as well as market structure. This has been done for literature on developed countries and also on India. As far as the former is concerned, it was pointed out that the empirical studies had by and large failed to take into account Schumpeter's insights regarding rivalry and potential rivalry. Most of them have looked at the relationship between innovation, on the one hand, and firm size and concentration, on the other. The focus is thus on the role of present market structure variables. A few studies, however, have gone beyond this: the barriers to entry variable examines the possibilities of rivals entering the industry; the technological opportunity variable, while influencing entry conditions into the industry, also influences the rivals' entry decisions into research activity. One or two studies have even looked at direct rivalry in R and D activity, but this has excluded the possibility that future competition could emanate from firms not currently in the same industry. One possibility for future research is to take notice not only of research of rivals in the same industry, but also of those in technologically similar industries (e g, passenger cars and commercial vehicles).

In the Schumpeterian schema, short-term efficiency gains must be subordinated to long-term dynamic ones achieved via innovation. The real question concerns the kind of situation in which dynamic gains are at a maximum, for it is now accepted that some degree of trade-off will be required. In the 'traditional' empirical literature, the consensus is that there is a threshold concept of the most favourable environment for technological change. Large size and significant market power improve prospects for technical progress only up to a point, and only for innovations requiring a large and formal R and D programme (i e, normally at the stage where innovations are being developed for commercial use). Moderate to low entry barriers in such a situation will impart the necessary impetus to the bigger firms. Dominant firms, on finding their market position threatened, are likely to react most vigorously. The role of technological opportunity is extremely important in conditioning the relationships between R and D and the usual explanatory variables. In high opportunity industries, for example, the importance of monopolistic elements is much reduced.

New evidence on the Schumpeterian hypotheses has, however, cast a shadow on the received wisdom. In the true spirit of Schumpeter, both market structure and innovation must themselves be treated as being jointly determined by basic factors such as demand, technological opportunity and institutional structure. The results of the studies reviewed under 'new evidence' is at the moment tentative, but already an independent influence of market structure and firm size on innovation is now open to some doubt. For the same reasons, rivalry and potential rivalry may also not be an independent factor. Our criticism of the traditional literature for neglecting rivalry may thus turn out to be inapplicable to this new body of literature.

Literature on India that has implicitly or explicitly tested the Schumpeterian hypotheses can be divided into two streams. One approach has followed that of the traditional developed country literature, but generally suffers from a paucity of data and/or a lack of rigour. The other approach has a micro focus, and is based on case studies of firms and industries. In spirit, this approach is closer than the traditional developed country

literature to the more recent Schumpeterian approaches[41] since an attempt is made to analyse the role of basic determinants of technological change. Thus, the case studies on India have looked at the influence on technological change of government policy, demand conditions, the institutional structure, market structure, and also at the reverse influence of technology on market structure. Even the nature of technological change has been discussed and the influence on this of government policy and market structure been analysed.

The case studies point to the positive impact on R and D of intensification of competitive pressure. This is because Indian industry has been by and large highly protected, which means that although appropriating rewards from R and D was not difficult, there was no pressure to undertake technological change. By and large, government policy has been the key determinant of the degree of competitive pressure and therefore of the nature and extent of technological change. Many Indian firms appear to have accumulated in-depth technological capabilities as a result of the protective government policy, but these capabilities have remained under-exploited and the technological effort has often been directed at complying with local-use regulations rather than aimed at overall improvement of productivity.

Both the literature on India as well as on other developing countries[42] is contributing to a growing body of micro-economic evidence that is helping to gain a better understanding of the determinants of technological change. Even on a theoretical plane, the literature has tended to move from a macro to a micro approach. Moreover, "...the micro-economic description of technological behaviour is becoming both more realistic and complex. In a very particular sense we can say that we have now entered a pre-theoretical stage in which researchers are trying to develop new heuristics describing innovative behaviour before attempting further generalisations and model-building efforts."[43]

If an acceptable theory of technological change is developed some day in the future, the insights offered by the literature on developing country technological change will undoubtedly play a major part.

Notes

[The first part of this essay is a revised and updated version of Chapter One of my MPhil thesis submitted to the University of Oxford in April 1982. I am grateful to Vandana Verma for her suggestions].

1 For an amplification of this point, see Dasgupta (1986). Also see Reinganum (1984), where she points to the fact that different theoretical models of R and D have conflicting implications.
2 See also Kohn and Scott (1982) and Mukhopadhyay (1985a).
3 See Kamien and Schwartz (1975) and Scherer (1980).
4 In Section X, we shall see that Cohen et al (1987) criticise the literature for neglecting the distinction between firm size and business unit size.
5 See Kamien and Schwartz (1982), pp 98-100.
6 For example, US corporations with more than 5000 employees accounted for 53 per cent of manufacturing employment and 89 per cent of formal R and D expenditure in 1972; but if we consider in terms of R and D output, a very similar sample of firms accounting for 57 per cent of total sales received only 56 per cent of the patents issued in 1959 (Scherer 1980, p 418).
7 One study (Grabowski and Mueller 1978) however finds that higher concentration does increase rivalry in R and D within research-intensive industries.
8 The relevant rival was selected by best fit as either the industry leader in terms of volume of R and D expenditure, or the firm immediately preceding the firm in question in the R and D ranking.
9 This conclusion is supported in Terleckyj (1980) who found that when R and D is treated as capital more stable effects are obtained.
10 It is not as if the role of technological opportunity was neglected in all the earlier works (see Section VI).
11 See, for example, Fransman (1985), Kathuria (1987), and the book edited by Katz (1987).
12 See the article by Katz (1987).
13 If we use the earlier data set in Subrahmanian (1971a) and compute the elasticity of R and D with respect to sales, it turns out to be greater than one. If correct, this would contradict Subrahmanian's (1971a) conclusion.
14 We have seen, in Section III, that after a certain threshold size, research intensity appears to stay constant or declines.
15 He does employ a variable (skill-intensity) of technological complexity, using UK industry data. However, this is an inadequate indicator of technological opportunity, and the variable was found to be insignificant and was dropped from the regressions.
16 Katrak (1986).
17 For example, chemicals, petroleum and products, machinery and transport equipment are all within the high-technology group.
18 See Chapter IV of the NCAER (1971) study.
19 Chaudhuri and Moulik (1986), p M-16.
20 Desai (1984).
21 Morehouse (1980).
22 Desai (1984), Chaudhuri and Moulik (1986).
23 He defines the 'H' index as $n\sigma^2$ where n is the number of firms and σ^2 is the variance of the size distribution of firms. However, this is an inaccurate indicator of the degree of competition, since, if all the firms are of the same size, 'H' = 0. This would be true irrespective of the number of firms. The correct H (Herfindahl) indicator is $(n\sigma^2)$ + (1/n) (see Hay and Morris (1979), p 105). Now, if all the firms are of equal size, H = 1/n.
24 See Kathuria and Verma (1988).
25 Mehta's (1988) study brings out the fact that HMT competes with almost every firm in the organised sector, although it adds that HMT acts as a kind of pace-setter. Competition has increased since the late 1970s.
26 Lall (1987), p 93.
27 Lall (1987), p 100.
28 Bhagwati and Srinivasan (1975), pp 214-
29 Bhagwati and Srinivasan (1975), p 226
30 Centre for Monitoring Indian Economy. R and D figures, Desai uses DST da supplemented by ICRIER-NCAER surv data and from a few industry associatio
31 The 'E' index is given by σ/m, where σ the standard deviation and m is the me size of firms.
32 Desai (1988), p 7.
33 4 in cement, 4 in iron and steel, 5 in te tiles and the rest in different industries
34 Lall (1987), p 213.
35 Lall (1987), pp 216-17.
36 Rajiv Lall (1986), p 89.
37 See the book edited by Desai (1988), whi forms part of the ICRIER-NCAER proje Sanjaya Lall's work has already been refe red to earlier.
38 See Alam (1988), and Subrahmanian (198
39 See Alam (1988). We have already seem th restrictions on technology imports (alon with import restrictions on goods and ba riers to domestic competition) have induce a deep and diverse R and D capability.
40 It should be noted that no smooth c monotonic relationship has been establish ed. Rather, the finding relates to large firm *vis-a-vis* small firms.
41 Both the more recent kind of develope country literature as well as the case-stud approach have been labelled as 'neo Schumpeterian' by Fransman (1985). Se Dosi (1988) for a survey of this neo Schumpeterian literature for develope countries.
42 See, for example, the book edited by Kat (1987), and the survey by Fransman (1985)
43 Katz (1987), p 23.

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Innovative Marketing Strategies

Small Enterprises Fight Large Established Companies

S L Rao

A quick look at a variety of market segments in India shows that markets dominated at one time by subsidiaries and associates of world leaders have given significant shares to small enterprises that have adopted ingenious methods to enter the market and grow. There has been a flood of new entrepreneurs who have reached positions of eminence in the markets that they have entered. The examples discussed in this paper illustrate some of the reasons for the success of the small enterprises.

SMALL industry accounts for a substantial part of production and employment in developed as well as developing countries. In countries which have recently achieved high levels of income and employment like Italy, the underground economy, to a large extent comprising small industry, is said to be the driving force. In developing countries this is even more the case. For instance, in Peru, Hernando de Soto argues that the underground economy "embodies the entrepreneurial energy of ordinary people... It comprises thousands of craftsmen, storekeepers, truck and bus drivers, and food vendors whose operations would be perfectly legal in the US but whose governments force them to ply their trades illegally". He goes on to argue that "if this entrepreneurial spirit were legalised and nurtured rather than fettered and suppressed, a burst of competitive energy would be released".

A quick look at a variety of market segments in India shows that markets dominated at one time by subsidiaries and associates of world leaders have given significant shares to small enterprises that have adopted ingenious methods to enter the market and grow. The entrepreneurial spirit of innovation in product, process and procedures is alive and well in India. There has been a flood of new entrepreneurs who have reached positions of eminence in the markets that they have entered.

In industrial products, it has many times been due to their ability to find potential markets for products which were imported, find lacunae in the patent laws, locate a technology collaborator abroad, acquire licences, tie up large segments of the market, or find ways through the maze of facilities and incentives available to the small enterprises. This process is not as simple as it sounds. It calls for sustained effort and determination as well as high levels of organising capabilities. However, market demand exists, or is latent, and there is little competition, so that the effort is not so much to create a market and to succeed against formidable competition, but to get the necessary licences and permissions for planning and then organising production and finance.

The consumer product (including many consumer durables) markets have in recent years seen a revolution. Small and unknown manufacturers have come up from nowhere and undercut the market leaders in spectacular coups by attacking in ways and in places which others have not thought of, and which the new entrants have found the existing market leaders to be vulnerable in. In most of these cases, there was little initial investment in plant, machinery and buildings. However, there are many times, high levels of marketing investments, usually on advertising and promotion, many times on distribution, and sometimes on sales force.

It may not be a gross generalisation to say that almost every consumer product market today has powerful (sometimes dominant) leaders who were not visible a decade or so ago. There are markets in which a dominant (usually multinational) producer has been pushed far behind by these new entrants, who started small but achieved spectacular growth.

These successful small entrepreneurs appear to have some things in common:

(1) They have an understanding of the consumer and the market which enables them to identify a neglected market opportunity.

(2) They have an innovative approach to marketing which is not constrained by the 'book of rules' written by professors, market tradition, and experiences of other manufacturers.

(3) They have an ability to manage the environment of laws, rules, procedures, and the persistance to go on despite the hurdles thrown in their way by their formidable competitors as well as the constraints from the government.

The multinationals who have (mostly) lost out to these new entrants have done so for one or more of the following reasons:'

(a) A sense of complacency—"nobody can beat us".

(b) An increasing distance from the consumer and the market in the life-style of their executives resulting in their developing the lazy habits of picking products off the well-stocked shelves of the overseas principals/associates.

(c) Chief executives of the Indian companies who develop secretive habits of work, trying to keep themselves as buffers between the overseas companies and the Indian executives, this being reflected in an unwillingness to freely share information.

(d) A tendency to concentrate on the elitist ends of the market in which product attributes which are required in overseas developed markets were offered to the Indian customer, and the inability to re-design products and reduce costs in order to attract mass markets.

(e) A traditional approach to marketing—e g, that advertising should always follow distribution; that distribution should always be supervised by your own sales force; that you don't 'knock' competition; that you use exotic and 'sophisticated' models in advertising and keep away from 'ethnics'.

(f) A relative lack of local product information and product design.

(g) There were also for many years limitations imposed by government on capacity, location, licences for new products, limitations on leasing capacities or selling goods of other manufacturers, all of which forced them to limit their activities.

The examples given in the rest of this paper illustrate some of the reasons for the success of the small enterprises. They could help in understanding the different strategies of approaching customers and markets which have led to success.

Nirma and Detergent Market

This is a story that does not need much telling since it is so well known. Hindustan Lever started with a bar soap and a cake (Sunlight). They followed it with a soap powder (Rinso); and finally with a synthetic detergent powder (Surf). Others in the market followed Lever. Tata had 501 bar followed by 501 cake; 501 soap powder and then a detergent powder. Swastiks were the first—even before Surf—to come with a detergent powder but were soon overtaken by Surf.

Logically a bar soap cake should have been followed by a detergent cake and not a powder. This was especially so when soap powders never really took off in the Indian market. India has always been primarily a bar/cake market.

Further, thanks to Surf, all the other detergent powders, were 'sophisticated' in the sense that they were in heavy cardboard packing, very well printed and with powders which had a variety of ingredients to allow for optical whitening, high detergency, kindness to hands, etc. Lever started with large

pack sizes and others followed suit. Some ten years after the launch, Lever introduced polythene sachet bags to provide a low unit price small pack which was aimed as a penetration pack.

Over the years many small-scale manufacturers had started selling detergent powder in regional markets, taking advantage of the concessions available. The products were poorly presented, of low quality and generally unbranded.

In fact, of course, synthetic detergents in the Indian market, despite very high rates of growth, accounted only for a fraction of the total washing market. This was primarily because of price. As vegetable oil prices increased the price difference narrowed, but traditional vegetable soaps were still much cheaper.

Nirma saw this gap and seized it with a product that was harsh on hands and clothes and had cheaper packaging. Nirma also used the advantage of saving on the high excise duty by making it in a 'cottage' industry, without the use of power and thus heavily labour-oriented. Their unique features in relation to other similar manufacturers were: a distinctive brand name and identity, created and supported by highly professional advertising and a memorable jingle. They also did not set up their own sales force but built a loyal network of distributors around the country who earned higher margins than on Surf and other brands. In this way Nirma appealed to a whole new population for whom Surf was too expensive, and to many current users of detergent brands for whom Surf and other brands were 'too good' for use by domestic servants. Nirma therefore had an explosive growth and a generally explosive effect also on the total market. Nirma had 59.5 per cent of the powder market in 1988, versus 7.1 per cent for Surf. Nirma followed on this success with a Nirma detergent cake which now has 34.2 per cent of the market against the earlier very successful Rin (which now has 21.6 per cent).

Thus Nirma's innovation was in taking full advantage of the tax concessions and equally, if not more so in its approach of going after an existing mass market which had been ignored, with a product which satisfied the customer but did not give the customer attributes which added more to the price than to the utility that the customer got from them.

Balsara and Toothpaste Market

Balsara is a company which today has a turnover of around Rs 46 crore. It started as a manufacturer of products to control odour and then branched to hygiene and especially products to keep toilet bowls clean. These were small markets and Balsara remained a small company though it was the dominant one among the many other small manufacturers. It was the introduction of the toothpaste 'Promise' that marked Balsara's entry into the big league. The toothpaste market is estimated at around Rs 160 crore, and many multinationals are in this market, with 'Colgate' dominating the market, the others being Ciba, Levers, Geoffrey Manners and Beecham. Interestingly, none of the others has been able over many years to make a dent into the very large market shares consistently held over the years by Colgate. Both Levers and Ciba tried very hard. In the last 25 years Levers has had in this marked brands such as 'S R Gibbs', 'Pepsodent', 'Signal', and 'Close-up'. Of these, the first two have been withdrawn, and the latter two lead a tenuous existence. It could be questioned whether Levers even make money on their entries in the toothpaste market. Ciba which had a few years of success when Chlorophyll was in fashion, and pioneered the use of jingles on the radio through Radio Ceylon, has not been able to repeat that success subsequently.

Geoffrey Manners has had 'Forhans' as a specially positioned toothpaste ('for gums') in the market for many years and has consistently held on to its modest share. It is not an ambitious brand and has not made any waves in the market. Another multinational which is also in the market is Beechams with 'Macleans' toothpaste, again a very modest member of this large market. Hence Colgate has been an enormously profitable and successful company, thanks to its continuing dominance in the toothpaste market. Its vast resources enable advertising expenditures estimated at around Rs 5 crore in an year, and a superlative distribution network supported by a good salesforce. The product sets the taste and flavour preferences among customers. All attempts by the many other multinationals have failed in making a serious dent into their position.

It was this market that Balsara entered with 'Promise'. They have been very successful, being now No 2 in the market after Colgate, though far behind, with a 12 per cent market share versus the 15 per cent of Colgate.

What is it that enabled Balsara to succeed when so many larger and more experienced companies could not do so? Balsara went 'ethnic'. They recognised that cloves were the accepted remedy all over the sub-continent for problems to do with the gums, teeth, and mouth odour. They therefore launched a toothpaste whose major claim was that it contained clove oil. They also made sure that the base used for the product was satisfactory, as was the foam characteristic. They had the courage to invest in advertising, despite their small size as a company. While others tried to copy Colgate or to introduce product concepts picked up from their home markets in the US or elsewhere in the west, Balsara instead went 'native'. This succes has been sustained over the years.

Balsara are now trying to repeat this success with their new toothpaste 'Babool'. The product again claims to use an indigenous mouth cleanser as the flavour. It is also priced much lower than Colgate and has the appearance of Colgate in its carton and tube, to the extent that Colgate has filed a suit against them for copying. The tube is made unlike others, of a soft plastic. It may well be that this product will not have success of 'Promise' because it does precisely what 'Promise' so carefully avoided doing. It tries to imitate the leader and offers a similar product to Colgate at a cheaper price.

Balsara's is again a story of a small enterprise which bucked a trend and managed to succeed in the face of very strong competition from big manufacturers by recognising the new mood of the Indian customer to accept 'ethnic' flavours and tastes, and exploiting this gap in the market.

MTR Packet Foods

Packet foods have spread all over India and are even available in many stores in major cities in the US, Canada and UK. They include a variety of ready mixes—idli, vada, dosa, specialised 'ethnic' dishes, (Indian) sweet mixes of various kinds, sambhar mix, rasam mix, etc. The demand is growing, with an increasing number of urban households with both husband and wife at work, the lack of wide culinary knowledge and perhaps time and patience among many young housewives, space constraints in urban living affecting cooking possibilities, etc. For these families, while there are limits to the price they can pay, they will pay a price that has a reasonable equivalence to the fully homemade product. However the market size (which has to be estimated) is not vast and production techniques are on a small-scale, and labour intensive both in manufacturing and packing. These manufacturers have also taken advantage of the new, cheap, simple, and attractively printed packing material now available which ensure security from infestation of the contents, as well as attractiveness in display on the shop shelf. The small-scale enterprise has low overheads and is able to continue operating at low levels of production. Distribution is managed by using well located distributors who earn good margins and the typical manufacturer has no salesforce. The product seems to move largely by word of mouth and visibility. 'MTR' is the brand marketed by a well known restaurant in Bangalore, with a reputation for quality, cleanliness, purity of ingredients, and excellent taste. Other brands with a good share of this market are 'Gits', 'Orkay'. The packaging is in attractively printed paper and polylaminates enclosed in transparent polythene bags.

The success of these brands is in contrast to the failure of Hindustan Lever, a giant in the consumer products markets, with enormous experience around the world in precooked food products. Levers were the pioneers in introducing packet foods under the name of 'Hima' in the 1960s. The plant which was set up for dehydrating peas was used for the drying of various food mixes as well. Access to a first rate research centre enabled good quality product formulations which gave good results easily each time, and good taste. Expertise in developing packaging materials, developed over years in the marketing of soaps, toilet preparations and edible fats, was used to develop new laminates for packing. However flexible packing was in its infancy and many types of packaging films were not made in India or were in short supply. Distribution was no problem because of an established stockist net work. Experience in market research into consumer tastes, attitudes, and habits, was used in studying the potential consumer. The company had large resources earned elsewhere in the business, some of which could be used for investment in developing this new market.

In the event, by the early 1970s Levers had sold off the dehydrating plant and were out of the ready foods business. Many reasons can be attributed for the failure. There is no doubt that the market was too small for Levers and was going to take years to develop, though marketing investments could have developed the market much faster. The overheads allocated to this new business from the beginning were more than the sales could bear. The selling was handed over to high pressure salesmen whose experience was in selling talcum powders and toilet preparations. They overloaded the distribution system, resulting in damage to goods which many times reached the consumer with insects having got into the package. Flexible packaging was in its early days and low volumes meant high costs per packet.

It is clear that the small enterprise, which is willing to accept low volume and patiently to build the market over years, is better suited than a huge company for whom the market is too small, which has established procedures of allocating overheads, and which makes small volume products unviable from the outset. The question of viability of new businesses in large organisations creates serious problems for new products. This is especially so when the market has to be created, developed, and supported.

Rasna and Soft Drinks Market

The soft drinks market in India was in three categories for many years: carbonated beverages in many flavours packed in bottles with crown caps; squashes, and cordials; non-carbonated beverages and juices in bottles and cans. The first has been domianated by Parle and Pure Drinks; the second by the UB Group with products from Kissan, Herbertsons and Dippy; the third by Duke and now Parle and Lipton.

Of these three, the dominant and faster growing market was that for carbonated beverages, most of which are aimed at the youth market. The second was a relatively stable market with many small-scale producers taking advantage of local incentives; and the third was if anything, a declining market except in bottles, because of the very high cost of tins, the small-scale nature of the industry for whom it was reserved, and the poor technology.

About 10 years ago, the market was changed radically by three major developments: (1) the introduction of fruit juice and squash concentrates in bottles (2) introduction of powder concentrates in packets (3) introduction of tetra-packs for non-carbonated drinks and juices.

The first development was initiated by the existing manufacturers of squashes and cordials. After a brief initial success, it collapsed. The second was initiated by very small-scale manufacturers, the best known of whom was Rasna. The third development was initiated by Parle as a diversification from its interest in carbonated beverages, soon followed by Treetop, a Lipton product for whom this was a first foray into this market from concentration on hot beverages, i e, tea.

From the beginning, Rasna's target was extremely tightly focused on pre-teen children. The pack size, the unit price, the symbols and models used in advertising, all were aimed at this target. The product was made available in many flavours with frequent additions to the range. TV was used extensively from the outset, aimed at this target

group. The charming child model and the closing line 'I love you Rasna' pulled at the heart strings of parents, appealed to their emotion, and made them favourably disposed to the product. Children related to the model. The product itself was fairly ordinary and required the addition of sugar thus resulting in a reduction in the bulk of the package. Fortunately, the product introduction coincided with the easier availability of sugar in the market (after sugar decontrol) than in earlier years. The product was easily reconstituted and the cost to the consumer per glass was significantly lower than that for carbonated beverages, squashes or other drinks. This made it appealing to the parents as well. It has a good shelf life, does not occupy space in storage, and there is no worry about storing and disposing of empty bottles for which a desposit has to be given. Rasna got its distribution by creating a demand through advertising. Coming as it did in the early days of TV network advertising, Rasna was able to get wide coverage and reach at fairly low cost.

'Ju-cee'' and 'Tang' of Kothari General Foods (General Foods is a leading player in this business in the world) came some time after Rasna. While 'Ju-cee' entered with packaging and product similar to Rasna, their investment in advertising was low and they were unable to get the distribution and display of Rasna. 'Ju-cee' depended on Voltas for distribution and Voltas was unable to penetrate into the mass of outlets created and dominated by Rasna, and which it held on to through continuing heavy advertising.

'Tang' was a much superior product, based on imported ingredients. It was supplied in a bottle and the unit cost to the consumer was Rs 50. This immediately pushed it out of the reach of most consumers of Rasna and the different soft drinks. Even though distribution was reasonably good, the product did not have a chance to take off.

It can be seen from this example that Rasna built a market by focusing on the high investment and space required for bottles and cans; focused carefully on the target consumer; invested in advertising in a sequential way over the country to build distribution; and found effective packaging which would enable a unit price that would give it a mass market reaching down even to the lower middle class. Thus their approach to the mass market, and not using the 'Rule book' of marketing were their innovative approaches to marketing, as was their initiative (knowing the consumer and the market well enough) to enter with an appropriate product form at the right time.

Conclusion

The four illustrations in this paper are representative of many other such stories of small enterprises battling and winning in markets earlier dominated by very large, and many times, multinational enterprises. Thus, when IBM left India, International Computers was the logical successor. In the event, Hindustan Computers came in and achieved over Rs 100 crore turnover within 10 years, primarily through a demand creating strategy based on volume production, mass markets, and price cuts. More recently, Sterling Computers has gone one step further by offering good products at significantly lower prices than others, the lower prices being helped by volume, and by overhead reductions as, for example, by not having their own service networks. The Indian customer has little difficulty in findng local service groups at affordable prices and is interested in the lower prices which he gets from them. 'Good Knight' brought in the electrical mosquito destroyer from Japan into a market which had got a little fed up with the smoky coils and unpleasant ointments. They recognised that there was a large enough market of people with money for the initial high investment in the electronic device and thus pre-empted the giant Rallis who had both a coil and an ointment in the market for many years. Similarly, in recorded music HMV was beaten by small and local recorders of taped music, for example Sangeeta. Philips, the pre-eminent name in entertainment electronics, followed by Bush and Murphy, have been beaten in every segment of the market—whether radios, tape decks, speakers, black and white or colour television sets, and video cassette players and recorders. The leaders now were unknown around a decade ago—for example, Weston, Dyanora, Onida, Videocon, etc. In audio tapes, T-Series have come from nowhere to lead the market. Hero Bicycles who were a small-scale industry buying steel tubes from TI, have not only beaten TI who owned world famous brands like BSA, Hercules and Raleigh, but are now also making a determined bid to lead in the moped and motorcycle markets. Their strategy has been to offer superbly made products, at reasonable prices based on large volume and very tight cost controls. The largest tour operator in India is not Thomas Cook or Cox and Kings, but Raj Travels who pioneered Indian food and Indian guides, thus catering to the moneyed and conservative Gujarati, Marwari or South Indian traveller overseas. There are many other such examples.

Market dominance has in almost all instances resulted in complacency. These dominante manufacturers got too used to limited and highly protected markets. They looked for small volumes and high prices. They did little to create new demand and go after mass markets. They found it too easy to pick up products which were successful in other countries, and offered them with little modification to the Indian customer. On the other hand, the small new entrants had to find ways of going around these large manufacturers. They did so by knowing what the customer really wanted and designing products and strategies that gave the customer that, and in the process created mass markets, creating new demand, and many times leaving established and dominant manufacturers far behind.

Managing a Development Information System
Strategies and Methodologies

Kalyan Raipuria

This paper briefly introduces the concept of Development Information System and the system as it has evolved during the last forty years and as it is managed presently in India. The strategies and methodologies followed are briefly reviewed. The paper points to the major limitations of the system which remain in the light of the emerging information requirements. The problems and challenges are then briefly discussed. The paper, at the end, includes some reflections on future strategy and methodologies based on the review and concludes with certain issues related to DIS.

I
Introduction

THE building-up of a Development Information System (DIS) in a poor or developing country (DC) is indeed a difficult and long-term process. Several countries like India have had the experience of this for about 40 years. Several others have had much shorter experience. The problems and challenges these countries face are, however, general and common in developing strategies and methodologies. Thus a study of India in some detail may be useful not only for our own better management but also of relevance to other countries.

The present paper proposes to briefly deal with the conceptual and operational framework of DIS and introduce the DIS in India (Section II); provide a review of the strategy and methodologies of DIS in India (Section III); discuss certain limitations, problems and challenges arising from the Indian experience, some of which may be common to most DCs (Section IV); and make some reflections on future strategy and methodologies (Section V).

II
Conceptual Framework

A DIS may be understood as an integrated, comprehensive, regular, predictive, and widely usable arrangement calibrated to meet the information needs of development strategy formulation, implementation and review, covering major indicators of the economic and social conditions of people at large. Of course, the specifics of information needs would be determined by the stated objectives of development in the country and the way these are sought to be achieved through planning, or market mechanism, or a mix of both. The needs would also be determined by the current stage of development and the size of the country, indicated by population, land mass and GDP, among others. Their international dimension would be determined by the degree of the economic openness.

The DIS would have both organised and unorganised sectors given the case of a DC. It would also have the government/public sector components and the rest of it which may mean non-governmental organisations (NGOs), and private sector, including the academic and research institutions. It would also have both domestic and international facets. Of course, it would have several subject/sectoral (agriculture, industry, trade, etc) sub-systems. Its functional sub-systems may relate to policy and planning, designing, collection, processing, storage and retrieval, translation, analysis, research and development, cadre and training of personnel, dissemination and publication, which may often be common to sectoral sub-systems.

Information in the above context should be understood in its broad sense, much broader than statistics, defined as structured data, qualitative and quantitative, based on definite framework/modelling in the light of set objectives, so as to increase the level of knowledge, and planning, policy and decision-making capacity, and finally productivity and efficiency. That is, information which is processed and which has input value, has the desired impact, and helps in achievement of the user's objectives, rather than resulting in atrophy.

Developing of DIS may be taken to mean expanding base, widening coverage, standardising the classifications and concepts, maximising utility, exercising cost-effectiveness, as also increasing adaptability to the emerging needs.

The review of a DIS is meaningful only if it is made in the light of the widely felt needs of (a) informed planning, policy formulation, and decision-making for pursuing a development strategy; (b) monitoring, and evaluation of development schemes; (c) intelligence for developing mitigation strategies for the observed problems; (d) better co-ordination within the government as also between government business and industry; (e) increasing feedback from the public at large about development performance; and (f) maintaining appropriate relations with different countries.

Such a review is crucial in formulating strategy and designing and implementing methodologies of a DIS in future.

DIS in India

The DIS in India, in the present state, has evolved in the context of the country's development planning initiated in 1951. Before independence in 1947, collection of information/statistics related to law and order, revenue and trade which provided a picture of the export of raw materials from the colony and import of manufactures from Britain. This was, of course, to give way to a development-oriented system after independence. The country has had about 40 years of independence and a little less of planning. The basic socio-economic objectives guiding these plans have been higher growth, self-reliance, greater employment, poverty removal, redistribution and social justice, backward area development, and development of modern agriculture and industry. Recently, there has been emphasis on cost reduction, higher productivity, efficiency, technological upgradation, and international competitiveness.

The DIS in India is tuned to (i) the mixed-economy system in which public sector has a crucial role in production and capital formation processes controlling core sectors; (ii) the domestic economy, being a large country reflected in limited economic openness; and (iii) mostly centralised planning, policy formulation and decision-making.

The present paper, while reviewing, *stylises the DIS* on the basis of the observed characteristics brought out in Annexure I in terms of national policy, strategy and existing organisations. What is attained in operation may not strictly stand to the test of a 'system'[1] in its horizontal or vertical sense.

There is the Central Statistical Organisation (CSO) set up in 1951, directly responsible for co-ordination and development of statistics, and the National Sample Survey Organisation (NSSO) set up in 1958 for major surveys, but there are also other organisations involved in information processes. The major information sources are the government departments of the central government, but there are important sources of information at the state and local levels looked after by the State Statistical Bureaus (SSBs)/Directorates of Economics and Statistics (DESs). There are about 130 different organisations at the centre, aside from CSO, employing over 10,000 statistical workers, aiming at collection of information, co-ordination, surveys, research and

analysis, etc, contributing to the DIS. There are over 400 statistical offices/units in the states. There is National Informatic Centre (NIC) set up in 1975 for developing infor mation technologies and country-wide computer support though several organisations have their own computer systems as well [NIC, 1987].

Perhaps, a fully centralised and a well-integrated comprehensive information system* remains an ideal for most of the countries and India is not an exception. Information is considered power, and the organisations of source part with this power with difficulty making co-ordination difficult. In a DC like India there also remain problems of limited resources and complimentary infrastructure. The following sections present a review of DIS in India.

III

Review of Strategy and Methodologies

The major characteristics of the Indian DIS, as brought out in Annexure 1, show that

(i) India has a well determined national policy and strategy of DIS in the country;
(ii) The overall authority and co-ordination is vested in suitable central ministry;
(iii) There are a number of central/national implementing/co-ordinating organisations in regard to (a) collection and co-ordination of statistics (mainly CSO); (b) surveys and census (NSSO and RG); (c) informatic development (NIC); (d) collecting and analysing information for planning and policy formulation (e g, Planning Commission, directorate of economics and statistics of ministry of agriculture, and economic divisions of other ministries; (e) monitoring of large development projects (programme implementation ministry); (f) evaluation of development programmes (Programme Evaluation Organisation, PEO); and (g) commercial intelligence (DGCI and S);
(iv) There are regular and special set-ups and panels for consideration of deficiencies and improvement of the DIS;
(v) The annual budget and the plan provisions are made, though marginal[2] in relation to total provisions (and insignificant in relation to GNP); the provisions for statistics and NIC are made separately;
(vi) There is a central cadre, arrangement for training and development, standardisation and quality control;
(vii) There are a number of scientific societies and associations set up to help improvement in DIS;
(viii) India has attempted close and active co-operation with the international agencies involved in information development and harmonisation;
(ix) There are specific news outlets for developments in the system and new surveys conducted from time to time; and
(x) There is a system of annual, medium-term and five-yearly appraisal of progress of DIS which is also published.

Strategy and Methodologies

From the very beginning, the strategy of building up the DIS in India has been to expand the statistical base, with the constraint of given resources, to build up the necessary organisations and institutions; to systematise and standardise the collection, processing and presentation; to identify the gaps and operate the fill-in action plans, all in the light of planning and policy needs; to develop the system using modern information technology, keeping in view the socio-economic constraints; and to disseminate the maximum information for use as far as it can be made public.

The methodologies included (i) centralisation of the system; (ii) standardising the concepts, methods, and systems of presentation; (iii) building up of a well-trained cadre (Indian Statistical Service) and supporting personnel at different levels; (iv) selection of scientific techniques (e g, census/sample) according to the nature of source and objective; (v) updating the base of indices of development information to account for the current conditions, and (vi) using the latest available information technologies.

The progress of strategy and methodologies of the DIS, according to our review, has been remarkably successful considering the development stage indicated by low per capita income (estimated at $ 290, current prices for 1986/87); and large size of the country, population, polity and scale of gross domestic product and large number of producing units.[3] The DIS concerning the external sector has also been growing well considering relatively small economic openness of the country, indicated by the share of exports and imports of Gross domestic product (7 per cent and 10 per cent, respectively, in 1985, covering goods and services).

The standardisation of data base of major indicators at national as well as state level has been possible. The industrial, trade and custom statistics classifications have been brought in harmony with the international classifications. The national accounting is also in line with the UN system. Input-output formulation is in standard (Leontief's open static model) format. Thus the statistical base is fairly developed and is on standard international lines. This is mainly because of the crucial role played by the public sector in GDP (one-fourth of total), manufacturing (one-fifth), investment (about half), and foreign trade (about one-fourth), the sector in which collection of information is administratively easy and speedy for the government.

Major Sub-Systems

The major subject sub-systems of the DIS which have evolved over time include macro-level as well as sectoral, and those relating to basic socio-economic development characteristics. The coverage of the DIS is comprehensive particularly in regard to the demographic aspect; macro-economic aggregates like national income, value added, savings, investment and private consumption expenditure; sectoral (agricultural and industrial) output and value added; prices (consumer/wholesale); employment; levels and components of money and credit, banking, foreign trade and balance of payments; and science and technology (S and T).

The census of population conducted every decade (latest, the 12th, in 1981) is one of the largest and most comprehensive information system in the world now covering about 800 million persons. India prepared and published its first national income series as early as in 1954, revised in 1967, 1978 and 1983. In view of the improvement of more and more information about unorganised sector,[4] economic census (by CSO in 1977 and 1980 with follow-up surveys beginning 1983/84) has become part and parcel of the DIS in India. Considering the objective of poverty removal, redistribution and social justice, it is necessary that micro-level detailed information is available on consumption, savings, capital formation, employment, etc. For this purpose, rounds of surveys (by NSSO) are conducted to provide the required data particularly for central planning. An important set of information is collected on different programmes and schemes under implementation which are part of the five-year plans. Among these, there has been recently a comprehensive collection of data on the poverty removal, rural development and employment programmes. With increasing emphasis on modernisation, S and T and scientific use of natural resources, there is increasing focus on building up S and T and natural resources information systems. The National Information System for Science and Technology (NISSAT, set up in 1977) presently runs specific sectoral information centres, e g, for leather, food, machine tools, drugs and pharmaceuticals. A commercial based Technology Development and Information Company of India (TDICI) is being set up to finance the projects and provide technology information.

Planning and DIS

It has been observed that "the primary function of planning in a free society is to increase the flow of information thus correcting the imperfect 'anatomy of market failures'" [Rodan, 1963]. Given the imperfections of markets as also the inadequacies of economic mechanisms in a developing country like India, central planning adopted in the country was expected to result in an appropriate availability of information

covering all segments of social and economic life, for planning, decision-making as well as public participation. The planning process has, indeed, been successfully feeding back the requirements of DIS to the whole administrative system in this regard. The steering groups, task forces and working groups and other panels appointed in the process [list in Alagh, 1975] and the commissions/committees set up on specific issues have been instrumental in generating substantial information. As a result, plan after plan, the number of institutions and areas covered for information have grown resulting in data base improvement.

India has a long history of plan modelling particularly at the central level. The current generation of plan models established since 1972 explicitly provide dimensional hypotheses and magnitudes of sectoral outputs to achieve the targeted growth and redistribution. The recent 'add-ons' [Alagh, Kashyap and Murthy, 1984] include submodels of agriculture and industrial sectors, poverty, consumption, foreign trade, financial resources, demography and employment [PC 1986]. There have been some attempts to formulate policy models in regard to prices, employment, savings, etc, but are yet to be formally integrated with the plan modelling system. The modelling activity generated demand for a variety of information, relating to macro-economic aggregate, society's consumption, employment, input-output transactions, farm related aspects, distribution of income and wealth, and above all demography.

The present model related information system (MODRIS) is described in the table. Most of such information is highly processed and detailed, of considerable research value, aside from use in planning and policy formulation. India is one of the few DCs having prepared detailed input-output transactions tables (I-OTT, covering coefficient and associated product-mix, market-share-main/other products, absorption and make-matric) presently available for 1973-74 [CSO, 1981], while that for 1978-79 and 1983-84 are under preparation. These tables based on extensive data base provide an integrated quantitative picture of the whole economy. The available I-OTT provides 115 × 115 sector matrix compared to 30 × 30 sector matrix I-OTT prepared for 1960-61 [PC, 1974].

Towards Computer-Based DIS

In view of large scale of DIS sub-systems in India, many of the concerned departments have set up their computer systems at varying scales. The major organisations include Planning Commission, department of statistics and registrar general's office. National Information Centre (NIC) was set up in March 1975 by the government under the department of electronics, presently under Ministry of planning, to promote computer-based information system in the country.

During the last thirteen years, NIC have made considerable progress [NIC, 1987]. NIC have the large frame computer (CDC Cyber 170/730) installed at headquarters (HQ) in Delhi. About 20 mini computer terminals have been provided to 59 government ministries/departments in Delhi. These departments have compatible computer systems (200 PC/AT and PC/XT) connected to the NIC Cyber System to form its network, NICNET. The sub-systems in the computer system can be assessed on-line from these terminals by the departments. Aside from this service, NIC helps the departments find solutions to the problems related to further development of information system.

NIC is presently attempting to extend the NICNET to cover the 23 state capitals as well as 438 districts (DIS-NIC) in the country to help improve planning and monitoring of development schemes, and finally develop a quick system of information linking them to the centre. The plan to evolve a comprehensive computer network is part of the Seventh Plan, 1985-90. For this purpose, 4 super computers (NEC S-1000) have been installed at four places (including HQ) in the country. At second level, super mini computer (ND-550) systems will be installed i[n] all the state capitals. They are expected t[o] act as information bridges between th[e] district systems and the central system. Th[e] district systems, as a part of DISNIC, wil[l] have Super AT-System for providing service[s] and covering information on monitorin[g] schemes and other socio-economic dat[a] required in planning and decision-making. The NICNET is aimed to use satellite communications for connecting the districts o[f] the state systems to the regional systems. The Mother Earth Station is to be installed in Delhi with Micro Earth Stations in state capitals and districts. INTELSAT-V/INSAT I-C will provide the communication link [NIC, 1987].

NIC has developed a large pool of highly trained and experienced personnel covering 800 computer professionals. Furthermore, more than 3,000 officers and staff people belonging to other departments have been trained to move to computer-based DIS [NIC, 1987]. The projected requirements are, however, substantially large corresponding to the computer development programmes under the Seventh Plan.[5]

Table: Model-Related Information System (MORDIS) in India

Model/Sub-Model	Information Base	Methodology Involved
A Core Models:		
(i) Macro-Economic Model	National Accounts Statistics (CSO)	UN National Accounts and Harrod-Domar Macro Growth Model
(ii) Input-output Model	Input-output Transactions Table, 115×115 sectors, for 1973-74 of CSO, updated and revised, at 1984-85 prices.	Open Leontief's Input-Output Model
(iii) Investment Planning Model	Capital flow matrix for all 11 national income sub-groups.	Estimating parameters relating to investment and output (time series) for major sectors.
B Sub-Models:		
(i) Agriculture	Region or location-based estimates of output, demand and inputs to examine feasibility of target based on A(ii).	Relationships between area and production
(ii) Industry	Material balances (Production, exports, imports/change in stocks) to check feasibility of targets of industries based on A(ii).	Material balance approach on selective industries.
(iii) Consumption	Demand forecasts for different goods and service considering likely change in distribution of income.	LES consumption functions—time series and cross-section.
(iv) Poverty	Estimates of people crossing the specified line during the Plan and corresponding consumption requirements.	Income distribution function and cross-section analysis.
(v) Exports-Imports	Projections of exports and imports for major products/product groups.	Simulations of parameters based on econometric methods
(vi) Financial Resources	Estimates of financial resources available to support investment.	Times series and cross-section econometrics.
(vii) Demography and Employment	Analysis and projections of population, labour force and employment	Life tables for males and females, survival ratios, growth parameters and rural-urban distribution

THE EAST INDIA HOTELS LIMITED

4 MANGOE LANE CALCUTTA 700 001

FORM II A

NOTICE

It is hereby notified for the information of the Public that The East India Hotels Limited proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969 for approval to the establishment of a new undertaking. Brief particulars of the proposal are as under.

1. Name and address of the applicant : THE EAST INDIA HOTELS LIMITED
4 Mangoe Lane, Calcutta 700 001

2. Capital structure of the applicant organisation :

		Rupees
Authorised		
1,00,000	11% Cumulative Preference Shares of Rs. 100 each	1,00,00,000
25,000	9.5% Redeemable Cumulative Preference Shares of Rs. 100 each	25,00,000
1,00,000	9.5% 'A' Redeemable Cumulative Preference Shares of Rs. 100 each	1,00,00,000
75,000	11% 'B' Redeemable Cumulative Preference Shares of Rs. 100 each	75,00,000
2,70,00,000	Equity Shares of Rs. 10 each	27,00,00,000
		30,00,00,000
Issued, Subscribed, Called & Paid Up		
83,155	11% Cumulative Preference Shares of Rs.100 each, fully paid up	83,15,500
75,000	11% 'B' Redeemable Cumulative Preference Shares of Rs. 100 each, fully paid up	75,00,000
2,36,03,520	Equity Shares of Rs. 10 each, fully paid up	23,60,35,200
		25,18,50,700

3. Management structure of the applicant organisation indicating the names of the Directors, including managing/wholetime Directors and Managers, if any. : The Company is managed by its Managing Director under the superintendence control and direction of its Board of Directors. Names of the Directors are:

Rai Bahadur M.S. Oberoi — Chairman
Mr. P.R.S. Oberoi — Vice Chairman/Managing Director
Mr. S.M. Dahanukar
Mr. L.K. Panday
Mr. B.M. Gogte
Mr. G.K. Khanna
Mr. S.C. Chatterjee
Mr. Raghu Raj
Field Marshal Sam Manekshaw
Mr. B.K. Nehru

4. Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division : The proposal relates to the establishment of a new undertaking by incorporation of a new Company for contract and project management consultancy services.

5. Location of the new undertaking/unit/division : Registered Office of the Company will be located at West Bengal.

6. Capital structure of the proposed undertaking : Authorised Capital Rs. 1,25,00,000

7. In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate: :
   (i) Names of goods/articles : NA
   (ii) Proposed licensed capacity : NA
   (iii) Estimated annual turnover : NA

8. In case the proposal relates to the provision of any services, state the volume of activity in terms of usual measures such as value, income, turnover, etc. : Ranging from Rs. 25 lakhs to Rs. 175 lakhs during the first five years.

9. Cost of project : There is no project cost as such. However, the company will acquire office accommodation and the necessary office equipment as and when required.

10. Scheme of finance, indicating the amounts to be raised from each source : Acquisition of office accommodation and the necessary office equipment and working capital margin money requirement will be met out of issued capital.

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, Dr. Rajendra Prasad Road, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

For THE EAST INDIA HOTELS LIMITED

Dated this 14th day of August, 1989

P.R.S. OBEROI
Vice Chairman/Managing Director

Pressman

NIC Services

Presently, NIC's services [NIC, 1987] cover a large number of subject areas entailing information systems. Their number varies according to the ministry/department concerned. The areas/subjects are over 40 in ministry of finance covering revenue, expenditure and economic affairs departments. On an average, the number of areas/subjects covered by the information systems in the department is 5 to 10, but would soon extend with development to NICNET. A number of common information systems for departments of the centre have been developed by the NIC. They include, *inter alia*, action plan monitoring, file movement, reference monitoring, and public grievances monitoring. Information on feedback on adequacy and efficiency of services is, however, not available to make any evaluation.

NIC services include systems software support to all computer systems of NICNET, and R and D support for designing and developing distributed data-based management systems (DDMS), automatic data-based design tools (ADDT), and communication protocol (CP). NIC also has the mathematical modelling support (MMS) service system and has helped several big projects, in optimisation in case of Vizag Refinery, in energy planning by Planning Commission, in integrated development model for public sector joint plant committee in the steel sector, in projecting demand for fertilisers aside from help in construction of 19 stadia for Asiad held in 1982 with 35 terminals, and in information dissemination during the non-aligned summit in 1983. There are provisions for software development programme (CAP, CAM, CAI, etc), computer development, training, and R and D. There is plan for National Centre for Software Development and Computing Techniques. These are aimed to take maximum advantage of emerging information technologies.

IV

Limitations, Problems and Challenges

Of course, in the process, a number of limitations of DIS in India have come to surface, some of which have been examined and corrected under a system of directing and reviewing improvement of data base looked after by a standing committee in the government. Major limitations pointed out by our review include the following:

—Despite large development of the DIS over the period, there remain *important gaps*, notably in respect of large "unrecorded production" [CSO, 1988] and substantial unaccounted income;[6]

—In estimation of basic growth indicators like GDP, savings and capital formation, despite a revision procedure in progress, there remain data gaps indicated by the significant extent to which *indirect current data* are used notably on agriculture and small-scale manufacturing, extent differing among outputs and inputs [Chakravarty and Raghavan, 1985];

—Information for the *multi-level planning and decision-making*, i e, space-specific or regional information has several missing links [Alagh, Kashyap and Murthy, 1984];

—There have been attempts to *standardise* the concepts and methods of measurement, relating to national and state domestic product, but there remain problems of comparability among them and comparability with other countries, aside from problems of continuing improvements and methodology constraining comparison over period and different series of estimates [CSO, 1987b and 1988];

—Though the *economic indices* (consumer price index, CPI, latest base 1984-85; industrial production index, 1980-81; and foreign trade index, 1978-79) have been up-dated in respect of their base from time to time, there remain problems of continuing up-dating, suitability to economic analysis, statistical consistency, i e, comparability with earlier indices, and, above all, appropriateness of indicators for serving the main purpose, e g, in CPI [Minhas, 1987 a and b];[7]

—The *forecasting system* remains weak[8] in respect of important indicators of aggregative, particularly of disaggregative nature, like those in advanced countries, due to inapplicable theories and "dearth of relevant economic information" [Roychoudhury and Mukherjee, 1984], as also due to difficulties of analysis of economic behaviour given the uncertainties and continuing certain characteristics of a developing country;

—Wide *dissemination* of information requires expansion of infrastructure; it is presently constrained by the inadequacy of publication, translation and communication sub-systems;

—*Analytical sub-system* of the DIS has scope for enlargement and improvement, given the large amount of data collected, which sometimes remain untabulated and inaccessible/hidden [Ghosh, 1987][9] due to shortage of handling resources, leading to inoptimal use of high-cost information [Chakravarty and Raghavan, 1985];

—With the enlargement of economic activities, the CSO has found itself *weak in co-ordination*, the main reason being that it "has not been specifically empowered to undertake the function of co-ordination through executive or statutory orders" [Chakravarty and Raghavan, 1985], and that it has not been given due *priority and status* [Seal, 1987];

—The information collected in certain areas and by certain organisations has been found lacking in respect of even simple *analytical and quantitative framework/model* to be useful in policy formulation; they include public finance/budgetary data, price data, credit data, savings, and investment data. Policy advice in important areas, "is not really dervied from any rigorous professional work", and is formulated on the basis of "meagre data", though they are being collected [Krishna, 1974];

—Information system in regard to *evaluation* (mostly ex-post) of development activities is beset with limitations of certain statistical 'biases' (arising due to design not using both 'control', and 'treatment' groups but only the later), time consuming process of analysis of qualitative data, and inadequate sample size [Seal, 1988].

Some of the above limitations, responsible for imperfect planning and targeting, may be overcome as a result of a number of sample surveys and economic census which the department of statistics may undertake in the coming years. The process is, however, going to be long considering the required large scale of necessary system and constraints usual to a DC, notably availability of funds.

The limitations of the DIS in regard to efficient storage and retrieval, computation and transmission, and consistency and integration are related to the speed of adaptation of available technologies in the area of informatics, computer hardware and software, telecommunication, and printing. Such adaptation has much to do with the availability of resources rather than strategy of DIS, and is not easy given political realities.[10]

Major Problems and Challenges

Among the major *problems* of building up the DIS in India, some are common to developing countries, while some others are specific arising out of large size of the country, the population, and the polity. As for the former, the basic is that of limited resources which gives origin to limitations of rapid up-dating of crucial indices, timely collection and tabulation/processing of certain information, wider dissemination and adequate complementary functional sub-systems. Yet another problem common to the developing countries, relates to economic structure which is characterised by large unorganised/unaccounted economy, and uncertainties particularly in respect of agricultural production and foreign transactions, constraining the estimation and forecasting of macro and sectoral economic aggregates.

Recently, India has moved to the computer-aided DIS, but the problems of adequate development of hardware (HW), software (SW), and orgware (ORW) are being faced, reflected in the gaps observed in respect of the DIS. Of particular importance are the necessary number[11] of 'material balances', timely input-output transactions table, reliable employment and capital coefficient matrix, and other parametric estimates, e g, foreign trade elasticities, so necessary for planning and targeting. It is important that similar information is developed at regional/state level. It has also been observed that weak *cybernetics* is reflected in inadequate information feedback in planning and policy-making [Joshi, 1979, and Mozoomdar, et al, 1979]. These problems also come in the way of efficient crisis-management whether faced with natural calamities or crisis arising out of international factors beyond a country's control like the oil crisis, given the lack of

he required data calibration. In fact, the roblems of resources, inadequate DIS infrastructure, not-so-efficient data calibration nd weak cybernetics are all interrelated.

Recently, in the face of rapid development f information technologies, new problems ave arisen relating to (a) information insecurity, (b) distortion in planning and esigning for DIS given large manpower with low skills, accompanied by brain drain f the most skilled manpower, and (c) mismatch of HW, SW and ORW. These problems are, however, not insurmountable, iven a dynamic policy-making process and ncreased co-operation with other countries.

Technically, a problem which is faced is he acceptability and credibility of information. These problems are of two kinds. Firsty, those problems arising out of (a) outlated and inadequate data base, (b) qualiative or soft data, and (c) deficiencies of real system' and 'simulation' data. They call for setting-up suitable norms of experimenation techniques, specification and validaion (replicative and productive) especially relating to model data [Oren, 1981].

The external sector information subsystem is particularly beset with problems insofar as the national DIS is not externally-hooked as in advanced countries and the certain outward and newly industrialised countries. India's economic openness has recently increased, so also the interest and appetite for external information. Certain steps have been taken to improve the external sector data base. However, there remains scope for further improvement in trade information system [Panchamukhi, 1982], particularly in respect of increasing the timeliness of DGCIS foreign trade data reporting, strengthening of forecasting/targeting, increasing availability of international prices and financial information with alacrity, and exploiting the full potential of 66 Trade Missions for commercial intelligence and assistance in policy-making and in merchandising.

The major *challenges* of the DIS, as we see, are resource mobilisation and allocation corresponding to emerging needs which can materialise if cost-benefit (C-B) analysis[12] is applied in this area; raising the status of DIS organisations and personnel; co-operation with other countries in respect of information flow; and bridging the gaps, systemic and analytical, in the DIS. To overcome the limitations and implement various improvements, observes an experienced data manager in government, "a several-fold increase in the financial outlay for statistical and other related schemes will surely be one of the basic pre-requisites" [Seal, 1987].

Given the centralised and 'top-down' system of information and research flow to the developing countries, there is need for 'distributed information and research system' (DIRS) at the international level [Raipuria, 1985].

V

Some Reflections

In what follows, some reflections on future strategy and methodologies are brought out based on the above review. Many of these are not exceptional to India. They may have some significant bearing on future strategies and methodologies in the face of increasing information requirements in future:

—Due priority need to be assigned to DIS considering the significance of information for planning, policy formulation and decision-making; the *allocations*, though increased in the current annual plan and budget over those of the Seventh Plan, need to be further favourably reviewed in the light of the priority, raising to 0.5 per cent of the total expenditure;

—There is need for increasing realisation by the decision-makers and others that *sharing of information* is of long-run use for everybody. Though 'information is power', sharing of this power, unlike other powers, overcompensates the loss which is felt in sharing information, by way of feedback;

—Considering the need for a comprehensive and integrated DIS, of increased utility to the decision-makers and public at large, there is a need for building-up a *register of all development activities* enumerating the area, objective, expenditure, targets, information available and what is needed, etc, towards building-up system-based information and informatics corresponding to these activities and their significance. This would help avoid repetition of information by different organisations as now on prices, macro aggregates, production, trade, etc;

—Given constraint on resources, a developing country often may have to supplement the government information system by *promoting private entrepreneurs, institutions* and *organisations* to build up their information systems;

—To overcome the time lag in availability of information sometime going beyond 2-3 years as in the case of industry (Annual Survey of Industries), foreign trade (DGCI and S), and other data; as also gaps in official information, such as unofficial prices of goods and services, a sub-system of *development intelligence* need to be developed to enable quick assessment of impact of plan programmes and policies; to give early signals for correction and above all to truncate the areas of unofficial/unaccounted/concealed activities. This should be open and much larger in scope than Economic Intelligence Bureau of the ministry of finance, set up in 1985;

—Proper specification of DIS calls for an *analytical framework/model* of the interrelated sectors and policies, and development of weekly, monthly, quarterly and yearly national indicators; this is an imperative to prevent atrophy in the system and what is known as Finagles Law of Information;[13]

—An internal system of *forecasting* of major national indicators based on clearly stated assumptions and comprehensive but tightly integrated data base need to be developed, over period, aiming *at least* three-fourth of the forecasts with error of only "marginal type (if not 'insignificant') over a plan period in aid of better formulation of targets and corrective action plans. Similar attempts need to be made at regional/state level in course of time;

Such efforts may be feasible and more meaningful if information base for micro-level forecasting can be tightened up, 'lead-lag' relationship can be increasingly researched, problems and multiple causality can be gone into, and a certain 'interplay,[14] of available official five-year plan) and unofficial models can be attempted;

—There is scope for improving *public awareness* and understanding and shedding the biases against information and computers, the latter often reflected in mis-specified 'garbage-in and garbage-out' (GIGO) syndrome,[15] and the former reflected in the proverbial notion "lies, damn lies and statistics"; this calls for strengthening of the dissemination and publication sub-system;

—Constructive attempts need to be made to *take* the information collected by government *out* to the maximum. There is scope to give up the "voodoo of secrecy" in regard to facts [Ghosh, 1987]; this would help develop the information itself and increase public awareness, wider participation and feedback;

—While *self-reliance* of DIS is objective in regard to HW, SW and ORW, it is important that cordial international relations are exploited for co-operation in development and security of information; and

—Maximum use need to be made of appropriate *information technologies* in further building up the DIS. These are very expensive for a DC like India but selected use on the basis of suggested C-B analysis should be promoted. In case of external sector, such usage may be an imperative to increase international competitiveness. To the extent such technology, e g, tele-linking, teletexting, tele-conferencing[16] help to exploit the manpower resource located in the country's own missions abroad, real benefits may be considerably larger compared to the cost. Simultaneously, the increasing capability of interpretation and analysis should be developed, to maximise the use of information towards planning, policy formulation and decision-making.

The above reflections are general and, by no means, exhaustive. Specific observations can be made provided some cases of sectors and/or particular information gaps are analysed which requires a separate study.

There remain certain issues in regard to the strategy and methodologies. There is an issue of centralisation vs decentralisation. An important issue is allocation of resources. Yet, another issue is adaptation of latest information technologies which are apparently capital-intensive, while we are faced with a labour surplus economy. In this connection, an issue can also be raised as to what extent R and D should be developed within the country and self-reliance should be achieved in the supplies of SW and HW. A discussion on these issues also requires a separate study.

Annexure

Major Characteristics of Development Information System (DIS) in India

	Characteristics	Description
1	National Policy and Strategy	To improve the data base in regard to the areas identified and augmenting the data-processing capabilities (Seventh Plan), promoting appropriate computer-based information system (NIC) and timely dissemination (Seventh Plan)
2	Political authority and responsibility	Minister of Planning and Deputy Chairman, Planning Commission.
3	Overall Co-ordination	Ministry of Planning
4	Central/National Implementing/ Co-ordinating Organisations	Central Statistical Organisation (CSO), Ministry of Planning, New Delhi. National Sample Survey Organisation (NSSO), Ministry of Planning, New Delhi. National Informatic Centre (NIC), Ministry of Planning, New Delhi. Office of the Registrar General (RG) and Census Commissioner, Ministry of Home Affairs, New Delhi. Office of the Economic Adviser, Ministry of Industry, New Delhi. Labour Bureau, Ministry, of Labour, Chandigarh. Directorate General of Commercial Intelligence and Statistics (DGCI&S), Calcutta and National Trade Information Centre (forthcoming), presently handled by Trade Development Authority (TDA), Ministry of Commerce, New Delhi. Chief Controller of Accounts, Ministry of Finance, New Delhi. Reserve Bank of India (RBI), Bombay. Programme Implementation Ministry, New Delhi. Programme Evaluation Organisation (PEO), Planning Commission, New Delhi (and state capitals). National Information System for Science and Technology (NISSAT), Delhi. The Controller General of Patents, Designs and Trade-marks, New Delhi. University Grants Commission (UGC), Ministry of Education, New Delhi. In addition, several departments also contribute to DIS insofar as they collect data as by-product of (a) administration (revenue, railways, post and telegraph), (b) regulation of Economic Activities (civil supplies, import control), and/or (c) public utilities (water, electricity).
5	Advice	National Advisory Board on Statistics. Standing Committee for Directing and Reviewing Improvement of Data Base for Planning and Policy-Making, Planning Commission (Ministry of Planning) Working Group on Economic Advice and Statistics, Department of Statistics. Regional Accounts Committee, Department of Statistics Advisory Committee on National Accounts, Department of Statistics. Governing Council of NSSO, Department of Statistics. Adviser, Monitoring and Information Division Planning Commission (full-time). Adviser, Plan Information and Publicity, Planning Commission (Full-time). Consultative Committee of Members of Parliament, Ministry of Planning.
6	National Expenditure	Plan outlay* Rs 930 million (1984-85 prices) for 1985-86 to 1989-90 provided for the centre, states and union territories. Annual Plan outlay (at current prices) fo 1987-88 Rs 226.3 million. Plan outlay for NIC Rs 620 million (a 1984-85 prices) for 1985-86 to 1989-9 Annual Plan outlay for NIC 1987-8 Rs 330 million. Central annual budget* expenditur Rs 529.9 million for 1987-88 and Rs 627. million estimated for 1988-89. In addition the concerned department and specialis ed organisations have their own alloca tions for statistics assigned to them. State and union territories have their ow budget for statistics. NIC budget expenditure Rs 290 millio for 1987-88 and Rs 315 million estimate for 1988-89.
7	Central Cadre	Indian Statistical Service (ISS) since 1964
8	Training and Development	CSO, ISI and IASC—Professional an refresher courses.
9	Statistical Legislation	The Collection of Statistics Act, 1953 Factories Act, Mines Act, Census Act Registration of Births and Deaths Act Workmen's Compensation Act, Paymen of Wages Act, etc.
10	Statistical Standardisation, Quality Control (SQC) and OR	Steering Committee on Standardisation o Classification, New Delhi. SQC and OR division, ISI, Calcutta.
11	Scientific Societies/Associations	Conference of Central and State Statistical Organisations (COCSSO), New Delhi. Council for Scientific and Industrial Research (CSIR), New Delhi. Indian Agricultural Statistics Research Institute (IASRI), New Delhi. Indian Association for Research in National Income and Wealth (IARNIW), New Delhi. Indian National Scientific Documentation Centre (INSDOC), CSIR, New Delhi. Indian Statistical Institute (ISI), Calcutta, New Delhi and Bangalore, Institute of Research in Medical Statistics (IRMS), New Delhi. National Council of Applied Economic Research (NCAER), New Delhi. International Institute of Population Studies (IIPS), Bombay. International Statistics Education Centre (ISEC), New Delhi. Research and Information System (RIS) for Non-Aligned and other developing countries, New Delhi.
12	International Co-operation/Co-ordination	CSO, covering activities institutions like: Harmonisation of International Economic Classifications (UN); Review and Development of System of National Accounts (ESCAP); Statistical Institute for the Asia and Pacific (STAP); Expert Group Meeting on External Sector Transactions (IMF); and UN Information Referral System (INRES).
13	Progress Reporting	Annual Report of Department of Statistics, Ministry of Planning. Profile of Service of NIC. Five-Year and Annual Plans. Mid-Term Appraisal of the Five-Year Plan.
14	Statistical News	CSO's Quarterly Statistical Newsletter. NSSO's Sarvekshana (Survey).

* Covering Census, Statistics and Survey.

The reflections and issues are important insofar as one of the reasons why "Indian plans are good on paper but bad in implementation" is, to quote an experienced planner, that they are "informationally inadequate for arriving at appropriate targets, along with a set of operating rules which are relatively insensitive to conjunctural variations and also insufficiently permissive of autonomous decision-making by agents even in areas where they can be expected to be knowledgeable" [Chakravarty, 1987], and that an integrated system is yet to be fully developed.

Notes

[This paper was prepared in the author's personal capacity for the conference held in May 1988 in Beijing, organised jointly by the Data for Development International Association (Marseilles, France) and the People's Republic of China State Economic Information Centre on "Strategies and Methodologies for the Planning, Design and Implementation of Information Systems in Public Administration with Special Emphasis on Economic Information Systems".]

1 In our view, a system would mean a well designed framework of connected *sub-sets*, working together in a particular fashion, forming an integrated body as a functional whole, serving the stated objectives in the best possible manner.

2 The exact shares work out as shown in Table A.

3 Area (3,288 thousand sq kms) is seventh largest in the world. Population size is only second to China, now reaching close to 800 million. Indian polity consists of 25 states, 438 districts (covering a city, towns and villages), 12 cities each of the population more than 1 million, 3949 towns of population more than 5,000, and 557 thousand inhabited villages. GDP is $ 175.7 billion (1985), eleventh largest among the market economies comparable to that of Brazil. Manufacturing value added is over $ 30 billion (1985), thirteenth largest in the world. The number of registered factories alone (20 or more workers without aid of power or 10 or more workers with aid of power) is close to 100 thousand. In addition, there are small-scale industrial units (investment of Rs 3.5 million, 4.5 million of ancillary) numbering over 1.35 million (World Bank, 1987, and Indian sources).

4 Unorganised sector covers a large number of farmers, workers of cottage and village industries, creditors, artisans, small businessmen, domestic servants, repairers, small food caterers, persons involved in certain modes of transport, etc. Additionally, there is an 'informal' sector whose contribution is not reflected in estimates, covering housewives, children, owner labour, farm output which is not marketed, etc.

5 Certain estimates show the likely acute shortage of skilled manpower required for different computer applications during the present five-year plan period through 1990, taking current level of output: information analysts 7,750; system analysts (large) 11,500; system analysts (micro) 12,500; and programmers 50,000. It is observed that in such environment of acute shortage, government is unable to attract and retain good computer professionals [Bhatnagar, 1986].

6 Estimates of unaccounted ('black') economy are at 50 or even 100 per cent of GDP. A recent estimate of total 'black' income generation is at 30 per cent of GDP. But, a more reliable estimate (through excluding non-gold smuggling and black-marketing in foreign exchange and price-controlled commodities) is at 16-19 per cent of GDP, at current market prices, for 1983-84 [NIPFP, 1985, Ch XIII].

7 Minhas (a senior economist in ISI and a former member, Planning Commission), et al (1987) have remarked thus: "embarrassing surfeit of relevant data notwithstanding one is indeed saddened to note that we have failed to construct even one consumer price index, which might be taken as a correct representation of consumer price movements overtime for the entire rural or urban population of India, or any of the states".

8 This is brought out indicating (a) the high frequency of forecasts of major economic indicators with 'very significant'/'unacceptable' error, and (b) forecasts mostly erring on lower side (Table B).

9 Ghosh, a senior economist and formerly adviser in government has remarked thus: the "malaise of not tabulating data collected for administrative purposes is quite general; it permeates all departments. Information which is collected is not tabulated. Information which is tabulated is not made available to anybody outside the government, and quite frequently, even to people within the government."

10 It has been aptly observed that "these (developing or third world countries) simply do not have the decision autonomy, managerial capacity or margin of error (risk absorption capacity) to be able to struggle with basically static, doubtfully useful and terribly expensive information systems conceived with a technical rationality which falls so short... especially in not being adapted to political realities" [Crowther, 1987].

11 The material balances (pertaining to capacity/production, demand including exports and change in stocks, and imports) aside from financial and foreign payments balances, prepared for the Third Plan included 9 for agricultural commodities and 31 for industrial products (PC, 1966). The total number of material balances included in the Seventh Plan is 17 only (PC, 1985 and 1986). Considering the past planning experience and developments in information in the country, material balances for at least one hundred products should be aimed at corresponding the number of products under targeting annual plan reviews and mid-term appraisal. The number and updating system far excels in other centrally planned economies, notably the USSR where in exclusive organisation exists for developing input-output norms towards

TABLE A

Plan/Period (1)	Total Outlay (Rs ml) (2)	Outlay/ Expenditure on Statistics and NIC (Rs ml) (3)	Percentage Share of (3) in (4) (4)
Five Year Plan* 1985-90	1,800,000.0	1,550.0	0.086
Annual Plan* 1987-88	330,600.0	556.3	0.168
Central Government Budget**	661,608.1	819.9	0.124
Central Government Budget 1988-89	736,094.7	942.3	0.128

* Public Sector only.
** Revised estimates.

TABLE B: FORECASTING ERROR-PERCENTAGE DIFFERENTIAL BETWEEN FINAL AND FIRST[1] ESTIMATE, 1977-78 — 1985-86[2]

Indicator \ Error[2]	Insignificant < 5	Marginal >5–10	Significant >10–25	Very Significant >25–50	Unacceptable (deceptive) > 50	Direction of Error on Plus Side
1 GNP, at constant prices	(4)	1	3(3)	2(2)	3	7(5)
2 Agricultural production	(6)	1	2(1)	—	6(2)	6(7)
3 Industrial production	1(3)	1(2)	2(3)	1(1)	4	5(7)
4 Import at current prices	(5)	(2)	(2)	5	4	4(2)
5 Export at current prices	(6)	—	2(3)	4	3	5(6)

Notes: 1 Figures in parenthesis refer to revised in place of first/preliminary estimates, both compared to final. Percentage sign of differential is ignored.
2 Estimates (provisional/anticipated) for the passing year (say 1987-88) are published in Economic Survey (Latest 1987-88) of Ministry of Finance annually presented in February and just before the presentation of Central Budget of the coming year (latest 1988-89).
3 Further analysis of the differentials using Theil's decomposition procedure may reveal the 'bias' and variance/co-variance components of the forecasts.

building up a large number of material balances which are revised very frequently in response to changes in technology, efficiency or otherwise. This speaks volumes for a highly grown DIS in the USSR found necessary for its planning system. Due to glasnost and perestroika, its information needs cap. for external sector are likely to expand.

12 It is recommended that *ex-ante* and *ex-post* appraisal of projects related to DIS should be done in terms of projected scenario 'with' and 'without' expenditure on the information development project, apart from traditional cost-benefit analysis (IDAC-DFD, 1986, Working Group-B Report). The overall performance analysis should be done by way of estimating productivity in national accounting sense corresponding the expenditure [Raipuria, 1987]. Recently, a survey method has been suggested to evaluate the effectiveness of investment in information technologies (a brief on price waterhouse designed survey in *Financial Times*, London, February 17, 1987, p 11).

13 Finagles Law of Information is quoted as:
The information you have
is not what you want,
The information you want
is not what you need,
The information that you need
is not available.

14 At present, a number of macro-level forecasting models exist developed by different research groups. None of them may stand to test taken individually. The possibilities of 'interplay' of these models and even of data base have been generally ignored.

15 'GIGO' bias is misplaced in the sense that the garbage output comes out not because of the machine (artificial intelligence computers yet not out) but because of outdated, incomplete, unprocured or incomparable information. The real mesage is to improve the quality of information which we have touched upon at several places in the paper.

16 Recently, some attempts have been made at audio-and video-teleconferencing confining to few individuals, on experimental basis. The author has a comprehensive illustrative report on how teleconferencing and text communication can be made use of provided a briefing procedure manual on communication and infrastructure based on an exercise, focusing on global models and policy simulation, attempted with the help of IBM and local tele-communication organisation, the US, participated by the researchers of Australia, Hong Kong, Japan and the US, with host computer in MIT.

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Information Support System for Urban Planning

Sreemay Basu

The development of an 'information system' for urban planning cannot be independent of the development of a 'planning system'. The fact that urban data bases are virtually non-existent in this country is a symptom of the amorphous nature of our current urban planning practice.

DATA or observations which comprise an information system do not exist in vacuum, they are purpose-specific. They have to be gathered with reference to a viewpoint, a specific frame of mind (collectively known as a 'paradigm' in Kuhn's terminology). Information for urban planning, therefore, can only be obtained when this 'framework' is defined; that is, the act of planning is made explicit and each task of the planning process identified. It is important to realise that this specific and systematic definition of the urban planning process must come *before* an information base can be created. It is not possible to create an 'integrated' (the question immediately arises, 'integrated with what?') information system which can help to make urban planning systematic. That would be trying to put the cart before the horse. The fact that urban data bases are virtually non-existent in this country is a symptom of the amorphous nature of our current urban planning practice.

National Commission on Urbanisation Recommendations

The NCU makes eight specific recommendations (Nos 71 to 78 inclusive) about an information system. It may be useful to group these into three broad categories. Recommendations regarding: (1) the purpose or use of the information system; (2) the content of the information system; and (3) the procedures for acquisition of information.

(i) *Purpose of an Urban Information System*

Recommendation No 74 prescribes that the purpose is to facilitate 'decision-making'; and Recommendation No 76 prescribes the use of location specific information system for 'urban planning'.

The distinction made between 'decision-making' and 'planning' is puzzling at first glance, since planning, obviously, involves decision-making as well. In this context, it seems useful to review the nature of the planning process.

Planning Process: In the classical representation, planning (like design) is thought of in terms of three components: analysis, synthesis and evaluation. Analysis is largely objective once a viewpoint or paradigm is assumed.

Planning Paradigm: The current viewpoint sees urban settlements as part of a rural-megalopolis continuum with its position in the hierarchy defined by the functions it performs and the 'command' area or extent of influence, that such functional specialisation exerts over other settlements (both upwards and downwards in the hierarchy) dispersed in geographical space. Such economic and physical interchange at the macro-level determines the 'content' of urban settlements. In the micro-level, urban settlements are seen as outcomes of the interaction of sub-systems relating to, among various others, land-use, transportation and other infrastructure, zoning regulations, socio-economic factors determining choice, housing costs/stock/type, pollution impacts. A hierarchy operates at this level as well, starting from site specific considerations. These constitute the smallest pieces of the urban planning puzzle which must be matched in upward order (right through to macro-level inter-regional aspects) to produce a coherent picture. The dynamic interrelation of these sub-systems at the micro-level defines the 'form' of the urban settlement.

Analysis: This systemic view of urban settlements defines the tasks that comprise the 'analysis' component of the planning process. In very broad terms, these are: establishing the past and present status and the projection of alternative futures.

Establishing past and present status, in the systems format, entails:

* definition of sub-systems,
* identification of all factors (variables) known to have relevance to the sub-system—both in theory and through empirical studies,
* estimating the extent (parameter co-efficients) to which these factors influence the sub-systems,
* testing with actual data (fit) to obtain explicit, testable re-definable, descriptions (models) of the sub-systems,
* identifying higher order interactions between sub-systems (linkages), and finally,
* understanding and capturing the interactions (dynamics) to integrate sub-systems into composite systems.

Projection of alternative futures, involves tracing the consequences of a proposed intervention (plan) in terms of changes expected in the present status (short-term) and then, generally, in the medium and long-term. For this task (simulation) two aspects are crucial. First, of course, is the accuracy with which the dynamics of the composite urban system has been modelled. It is possible to check this to a certain extent by testing (executed) interventions against time-series data going back to the past. However, there is a second aspect which is independent of this process of testing and refinement through application to data. This has to do with (structural) changes that occur over time. Variables lose their influence, or their significance, necessitating both calibration (re-estimation of parameter co-efficients) and redefinition (choosing of a new, more appropriate set of variables).

Synthesis: Synthesis refers to the act of generating interventions (solutions) to meet proposed objectives which have been examined and refined after analysis. Considerable confusion persists in planners' mind as to whether the synthesis of solutions follows automatically from analyses in some mechanical process. The apprehension that it might is perhaps the reason that planners in India have been so tardy in utilising computer-aided methods of analyses that have become routine around the world 10 years ago. The fear is, of course, that analytical method and computers will replace creativity, judgment, sense of values, and the aesthetics (which have evolved largely from architecture) on which traditional planning rests.

This confusion can be cleared and apprehensions laid to rest with a reference to the work which revolves around Kuhn and primarily Popper, in Philosophy of Science. He has argued conclusively against notions of 'induction' (or 'abduction' of Pierce's usage) and established that science is not merely a dull and semi-passive activity of analysis and bare generalisation but 'untypical', 'unduplicable' activity of creation. He makes abundantly clear that scientific theories cannot be derived mechanically from masses of observation (data) or even from the 'law-like generations' that may be deduced analytically from such data—but are a product of the human mind; personal, creative achievements of an astonishing order.

So also with Design. J C Jones (to whom we owe the terms 'analysis', 'synthesis' and 'evaluation') goes on to state, "The difficulty is that the imagination does not work well unless it is free to alternate between all aspects of the problem, in any order, and at any time, whereas logical analysis breaks down if there is the least departure from a systematic step-by-step sequence. It follows

hat any design method must permit both inds of thoughts to proceed together if any rogress is to be made."

In planning too, obviously, the act of ynthesis is creative and personal. There is n additional element of uncertainty (subectivity) because (as in Chadwick's view) lanning is, "future oriented, dealing with continuous succession of situations which o not exist at the time the plans are made". Moreover, this future (after Esherick) may omprise both the 'known and knowable' as vell as the 'unknown and unknowable'.

It is worthwhile to remember that a plan volves in time as well as in space. This emporal dimension is of fundamental mportance, and distinguishes planning from he related design disciplines. An engineer r architect is able to appreciate the consequences of his decisions as soon as the project construction is complete. A planner may not even witness the full consequence of his decisions in a life-time. The impact of an urban or regional level plan is so pervasive, extensive and inextricably related to the old state) that this sort of lag is inevitable before he system has time to stabilise. For some, planning has more in common with ecological adaptation than normal industrial processes of design.

Paradoxically, precisely because of the complexity and uncertainties associated with ecological adaptation, the need for 'analysis' s even greater in planning. While the power o foresee developments in an uncertain future to establish the 'planning context' must remain partly subjective, analytical techniques like modelling and simulation are he only means by which a range of possible consequences can be explored systematically and both interventions (plans), and this planning context' (system description), examined and re-defined. In the absence of such a comprehensive analytical framework all planning is *ad hoc* and will inevitably result in consequences that are unforeseen. "Planning in the abstract is a fruitless and delusionary exercise that leads only to temporally transient non-systems" (Wayne Myers, personal communication). It is prudent, even essential, for a poor country with severe resource constraints to invest resources in, and suffer through the tedium of, thorough analysis. Mistakes on paper are far less costly than in practice.

Evaluation: The final component of the planning process comprises both subjective and objective tasks. The need for planning arises out of perceptions which are based on a value system. Within this value system, planning may have a limiting character under protective goals, or an optimising character under maximising/minimising goals within given constraints. The criteria for evaluation must derive from such goals and the attendant 'objectives' (goals, in operational terms) of the planning exercise.

Given the objectives, the first task is to measure and compare the performance of all interventions (plans) in an economic and behavioural context. This process is non-judgmental, and can be largely achieved by application of land-use models. The second stage is additional analyses in the general nature of cost-benefit. The third and final stage is readjustments based on the earlier analyses and then, choice.

'Decision-Making' and 'Planning': It is, of course, also possible that no choice is made. The outcome of the planning process could well be to redefine objectives or even reconsider the goals. These tasks involving the formulation of goals, assignment of priorities and ranking of objectives must precede another round of the planning exercise. It is perhaps in these matters of 'meta' value judgments (which are thought to transcend the domain of planning and enter the area of policy-making) that the distinction can be drawn between 'decision-making' and 'planning' (refer to NCU recommendations Nos 74, 76).

This distinction is subjective and rests squarely on our system of government which assumes that there are fundamental issues too important to be left to planners. These are entrusted instead to politicians and, to a large degree (often by default), to bureaucrats. Politicians have to respond to party and electoral imperatives and bureaucrats to overburdens of work load. The basis of their judgments can be often hurried and, at times, biased. Their decisions are likely to vary with time, changes of personnel in key positions and with political circumstance. It is in the planners' jurisdiction, however, to trace the consequences of such decisions and, in appropriate cases, make explicit with the help of objective, defensible, analytical techniques, the underlying motives. This is the only way to ensure that these fundamental value judgments and decisions are made with consideration and rationality, and to prevent the interference of the motivated from subverting the good of the collective.

(2) *The Content of an Information System:*

Recommendation No 73 prescribes that two new data systems pertaining to land and the environment should be organised.

It is significant that the *only* recommendation pertaining to the 'content', arguably the more important of the three aspects ('purpose', 'content' and 'procedures'), should be so vague. It effectively underscores the point that data (or an information system) cannot even be specified, let alone assembled, without reference to an analytical framework.

Land and enviroment are catch-all categories. Elements in these two categories having clear reference to the context of urban settlements include, infrastructure, land-use/land cover, geology, soils, hydrology, topography, meteorology, epidemiology and (a recent category) contaminants. These have to be complemented by data on social and economic factors of known relevance to human behaviour and choice.

The systemic view (assuming general acceptance), imposes its requiremens of data. It is beyond the purview of a conceptual paper to attempt to define a composite system and derive the data requirements from it. However, the appended performance specifications excerpted from Britton Harris' *A Programme for Comprehensive Planning* may illustrate the dimensions of the task. (Readers interested in further details are referred to a joint proposal of the School of Planning and Architecture, New Delhi, and the University of Pennsylvania on developing micro-computer based planning systems for small cities of population one lakh, which incorporates the Harris formulation.)

(3) *Procedures for Acquisition of Information:*

Five of the eight NCU recommendations deal with methods of acquisition. Of these three (Nos 71, 72 and 75), refer to existing data and procedures. Descriptive data on many aspects already exists in varied forms of uncertain quality, with diverse agencies, mainly for the purpose of revenue and records. The poorness of the quality of this micro-level data obtains because planning in India is presently conducted largely in an aggregate information context. This has produced policy debate and 'speculations' relative to the future. Objective guidance regarding the consequences of policy alternatives requires development scenarios to be played out at the site level. These have never been called for. Thus there has been no attempt at collating the data from various sources in a common bank, converting them to a common basis for consistency, and checking them for accuracy.

Recommendation No 71 specifies that national level data should be spatially disaggregated. While this is an obvious requirement, the present data is not likely to be useful for micro-level planning. Problems of quality will remain.

Recommendation No 72 specifies that access to data at source should be made easier. This refers obliquely to the need for an informational infrastructure. In Myers' view (op cit), "Building, maintaining, and utilising such data bases requires informational infrastructure in the same way that development requires transportation infrastructure. Major components of such information infrastructure include trained personnel; facilities for data capture, conversion, and updating; computer hardware and software for data storage, retrieval, and analysis; and provisions for data flow both upward and downward in the planning hierarchy." A start has been made on a massive scale, but already there are signs of a lack of coordination of the efforts of the NIC, DRDA and department of statistics, who are providing computers at the district level under the seventh plan.

Recommendation No 75 which specifies the use of normal administrative processes, should be kept in mind, while implementing an information system. This is very important. For data gathering, maintenance and systematic updating on a large scale in India

it would be prohibitively expensive not to use the existing administrative apparatus. Old British procedures of settlement-based records keeping, which have fallen into disuse because of centralisation of planning practices (with an attendant shift of emphasis to 'sectors' and 'programmes') in the last 40 years, have merely to be revived. And personnel, of course, trained in modern methods. The focus of this effort has to be on planning system performance and operationality, rather than simple existence. A non-functional information infrastructure will be another massive drain on our resources.

For implementation of a planning system, Harris recommends that elements of a Geographic Information System (GIS) including a mapping capability and related data files should be prepared first; together with data input capabilities which would permit users to begin immediately on the collection of data and testing the visual potential of the system. Recommendation No 77 specifying the use of remote sensing endorses this idea. The government of India has already made a start by funding, for the last two years, the commissioner of land records, Gwalior, to computerise all land records of one district. Again, this development is compartmentalised. There is no attempt as yet to compile composite multi-factor thematic information on this site specific data base. India cannot afford this approach. The hardware and software to retrieve imaging and photographic inputs and then rectify and digitise them for automated cartography costs crores of rupees. These cannot be replicated *ad-infinitum*.

Although the first impression of map-oriented planners is usually to equate the potential of GIS to automatic cartography, the capability for quantitative analysis of spatial data is even more significant. Accordingly, the second stage of implementation should be concerned with the development of analytical capability. This is essential for integration of the GIS into a composite system for planning.

The subsequent steps in the implementation of a composite planning system are inclusion of some locational models like retail trade. Next, cost analysis and transport analysis could be developed simultaneously. This would be followed by the sequential installation of location/allocation models and finally by evaluation methods. This sequence assures that the users encounter the most familiar and simplest aspects of the system first, and progress in a step-wise fashion to the more unfamiliar and more complex.

The means of implementing such systems through pilot projects are proposed in recommendation No 78. However, to reiterate finally, the development of an 'information system' cannot be independent of the development of a 'planning system'. The pilot projects have to incorporate both tasks.

Appendix

Harris: A Programme for Comprehensive Planning.

—SUMMARY OF SYSTEM FUNCTIONS FOR COMPREHENSIVE PLANNING

System Functions

1 *General System functions*

System management and user interface

- Prompts the user
- Invokes other system functions
- Checks consistency of user actions
- Protects and saves data
- Accommodates addition of new modules to the system

Data entry procedures

- Accept and organise all data inputs, including map data
- Check input consistency and reject or correct inconsistent data

Output procedures provide assistance in:

- Report writing
- Formating tables
- Outputting charts, graphs, and maps

A2 *Geographic Information System (GIS) Functions*

Sketching (optional), supports:

- Sketching proposed buildings and neighbourhoods
- Assimilating previously prepared or standardised sketches
- Calculating site coverage, floor areas, and building volumes
- Passing data and information to mapping facilities

Mapping

- Accepts prepared map outlines and changes.
- Accepts user-defined small areas and transport links
- Linkage to data base permits production of interpretive maps
- Land uses and transport networks can be mapped

Data base management

- Data base is keyed to areas and transport links defined in maps
- Aggregation and some disaggregation of data is supported
- Aggregation can be over areas or over categories
- Data can be statistically analysed

Standard spread sheet and statistical functions

- Support modules dealing with cost analysis and evaluation

A3 *Modelling Functions*

Location/allocation models for projection and evaluation

- Housing, retail trade and services, offices, public facilities

Transport models

- Least cost routes, trip generation, assignment, modal choice, trip distribution, congestion analysis

Air and water pollution

A4 *Other Decision Support Functions*

Cost analysis

- Infrastructure: road, water supply, drainage, etc.
- Structures: residential, commercial, industrial, public facilities
- Site preparation

Evaluation and decision analysis methods

A5 *Functions Performed by Centralised Agencies with Local Co-operation*

Map definitions and digitising

Map and network plotting—black and white or colour

Assembly of national and regional data on

- Unit costs for plan elements
- Planning standards and requirements
- Behavioural parameters in transport and land-use or location.

Projections into the future of

- Levels of productivity and income
- Patterns of expenditure on goods and services
- Levels of public services
- Local population and economic activity
- Technology and space requirements.

B—URBAN FACILITIES PROVISION

B Needed Urban Facilities

The following is a tentative checklist of the facilities which must be provided for in a plan, and for which the planning effort must provide estimates of demand, decisions on levels of service, proposals for zoning and control, and calculations of cost and (possibly) benefit. There is a broad division between land-using and other facilities. Further disaggregation is required wherever the activities differ in their requirements, costs, and impacts.

Land-using facilities

1 Agriculture, forestry, fisheries, quarries, mining, etc.
2 Construction (management; storage of equipment and materials)
3 Manufacturing by category
4 Warehousing
5 Transport facilities: canals, roads, railroads, airports, garages, terminals of all kinds, yards
6 Electric generating and distribution stations
7 Water and sewage: storage, pumping, treatment
8 Dumps, landfill, incinerators
9 Shops and shopping centres
10 Offices of all types
11 Educational facilities of all types
12 Health facilities
13 Public safety facilities: police, fire, ambulance, etc.
14 Parks, playgrounds, and sports facilities
15 Housing

Other facilities

16 Underground sewage and water systems
17 Underground gas supplies
18 Electricity supply
19 Telephone lines
20 Underground transport and walkways (see 5).

C—INPUTS AND OUTPUTS OF DATA TO AND FROM MODELS

Variables \ Models	Transport							Locational			Other			
	Shortest Path	Airline Distances	Trip Generation	Trip Distribution	Choice of Mode	Vehicle Assignment	Congestion	Accessibility	Facility Location	Residential Location	Pollution Impacts	Construction Costs	Utility Costs	Trans fac Costs
Transport links	I					I/O	I/O				I		(I)	I
Network nodes	I													
Paths by back nodes	O					I								(I)
Node X-Y coordinates		I									I			
Interzone network costs	O				I			I	I	I				
Interzone airline dist.		O						(I)			(I)			
Accessibility measures			(I)					O						
Interzone total trips				O	I				(O)					
Interzone trips by mode					O	I				O				
Trip origins			O	I										
Trip destinations			O	I										
Land uses/Activities			I						I/O	I	I	I	I	
Land uses/Residents			I						I	O	I	I	I	
Zoning restrictions									I	I		(I)		
House types by zone											I			
'Rent' or control var										I/O				
Pollution impacts											O			
Construction unit costs												I	I	I
Total precinct costs												O	O	O

Code for cell entries: I = Inputs, O = outputs, ( ) = Optional.

Bombay Factory Re-opens

Lockout lifted

THE gates of Hindustan Lever's Bombay Factory which, had remained closed since June 21, 1988 when the Company's first ever lockout came into effect, have re-opened.

The re-opening of the factory is a sequel to the announcement made by the Company on June 22, 1989 that the lockout would be lifted the following day in respect of those employees who were willing to provide an honest assurance for productive and disciplined working through individual agreements under the provisions of the Industrial Disputes Act. The lockout, however, continues for those who have not provided such an assurance. A notice making this announcement was displayed at the factory gate and was also published in various newspapers.

The Company's unilateral decision to lift the lockout as described above was in response to repeated appeals from a large section of the affected workmen who, seeing through the reasonableness of the conditions sought by the management to lift the lockout, were quite prepared to accept them and return to work. The workmen, already financially hardpressed, faced greater difficulties with the re-opening of schools/colleges after the summer vacation and the onset of the monsoons, and had also sought the State Chief Minister, Mr.Sharad Pawar's personal intervention.

The framework for an amicable resolution emerged after a series of meetings convened by the Chief Minister and the State Labour Department. At these meetings, the workmen's representatives sought compensation for the lockout period; this totally unreasonable request was rejected by the management.

The workmen's representatives expressed willingness to accept other preconditions such as need based deployment, maintenance of productivity norms and discipline, unhindered introduction of technology and modernisation for improving quality, productivity and factory operations strictly in accordance with the needs of the marketplace. They were also prepared to offer an honest commitment against indulging in go-slow and other disruptive practices. The State Government cautioned the Union against any future go-slow. The Government warned that it views work disruptions very seriously, and the Company would receive whatever permissions it required if the workmen ever reverted to any of their past disruptive ways.

The Chief Minister persuaded the management not to insist on a written agreement on proportionate wage cut in the event of a go- slow. He also suggested that the workers who provide an individual undertaking and return to work may be given an interest-free recoverable loan to alleviate their hardship. The management agreed to both these suggestions made by the Government. Dropping the demand for proportionate wage cut was in spite of the fact that the Industrial Court had held that in view of the union's track record, the management was quite fair in seeking an assurance on proportionate wage deduction in the event of a go-slow. The Company has extended to the workers rejoining the factory an interest-free loan of Rs.10,000, which will be recovered over a twelve month period.

According to the agreement reached, further wage improvements would be discussed after a settling-in period of one year; however, such wage improvements will be predominantly productivity linked. The union and the workers, who were interested in a bipartite resolution, saw no point in pursuing the lockout related court cases; those pending in the courts will be withdrawn by both parties, and no fresh litigation will be initiated. This will also prevent the ferreting out of union funds.

While there would be no retrenchment, for those who chose to voluntarily leave the services of the Company, the social security and resettlement scheme would be made available for a further period of six months in response to the request made by the union. The total benefit to the employees under this scheme ranges between 70% to 100% of their salary in addition to the normal retirement benefits such as Provident Fund and Gratuity. The principal features of the agreement, under the given circumstances, have protected the interest of the Company's various stakeholders.

Following the discussions and agreement reached in meetings with the Maharashtra Government, the Union representatives sought time of 24 hours (which was later extended by 48 hours) to convey their formal agreement on the plea that they wanted to explain the terms of the proposed agreement to the employees. In keeping with its previous record, however, the Union failed to ratify the agreement even after the extended period lapsed.

Meanwhile, the Company continued to be inundated with feelers from employees who were keen to return to disciplined and productive working. In view of the developments described above, the Company decided to unilaterally lift the lockout based on the agreement committed to the State Government. The vast majority of employees have responded promptly to the Company's gesture, each one of them assuring the management through a formal agreement under the Industrial Disputes Act, of their honest commitment to productive and disciplined working in a manner consistent with the dignity and self-respect of all concerned and the sustainable viability of the factory.

Work preparatory to the start-up of the various manufacturing sections is currently on in full swing, and the initial batches of certain products have begun to roll out of the factory. Wherever the nature of operations is based on continuous process, the wheels of production will begin to hum in about two to three weeks.

Interestingly, apart from the Rs.10,000 interest-free advance, the employees who have resumed duty have benefited in another way. As a result of the formula governing dearness allowance (DA) escalation which provides far more than 100% neutralisation of the increase in the cost of living index, the workmen's wages have gone up, in spite of the lockout, by between Rs.100 and Rs.260 per month.

Contrary to the mischievous propaganda in certain quarters that the lockout was aimed at 'teaching the militant Union leaders a lesson', the stark reality is that the Company lost production valued at over Rs.300 crores during this period, while the employees lost wages to the tune of Rs.16 crores. The Company continued to service the interests of its consumers and shareholders, thanks to the excellent cooperation received from its employees at the other factories all over the country.

Repairing a damaged industrial environment is no easy task. However, now that the lockout is an event of the

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past, the management hopes that the resumption of normal operations will provide a climate which will restore to the factory a harmonious working environment based on the mutuality of interests it shares with the employees. The Bombay Factory team should now work with renewed vigour towards an era of greater productivity, which is vital for the factory's sustained working in the face of a liberalised economy and a highly competitive marketplace.

The Background

Hindustan Lever has traditionally enjoyed harmonious relations with its employees, a total of nearly 10,000 at its various factories. The Company was among the first manufacturing organisations in the country to enter into long-term wage settlements with recognised trade unions.

Bombay Factory is the Company's oldest and largest. Set up as a small unit in 1932, it currently employs about 2,500 persons and produces almost the entire range of the Company's products – laundry and toilet soaps, synthetic detergents, vanaspati, personal care products and glycerine.

For the first time in its long history, Hindustan Lever had to declare a lockout at Sewri from June 21, 1988. This was the culmination of a series of events over a number of years, which had cast a shadow on the factory's long term viability.

What trade unions have perhaps failed to realise is that the appalling inefficiencies, indiscipline, and poor work ethics, which may not have been as pernicious in the days of shortages and controls, stand painfully exposed as major weaknesses in today's industrial environment and marketplace which is characterised by liberalisation and heightened competition. Market forces are now compelling modernisation, productivity improvement and value addition efficiency like never before. Thus, unless organisations accord importance to the key tasks of productivity improvement and cost control, the door to industrial sickness will remain wide open.

The declaration of a lockout is an extremely painful decision to take for any management. Hindustan Lever, however, realised that any delay in attempting 'surgery' of this nature entailed the risk of rendering impossible the task of reviving the factory's long term viability; besides, the malaise could well spread. The lockout at the Bombay Factory has to be viewed in that light.

The roots of the problem can be traced to the last (1983) wage settlement which expired on June 30, 1986. Under one of the terms of this settlement, the workers had agreed to perform at a higher level of productivity and cooperate in the modernisation scheme. This was important, because the Bombay Factory wage bill had shown a steep rise although its productivity was much lower compared to the levels prevailing at the Company's other units.

Thus, Bombay Factory took 38 manhours to produce a tonne of toilet soap on a modern packing line, compared to around 18 manhours per tonne in our other units with older generation equipment and machinery. Likewise, while other units took 12 manhours to produce a ton of detergent bar, Bombay required 38 manhours.

The two key issues, therefore, were the Union's demand for higher wages and the management's concern about rampant indiscipline and declining labour productivity.

Is Hindustan Lever a fair employer?

To answer this question, you might be interested to know that the remuneration, welfare facilities and working conditions provided to Hindustan Lever employees at the various units are among the best in their respective regions.

Consider the case of the Bombay Factory employees. In January 1987, their wages ranged between a minimum of Rs.2,250 per month for unskilled employees and a maximum of Rs.6,800 per month for technical and clerical staff. During the thirty months when negotiations were in progress, the average wages increased automatically by Rs.400 to Rs.1,100 per month due to a most generous DA scheme which provides over 100% neutralisation of inflation, even at the high wages prevailing in the factory. The last twelve months (July 1988 to June 1989) have witnessed a further rise in DA of between Rs.100 and Rs.260 per month.

Wages trebled during 1978-87, rising at the rate of over 15% every year since 1982. Unfortunately, while wages skyrocketed by 300% during those ten years, productivity dropped by a fifth and the output per employee dipped sharply by 22%. As a matter of fact, the productivity of Bombay Factory is the lowest in the Company, despite:

— a well designed programme for upgrading skills and employee training;

— a Rs.30 crore modernisation drive (for improving production, product quality, energy cost and safety); and

— the highest wages among all other units.

The escalating wages and operating costs had by now seriously endangered the factory's health. The return on capital employed dropped by 26% between 1985 and 1987. The breakeven point rose sharply, from 60% in 1985 to 70% in 1987. Wages which accounted for 37% of the profits in 1985, increased to 46% in 1987. If this trend were to continue unchecked, wages would have wiped out the entire profits derived from this unit by 1993.

Why is labour productivity so low in Bombay Factory?

Despite the high capital investment (Rs.30 crores in the last few years) on modernisation, and productivity improvement measures, these had failed to bear fruit due to crippling go-slows and frequent work disruptions resorted to by the workmen at the behest of the Union leadership.

Contributing in no small measure to this depressing scenario was the persistent refusal of the Union to cooperate and participate in modernising and rationalising factory operations.

Some typical examples:

The Union refused to cooperate in producing the consumers' preferred choice of packing vanaspati in laminated pouches and polyjars instead of traditional tins. It refused to pack shampoos in pre-printed plastic bottles instead of old-fashioned glass bottles. Similarly, it opposed using laminated tubes for toothpaste instead of the traditional aluminium tubes, and even a change in the detergent bar pack size from 125 gm. to 250 gm. The Union was, thus, blocking the management's basic right to manage factory operations.

What's more, as a result of the Union's instigation, the employees gradually reduced their working on the shopfloor to just 2-3 hours per day. They refused to comply with the normal work-related instructions, and many even abstained from the training courses designed to enhance their knowledge and improve their skills.

All this resulted in an unabated rise in wages, while the factory experienced a sharp decline in labour productivity. Under these circumstances, the viability of Bombay Factory suffered steady erosion.

Why the lockout?

The employees' Union submitted a new charter of demands in July 1986. The charter contained a total of 36 demands involving for the Company an additional financial burden of over Rs.7,000 per worker per month. Some unusual demands in this charter include an 'unemployment allowance' for the children of employees, a hill station picnic allowance, reduction in working

hours, and additional leave. As usual, the Union's charter sought a steep wage hike without any commitment to raising productivity.

In the course of the negotiations, the management stipulated that a substantial portion of the wage increase would have to be matched by productivity improvement. But, even as talks between the management and the Union were in progress, the Union activists started a well planned agitation to coerce the management into conceding its demands through unrelenting militant tactics.

A go-slow, launched from January 1987, was accompanied by 56 incidents of flash, illegal strikes and 45 occasions of work stoppages -- all in violation of the ad interim injunction of the Industrial Court. The result? Production dipped to uneconomic levels. The workers also put up obscene posters and effigies, and abused factory managers virtually every day.

Matters came to a head when the Mathadi workers in total defiance of the Mathadi Board Chairman's directive to call off their own go-slow, begun in March 1988, suddenly struck work on May 25, 1988 at the instance of the extremist Union leaders, crippling the entire factory operations due to accumulation of stocks. The permanent employees' refusal to cooperate in the removal of accumulated stocks, brought factory operations to a standstill.

That was the last in a series of acts of indiscipline and frequent work stoppages by the Union, which had by now rendered the factory totally unmanageable; the management, therefore, had no option but to give notice of a lockout. A proposal for averting the lockout was conveyed to the Union even at this late stage, but without any response. Simply stated, what the Company had asked for is: a fair day's work (not mere presence at the work location) in return for a fair day's wages.

The aim of the Union activists now seemed to be clearer. It was not to protect the interests of the employees, but to paralyse the working of the factory and create chaos and anarchy. Since all efforts to restore normalcy bore no fruit and in view of the unbearable loss in production and rampant indiscipline, enforcement of the lockout became inevitable. Even so, the management took upon itself the task of reviewing the position at six-weekly intervals in a bid to determine whether conditions had materially improved, based on which extensions of the lockout were announced.

Both before and after the declaration of lockout, the State Labour Department met representatives of the management and the Union on several occasions in a bid to break the deadlock. No breakthrough was possible, however, in view of the Union's persistent refusal to even consider the management's proposal to revive the factory.

In actual fact, the proposal was largely a reiteration of the standing orders and service conditions governing the employment of workers at the factory. By their very nature, those provisions are taken for granted by factory managements under normal circumstances.

Courts Vindicate Company's Stand

The Union had been claiming in various fora that it had submitted the assurances desired by the management. The reality, however, was different and this was documented by the Industrial Court, Bombay, in its judgement dated November 25, 1988.

Disposing of an interim application filed by the Union, the judge observed that the workers had not been willing to provide the management with meaningful assurances relating to disciplined and productive working. The court verdict also rejected the Union's contention that the workers were willing to work and that the Company had not been prepared to provide work for them.

In another case, the Industrial Court, Maharashtra, held that extensions of the lockout by the management did not amount to a new lockout, but were in fact a continuation of the original lockout. The same court had earlier upheld the original lockout as legal and valid.

Overruling the Union's contention that the lockout extensions were for new and different reasons and that each extension called for a separate statutory notice, the court held that the Company had acted in a responsible manner by taking upon itself an obligation, which it was not obliged to under the law, to periodically review the situation to decide whether the lockout needed to be extended or called off if the workmen were prepared to submit meaningful assurances that would enable the factory to re-commence operations on a viable and sustainable basis.

The judge observed that the reasons for which the lockout had started, had not yet come to an end. He also noted that the Company had declared the lockout because the workers had not observed discipline and not given normal production, thereby causing the Company heavy losses. Referring to the repeated breach by the Union of the assurances it had provided to the statutory authorities in the past, the judgement recorded that what the management h sought was meaningful assurances, a not hollow assurances.

The court also held that the Comp ny's proposal to resolve the lockout b sed on a proportionate wage reducti in the event of wilful go-slow, did n amount to a unilateral change in t terms and conditions of service sin that was subject to acceptance by t Union and the workers.

Why the lockout continued so long

In the ultimate analysis, the intrans gent stance of a handful of Union ac vists unnecessarily prolonged t period of hardship for the employees. the Union had been sincere about reso ving the dispute, all it had to do wa accept the Company's proposal and er the hardship and agony of the worke and their families.

Observing that the Union did not ap pear concerned about their well being several workers in personal difficultie approached the management for help i various matters. In keeping with its tra dition, the Company took a sympatheti view of their problems, and worked ou a social security and resettlement pac kage which was voluntary -- both for th employees as well as the management The total benefit to the employees ran ged between 70% and 100% of their sala ry; in addition, they got the normal re tirement benefits such as Providen Fund and Gratuity. More than 550 em ployees availed of this package, an some more are expected to do so nov that it has been re-introduced for period of six months.

According to available evidence, another factor for the prolonged stalemate was the liberal funding of the extremist elements in control of the Union leadership by local and overseas sources. Masquerading as journalists and tourists, their contacts in Western Europe visited India for discussions with them. Prominent among them were Mr.Critt Pingen and Mr.Piet Blanken, belonging to the largest trade union federation in the Netherlands. These organisations seem to have a vested interest in destabilising the working of companies in developing countries. Companies which are major exporters are a prime target for them, since exports by such companies curtail their own employment opportunities at home.

There was also the matter of restoring faith. The management had lost its confidence in the internal leadership of the Union since it had gone back on every assurance given to the management and also to the courts.

A classic case is the 1983 settlement

ere the Union had agreed with the nagement to cooperate on moderni- on and redeployment of workers as a t of the overall agreement on its char- of demands. The management had noured its part of the deal by imple- nting the wage increases, etc. but the ion reneged on all its obligations and the contract it had signed.

SUMMARY

Hindustan Lever unilaterally lifted on ne 23, 1989 the lockout at its Bombay ctory. The management took this po- ve step as a part of its social responsi- ity, in response to the repeated ap- als made by the affected employees o had expressed their desire to re- me work and pursue gainful employ- ent after offering meaningful assuran- s. An end to the lockout -- the Compa- 's first ever -- came after an agree- ent was arrived at in the presence of State Government officials and the ief Minister, Mr.Sharad Pawar.

The management had been compelled declare the lockout in June 1988 follo- ng a long and protracted go-slow, mpant indiscipline, work stoppages and frequent disruptions, which had endangered the very existence of the establishment and consequently jeopardised the continued employment and well being of the factory employees.

The lockout, which extended over a year, benefited neither the management nor the employees, since the Company lost production valued at over Rs.300 crores while the employees lost wages to the tune of Rs.16 crores. However, in keeping with its tradition of fair play, the management offered a need-based social security and resettlement package for the employees' social and economic well being. This package has been re-introduced for a period of six months.

The Company's stand has been vindicated by the courts, which ruled that the original lockout, and the subsequent extensions, were legal. The courts held that the Company had acted in a responsible manner, that the reasons for which the lockout had started had not yet come to an end, that the Company was seeking from the Union and workers meaningful assurances, not hollow assurances, and that the Company's proposal for a proportionate reduction in the event of a willful go-slow did not amount to a unilateral change in the terms and conditions of service.

The resumption of factory operations is currently in progress. The highly paid employees who have got back their rightful employment will have to extend wholehearted cooperation in the management's key task of reviving the factory's viability, for which flexibility of operations based on market needs and redeployment of manpower will be prime features.

In the current industrial scenario which is characterised by a liberalised economy and a competitive marketplace, there can be no future for organisations which fall back on productivity and cost control measures. The trade unions will have to wake up to the reality that, in the changed environment, appalling inefficiencies and poor work ethics which may not have been as evident in the days of shortages and controls, will if allowed to go unchecked contribute to industrial sickness and the demise of even well established organisations.

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View from Washington

G P Deshpande

The Soviet Union, Eastern Europe and the Third World edited by Roger E Kanet; Cambridge University Press, 1988; pp xvi + 233, £ 25.00, $ 39.50.

THERE are ten essays in this volume. They are selected from among those presented at the Third World Congress for Soviet and East European Studies held in Washington from October 30 to November 4, 1985. The book has been published in June 1988. The fact that these essays were written in 1985 would make this book essentially a pre-Gorbachev work. It is surprising that the editor has not found it necessary either to reorient these analyses to the changes being brought about by Gorbachev or to include a separate essay reviewing the Gorbachev phase. Kanet himself touches on a few changes in passing but his major thrust seems to be that the Gorbachev attitude to the third world amounts to no more than the expression of "sympathies for the aspirations of people who are attempting to overthrow the yoke of neo-colonialism". Not that he is very wrong. But this thesis needed more detailed arguing and by late 1987 or early 1988 when the book must have gone to the press, a good deal of material was available. In the circumstances Gorbachev gets precisely four references in the book and just one specifically for his foreign policy.

The ten essays in this volume are divided into three sections. The first, consisting of five essays, discusses "the third world in Soviet foreign policy". The second, consisting of three essays, relates to CMEA economic involvement in the third world. The last, consisting of two essays, reviews Soviet foreign policy toward Syria in the Andropov era and the Indo-Soviet security relations.

Kanet in his fairly detailed essay on the Soviet Union and the third world seems to base his reading on the assessment that the Soviet Union "is capable of projecting military, political, and economic power in most regions of the world". Military involvement from Angola to Afghanistan does give that impression. Yet what Rajen Menon said in an earlier volume edited by Kanet—and Kanet cites him without disapproval—is probably closer to the truth. Rajen Menon "cautions against exaggerating the ability of the Soviets to project military power in the face of US competition" (p 20). One way of describing Gorbachev's initiatives may well be that what Brezhnev saw as possibilities in terms of power the present Soviet leader sees as limitations. It is possible therefore that in power terms Gorbachev's Russia could do little more than expressing "sympathies for the aspirations of people who are attempting to overthrow the yoke of neo-colonialism" (p 14), a hypothesis which, as has been pointed out above, Kanet clearly does not take into account.

Kanet does point out, however, that Iurii Andropov had already voiced considerable scepticism about the benefits of extensive involvement in the third world. He also warns that "it is essential to recall that the growing costs of Soviet overseas commitments occurred precisely at the time that the Soviet economy was suffering from falling economic growth rates" (p 15). Yet in spite of this he makes the observation that "there is no evidence that Gorbachev and his associates are likely to initiate a policy of withdrawal from prior commitments". This only means that Gorbachev and his associates are more imaginative than the American political scientists happen to be.

Elizabeth Kridl Valkenier's assessment is closer to reality. Her essay analyses Soviet specialised writing on the third world. It is a pity that not much on these lines has been attempted in India. A section of the leftists here seem to think that as the Soviet Union has fallen from revolutionary virtue it does not require close looking at. The other section probably thinks that there have not been any more than some tactical changes in the CPSU's attitude and as such they need only endorsement. For the latter section in particular Valkenier's essay may be of some help. Her conclusions about "the evide pessimism and the attendant scaling dov of the former support for radical solution (p 36) and about the changes in the Sovi perspective spelling out "some positive pr mise for Soviet American relations" (p 3 might serve as useful reminders that all not well with the Soviet view of the thi world.

Martin Katz's piece on anti-Soviet i surgencies is a typical second cold war pie of writing. His view of the world is so ou moded that he does not seem to believe th Pol Pot's record in Cambodia is wort brooding over. In the year of our grace 198 it is amusing to read the confident assertio that the Afghan rebels cannot defeat th Soviets and the fighting is likely to continu for a long time to come. Presumably becaus of that, the [Afghan] regime would be quick ly overthrown without the presence of Sovie troops (p 52). I suppose it is not necessar to comment on that.

Paul Roth's essay on the Soviet Union an the NWIO is also of cold war vintage. Th second cold war initiated by Carter has en couraged a curious writing which ha prompted Roth to conclude his article wit what he calls "satirical paraphrase" — "A spectre is haunting Europe—the spectre o a worldwide free flow of information. Al powers of socialism have centred into a hol alliance to exorcise this spectre" (p 82). Well, Gorbachev and the editors of *Moscow News* are determined to prove him wrong. But perhaps that is not the issue. That this statement could be made in a book that must have gone to the press in late 1987 or early

88 is amazing indeed. Whether or not the viet government has done it, Paul Roth ems determined to "shield his citizens ainst information and opinions from road" (i e, the Soviet Union) (p 71).

Kanet's piece on the Soviet propaganda is likewise a disadvantage. It was first esented in a conference in Washington between June 25 and 27, 1985. It is not clear hat has been revised since. Kanet makes an nusing difference between propaganda and sinformation. He then goes on to further assify propaganda. It would appear, owever, that Gorbachev has made most of is discussion less than relevant. For mebody who does not take note of the hanges Gorbachev has brought about, it ould be too much to expect that he would e a difference between a Brezhnev and an ndropov. When your historical vision is so eak, you are bound to follow Karen rutents in seeing the "overrated worldwide nportance and revolutionary role of the naonal liberation struggle" (p 91). In fact, the aradox is that *today* Gorbachev himself night be arguing that. However, that does ot make Brutents' version historically right. t merely demonstrates the thorough and omplete unpreparedness of the academic stablishment to anticipate and, as in this ase, to come to terms with the changes which a clever statesman like Gorbachev (or ven Andropov and Chernenko earlier) inroduces from time to time. No wonder then hat Kanet finds the Soviet experts' argunent that "the United States is invariably llied to the local forces of reaction and aggression" as incomprehensible! He thinks hat the US was connected with a theological lictatorship like Zia's in Pakistan or semiacism of Pinochet in Chile; repression of Chen Du-huan in South Korea are all presunably a part of the Soviets' regular "attempt o tie the United States to these regional forces" (p 98). It might be difficult to locate a CPI intellectual mouthing such simplicities about the United States!

One can go on in this vein. We shall conclude this review with a reference to the last essay on Indo-Soviet security relations. Even his essay is partially affected by the general hrust of the book. Jyotirmoy Bannerjee says right at the beginning of his essay that 'though both India and United States pride hemselves as being democracies, they apparently find it easlier to deal with nondemocratic regimes than with each other" (p 212). This is a strange statement to make. Certainly Nehru's and Indira Gandhi's India had no difficulty with any 'democratic' regime. To put the American and Indian record on par in this regard is the most extraordinary. Indians have maintained excellent relations with nearly all democracies. They certainly have not backed a Pinochet or a Chen Du-huan.

That apart, Bannerjee's essay is a well documented piece of writing. He is able to see "the left political use" in domestic politics that Indira Gandhi made of the relationship with the Soviet Union. His analysis that she wanted to oppose the United States, Pakistan and China on the international political plane rather than from an automatic pro-Soviet orientation (p 219) seems much more realistic than what the earlier essays had offered. It is not clear, however, why Indira Gandhi would want to oppose the United States and what indeed are the indications of such an opposition. Here in New Delhi one gets the impression that the successive Indian leadership are doing everything possible to take the Americans along. It is they who decline. That's why the Japanese and the Germans and the Russians are doing better in India. Fact of the matter is that quite often the Americans take an 'ideological' view of the world and a practitioner of real-politik like Indira Gandhi is misunderstood in Washington. Because there they think that it is *their* right to play real or ideological politics and that the rest of the world must accept it. In a way that is the problem of this volume too.

A Critique without Prescriptions

B M Bhatia

Strategic Issues in Pakistan's Economic Development by Akmal Hussain; Progressive Publishers, Lahore, 1988; pp 397 + xvii-xxxviii, Pak Rs. 300.

EXCEPT for the 'Introductory Essay', written specifically for the publication under review, the rest of the book is a collection of the author's research papers and articles written on different occasions and for different purposes in the last few years. The papers deal with different aspects of Pakistan's economy and issues relating to the management of that economy. In the circumstances of it being a collection of disparate writings it is natural for the book to lack coherence and continuity. There is also a certain degree of annoying repetition of the same points in different parts of the book. All the same the book is not without its merits. Some of the pieces included in it not only make interesting but even rewarding reading.

Apart from the long introduction, which deals with Pakistan's growing problems of fiscal imbalances, deteriorating balance of payments situation, mounting public debt and debt service charges and the adjustment programme that Pakistan is obliged to undertake, to the detriment of the interests of its own economy, under the conditionality clauses imposed by IMF/World Bank as a pre-condition to grant of financial accommodation to the country, the book has four parts. Part I deals with the present state of Pakistan's economy and the policy options facing it. Part II studies "technical change: its nature and impact". Technological change in this part is studied in the context of the agricultural sector and the rural economy. The focus is on rural Punjab. Part III is devoted to the study of employment problems. Here again attention is concentrated on agriculture and its potential for greater labour absorption to mitigate the growing unemployment problem in the country. The impact of labour migration to the middle east on the domestic labour market is also discussed in this part. The last section of the book is historical. It traces the genesis of the Pakistan movement during the last phase of India's freedom struggle, the class composition, and ideology of the Muslim League's leadership and the evolution of Pakistan's society since birth. This part brings into clear relief the dominance that a well-knit civil-military-bureaucratic elite has come to acquire in the country and the resulting 'undermining of the civil society'.

A beautiful Punjabi poem of Najam Hussain Syed printed (in Persian script) on the front page sums up the central theme of the collection in this book. In its free translation the poem reads: "On a hot summer night, a wind blows out of the far off unfathomable ocean which says: the end of summer is not far off. Humans suffering from it may feel oppressed and helpless but I cannot be bound down by the oppressor. I am coming and the end of stifling and oppressive summer is not far off." Allegorically what the author wants to convey is that though Pakistan may be faced with overwhelming economic difficulties and problems at present and the picture of its economy may look dark, there is hope that winds of change may yet come. Unfortunately the author, nowhere in the book, spells out the policy package he would like adopted to extricate the country from its present mess. The book is more a critique of the official policies and actions in Pakistan than a constructive professional study offering policy suggestions for setting things aright.

In the first part, the author discusses the question of the high growth rate of over six per cent per annum that Pakistan has achieved during the first ten years of Zias' rule and the sustainability of the growth rate. He finds that "all the strategic variables and sectors through which growth is sustained seem to show a declining trend". Domestic savings rate which is around four and a half to five per cent of GDP, the growth rate of fixed investments which ranges between 16.5 and 17 per cent, the low growth rate of exports and the growing share of services which now exceeds 50 per cent in the composition of GDP are the examples quoted to illustrate the point.

Not only that. The growth itself is unreal, a sort of facade or a veil over a reality which is grim. Agriculture, which forms the backbone of Pakistan's economy, does not show adequate growth rate and continues to be highly dependent on rainfall. A single year

drought in 1983-84 (which incidentally was a peak production year in India) necessitated the import of 1.5 million tonnes of wheat to meet the deficit in domestic food supply. The green revolution has remained confined to Punjab and has not spread to the other provinces of the country. Land reform measures undertaken have been halting and badly implemented. The technological change in agriculture in Punjab has resulted in the sharpening of inequalities and income disparities so that capitalist farmers and agricultural labour are getting increasingly polarised in the rural areas. The incidence of poverty and malnutrition and also of rural unemployment remains high. The available estimates of rural poverty show that while incidence of poverty went up from 40.5 per cent in 1963-64 to 51.5 per cent in 1969-70, i e, during the Ayub's so-called 'development decade', it declined to 37.5 per cent in 1979. While claiming this figure to be an underestimate, the author concedes nevertheless that "some real decline in the percentage of the poor households did occur between 1969 and 1979 primarily because of the effect on rural wages and remittances of labour migration to Middle East", (p 11).

The subject of poverty is further pursued in Part II of the book. "Pakistan is a classic example of a capitalist underdeveloped country" the author writes (p 59), "which has experienced rising poverty during its periods of rapid economic development". There were only two such periods in the economic history of Pakistan, the Ayub era and the Zia era. The author gives sufficient evidence in regard to Ayub's decade but none whatsoever in regard to Zia's era. Hard statistical data for the latter period on this point remains to be compiled. But the fact remains that this period saw an unprecedented migration of labour to the middle east and bulging remittances every year from the expatriates. The remittances rose from a bare Rs 299 crore in 1975-76 to Rs 2,269 crore in 1980-81, and Rs 3,960 crore in 1985-86. In 1984-85 remittances formed 8 per cent of GDP and in 1985-86, 7.6 per cent. The remittances had a powerful impact on living standards of rural households particularly in Punjab and NWFP which provided the largest outflow of labour. As a result of labour migration abroad, real wages of labour in the domestic labour market rose and incidence of unemployment went down. The remittances have now started declining. After peaking to over US $ 3 billion in 1985-86 these have come down last year to US $ 1.8 billion. This is a cause of serious concern, not only to Pakistan authorities because of the implications that the decline has on the balance of payments situation, which is already serious enough, but also to the people because of its effect on the employment situation and threat to living standards of the migrants' families back home.

In the face of decline in labour demand abroad and the prospects at home, it is important that Pakistan explores alternative avenues of employment for its rapidly growing labour force. No conceivable amount of industrialisation in the near future can provide the needed amount of employment opportunities. The solution to the problem has to be found in a policy of greater absorption of labour in agriculture. This issue is discussed in part III of the book. This part is entirely devoted to the discussion of this subject. Here the author considers four policy options centring round the extent of use of tractors in farming which has the effect of displacing labour and affecting growth of agricultural production.

The fourth policy option based on the assumptions that (a) tractors adoption slows down to half the earlier growth rate; (b) a 13 per cent annual increase in water sector allocation, bringing 27.8 million acres under irrigation takes place; and (c) potential for increased yield that leads to 25 per cent increase in labour requirements per acre, is realised, projects an increase in labour demand, by the year 2002, of 710 million mandays or 20.5 million persons a year in the rural sector (pp 216-18). This is an interesting result. It accords with the view first expressed by S Ishikawa in 1967 that in Asian conditions, agriculture has to absorb more and more labour to relieve the pressure, of increasing supply of manpower on the labour market. This view has started receiving serious attention at the hands of the economists as is evident from the growing volume of literature on the subject, including some studies sponsored by ILO/ARTEP.

Part IV of the book treads familiar ground in respect of the muslim separatism in "undivided India". If the Congress was basically a middle class movement or at later stages a middle-class-led mass movement, the Muslim League was a muslim middle class-cum-muslim landed aristocracy party. "The muslim middle classes in the competition for jobs felt at a disadvantage *vis-a-vis* their Hindu counterparts. The Aligarh group, with the support of the British authorities, directed this tendency towards the demand for separate electorates and intensification of the communal issues" (pp 338-39). Again: "The efforts of the muslim land lords and muslim commercial interests to form a separate muslim political party intensified in an environment characterised by the Congress campaign for self rule" (p 339). The muslim middle class was, however, numerically weak so that when Pakistan was formed as a separate independent muslim state, the class failed to keep its hold on state power and yielded ground to the military and civil bureaucracy backed by the landed aristocracy to run the state. This explains the country being under the military rule for the larger part of its 42-year existence.

Though full of repetitions the book at least in some parts provides interesting and rewarding reading. The author now, as a member of, prime minister Benazir Bhuttos' economic advisory council, is in a position to shape economic policies of his country. The immediate task facing the democratically elected government is to steer the country out of the economic crisis in which it finds itself. The success with which that crisis is overcome will determine the long-term prospects of Pakistan's economy.

Class Politics, State Power and Legitimacy

James Petras

The notion of political legitimacy, which has become a central concern among academics, writers and journalists, is an irrelevant issue or at best a derivative or subsidiary concern. Different electoral regimes derive their legitimacy from different class reference groups and different balance of class forces.

Power, it is argued here, creates its own legitimacy. Those who do not have power seek it and not legitimacy. Power, in turn, revolves around class interests and control over the state. Those who neither have power nor are able to defend their class interests do not necessarily consider authority legitimate or illegitimate. They may pursue private interests, illegitimate or legitimate activity or collective political action outside the institutional framework of the political class.

THE concept of political legitimacy has become a central concern among a great number of writers, academics and journalists. Legitimacy has become the master key explaining the political process, the rise and decay of electoral and authoritarian regimes, the stability of social orders, the effectiveness of ruling classes and the contradictions of capitalist (or collectivist) societies. Starting from a discussion of legitimacy, this approach analyses how social classes, the state and the political class act to preserve or undermine it. In effect, normative, idealistic and subjective behaviour of individuals creates the basis for the socio-economic and political order. Values determine economic interests and condition their pursuit. Marx is turned on his head: collective material interests are subordinated to and derived from the pursuit of legitimacy.

There are essentially two approaches to critically analyse the issue of legitimacy. One is to question its centrality in analysing politics, to critically examine the assumptions that underlie the conceptual framework anchored in the concept of legitimacy. This approach questions the very usefulness of the notion—it questions the question: why study legitimacy?—and posits an alternative set of concepts starting from a different set of assumptions about the forces shaping political life. The second approach we can call an 'immanent critique', accepts the notion of legitimacy as possessing some analytical value and critically evaluates its relative utility in relation to other concepts, the specific groups for whom it has special importance and the degree of relevance in different political contexts.

For Marx the central issue was the exploitative economic system, based on the conflicting economic interests between the owners of the means of production and the wage earning working class. In the Marxist analysis, the problem was one of analysing the conditions under which the working class would organise itself into a collective force to transform the capitalist system. The Marxist analysis thus proceeds from an analysis of the social relations of production, to the social organisation of the exploited classes and to the question of state power.

In response to the challenge posed by the Marxist problematic, Max Weber formulated a counter-perspective starting from the other side. Since the organised working class was growing and extending its social power, it represented a challenge to the authority of the capitalist state. For Weber, the over-riding issue was the problem of authority, the means of securing obedience (legitimacy) and the consequences of the latter on the political institutional order (parties, electoral systems, etc). Weber's three-fold classification of authority—traditional, rational and charismatic—was accompanied by his belief that there was a logical-historical progression toward 'rational authority' accompanying the bureaucratisation of society. His analysis was fundamentally flawed as the eruption of class warfare, worldwide depression, the rise of fascism, world wars and subsequently colonial and neo-colonial wars was to demonstrate.

Yet in the late 1970s, a new generation of writers, mostly academics, has re-emerged who have taken up the major theme or concepts of Weber and have applied them to the political processes of the contemporary period. Self-consciously 'post- Marxist' and in some cases self-styled 'neo-Weberians', they have turned towards the notion of legitimacy as the organising principle of their analysis. Essentially, their trajectory involves a flight from class politics to the political class. They are the new crisis managers, pointing to the dilemmas of the political class, its fiscal crisis, the 'contradictions' between its need for legitimacy and its need for accumulation. Over and over they return to the problem of 'legitimacy'—the need to secure obedience or, in their own euphemistic vocabulary, consent. Like the mandarin of ancient China who offered their services to the emperor to secure a mandate from heaven, the neo-Weberian intellectuals (who are specialists in the manufacture of the symbols of power) offer to provide the appropriate values to secure legitimacy. And it is precisely the intellectuals' real or imagined proximity to the political class and their concern with its problems that explains the vehemence with which these 'post-Marxists' eschew any reference to class-based institutional power and any suggestion of the centrality of class conflict based on economic interests.

Power Creates Legitimacy

We want to argue that legitimacy is in many ways an irrelevant issue or at best a derivative or subsidiary concern. The thrust of our argument in the first instance is that power creates its own legitimacy. Those who do not have power seek it and not legitimacy. Power, in turn, revolves around class interests and control over the state. Those who neither have power nor are able to defend their class interests do not necessarily consider authority legitimate or illegitimate. They may pursue private interests, illegitimate or legitimate activity or collective political action outside the institutional framework of the political class.

The question of whether a regime is legitimate is not a major question in American politics. In recent years at least three regimes have been publicly exposed as violating the so-called 'democratic rules of the game' and it has not led to any major political movement, or any 'legitimacy crisis' or, for that matter, to any political crisis calling into question the political institutions. President Johnson's bypassing of Congress during the undeclared war in Vietnam and massive deception of Congress with the fabricated Tonkin incident is one example. President Nixon's Watergate incident highlighted the all-pervasive use of the secret police (FBI) and covert state operatives to undermine legal political opposition. President Reagan's Iran-Contra policy involved bypassing and deceiving the Congress, violating laws through massive sustained covert action. In addition, approximately 125 top officials in the Reagan Administration were involved, accused or convicted of criminal activity—and yet the 'legitimacy crisis' never entered into the subsequent electoral campaign.

For the affluent and politically visible classes social actions and relations favouring capital shaped 'legitimacy' not *vice versa*. Only among certain sectors of the liberal intelligentsia was the issue of legitimacy ever raised—more in esoteric books and infrequently read small magazines—in an effort to influence the political class. Even in this context, little was accomplished: the technocratic wing of the opposition (Democratic Party) was more interested in

publicising their management capacity than in raising the issue of a 'legitimacy crisis'. Furthermore, the majority of the opposition political class was competing for the favour of precisely those same affluent groups as the government party, and they were highly unlikely to get any support by calling into question the legitimacy of a system from which they were reaping such lucrative benefits. Even the populist opposition (grouped around the Jackson movement) did not raise the legitimacy issue, but rather fought its campaign around the issue of greater inclusion within the system; in fact, Jackson went further and argued that precisely his candidacy and presence was evidence of the maturity of the political institutions—a far cry from the purported crisis in legitimacy decreed by the neo-Weberians.

The great absentee electoral public (over 50 per cent of the US voters don't vote) is neither a sign of legitimacy or of illegitimacy —it is just ignored and the system functions as smoothly as if they did vote. Nor are the absentees, particularly those alienated poor blacks and white workers, responding to a legitimacy crisis. They are more concerned with issues of jobs, income, housing, health, education, security of employment. Because these fundamental issues are not resolved, they could serve as a basis for challenging the 'legitimacy' of the regime, if there existed a political class that could effectively organise these private discontents into a political programme. But in stating the issue of legitimacy in this fashion we are showing the manner in which the legitimacy is a derivative issue dependent on basic economic interests and conflicts contingent on political mobilisations.

Weberians and Neo-Weberians

The notion that legitimacy plays a major role in social domination is based on the assumption that there are reciprocal benefits between rulers and ruled. But as we have seen over the past decades, under neo-liberal and conservative regimes there have been asymmetrical benefits to those at the top and costs (borne by those below). Yet without reciprocity there have been no revolutionary movements or even radical challenges to authority. The supposed connection between reciprocity and legitimacy is a figment of the neo-Weberian imagination.

The assumption that counterposes legitimacy to force is another questionable assumption. Reagan's arbitrary dismissal of 14,000 air controllers and Thatcher's violent repression of the coal miners' strike reinforced their legitimacy in the eyes of their affluent visible public. Force and legitimacy are not opposed, but are dialectically interrelated—two sides of the same reality, reinforcing bourgeois domination within the electoral system.

Weber's notion of legitimacy is concerned with the conditions facilitating social domination—a point the Weberian epigones casually slide over. The ideal type legitimate social domination for Weber is where the subject obeys an order as if the order resulted from an inner decision and was thought to serve their interest. Underlying this 'ideal type' of legitimacy is Weber's explicit embrace of *subjectivistic* criteria (the *appearance* of interest-serving—not the substance), a *hierarchical* order (the identification of order givers and takers, and obedient subjects) and the abstraction of the subject from the larger social context (the 'individual' citizen and not the social class). Unlike the epigones, Weber is consciously reinforcing the centrality of a command structure of orders and obedience, basing it on a subjective (and manipulable) sense of interests (based on perceptions). The problem for the neo-Webs is how to translate this authoritarian conceptual framework into a post-Marxist, passably democratic argot. The procedure is rather simple: it requires a bit of intellectual amnesia and a great deal of abstract jargon, mixed in with constructing and knocking down Marxist straw-people.

In Weber's analysis the model of authority is a visible creature of the structure of property and property values and relations penetrate all structures of authority. Among the neo-Webs the issue of property—the great concentrations of capital— disappear or reappear as an afterthought. In its place are the problems of legitimacy and authority as 'things in themselves', like 'democracy'. In some cases, among the critical neo-Web writers they even counter-pose the electoral system and property in a so-called contradiction between capitalism and democracy, conveniently overlooking the thousand and one ways in which the values, financing and interchange of personnel from both are mutually interconnected and reinforcing.

The neo-Webs thus reduce the concept of legitimacy to a question of the political institutions—setting aside the class system (the relation of classes and the ruling class power structure). The setting aside of systemic and ruling class issues reflects the 'givens' in the political discourse of the neo-Webs and the changes in political context from the time Weber was writing. In the first decades of the century rising mass working class parties were challenging the bourgeois state, ruling classes were insecure, class relations were polarised—Weber had to address these issues, they had not become the 'parameters' of politics as they are for today's neo-Webs. In today's neo-conservative political climate, with labour in retreat, the epigones of Weber argue and debate the appropriate 'political formula'—the appropriate justification for the existing order— to invest in a ruling class. Hence the concern with legitimacy: to bring their orders into line with the subject's obedience.

Legitimacy for Whom?

The governing classes have a strong base of support—in the dominant classes, in the visible public and in the mass media. There is a power structure in place without much concern with legitimacy or that can create its own legitimacy—or buy it. In this sense, the search for legitimacy is the opium of the intellectuals: intoxicated with their own concerns, which they confuse with the larger society, they confuse the shadows of power for the real thing.

Both in the advanced capitalist countries and in the third world, legitimacy is about the working order of the institutional machinery—and pre-occupation with its breakdown. Here there is a difference: the institutional frameworks of the electoral regimes in the third world—particularly in Latin America—come into conflict with dynamic popular socio-political movements and economic interests and are incapable of responding to the demands for systemic changes. Hence the cries about a legitimacy crisis in the third world, hence the neo-Weberian attempts to prioritise the electoral regime over social-economic movements and adopt authoritarian measure of state repression to defend legitimacy, i e, the bourgeois electoral regimes. No such problems exist at the moment in the advanced capitalist countries—or, to put it better, state power is used to concentrate the endemic violence among the inner city poor.

Authoritarian rule growing out of class conflict is not illegitimate for the victors. Pinochet received 43 per cent of the vote in Chile and substantial majorities in three major affluent municipalities in Santiago (Providencia, Las Condes and Vitacura). For the rich and very rich, among the petty bourgeois who have benefited from his economic politics, the military dictatorship was a legitimate defender of class privilege. The same was true of the military regime in Brazil from the mid-1960s to the early 1970s.

Legitimacy has no meaning outside of the class-political context in which it is inserted. It has no universal normative meaning that can be applied to particular regimes for all classes in all periods. Legitimacy is a class specific concept: the question is legitimacy for whom and under what circumstances? This takes us to our second approach, which takes a middle position between the total rejectionist view of legitimacy and those who see it as a central concept in political analysis.

Legitimacy in Political Perspective

A more modest view of legitimacy places it in the context of having a secondary, reinforcing impact on the basic social and political relations and conflicts. Politics does not revolve around the issue of legitimacy, but it is not a factor that can be altogether ignored. First, it is important to separate the notion of legitimacy from a one-sided association with electoral systems. Non- electoral regimes have secured the consent of the populace through socio-economic policies, national struggles and a variety of other practices (imperial incursions, racist or chauvinist wars, etc). Eliciting consent on the basis of an electoral system has been one mechanism for securing legitimacy—and not always a successful one when basic social-economic interests are violated. Bourgeois electoral systems depend above all on the belief in the legitimacy of the ruling class. When class struggles erupt that challenge the power and prerogatives of the ruling class—

and thus question its legitimacy—the electoral system is vulnerable to overthrow and replacement by authoritarian institutions that safeguard bourgeois interests. Those new institutions partake of a class-specific legitimacy.

Legitimacy is not only tied to state institutions and their relations to citizen-subjects. Legitimacy can be built outside of the state from civil society. This, of course, challenges the institutionalist views of the orthodox neo-Webs who see mass movements as a threat to the stability of 'legitimate democratic institutions'—translated as a challenge to the monopoly of politics by the electoral political class and of violence by the state.

Thirdly, the concentration of power by a few international conglomerates has shrunken the boundaries of politics in the liberal western democracies: their role is increasingly an instrumental one, creating competitiveness, seeking markets, bargaining with other states over terms of economic exchange, co-ordinating fiscal, currency and financial policies, etc. The subordination and instrumentalisation of liberal democracy to concentrated corporate power makes the notion of a 'contradiction' between the two less plausible and problems of 'legitimacy' more a question of public relations manipulation than a basis for launching a political movement.

Fourthly, the neo-Web association of legitimacy with liberty has political meaning only in a public context: access to a public and to the means of communication to articulate ideas and organise movements. Liberty has no political meaning as individual private expression devoid of a public context: the isolated expression of ideas may have subjective value (the individuals may feel good that they have 'the freedom to express their views without physical harm') but it has no consequences for politics. There is a qualitative difference in the two contexts; without a public, liberty is essentially privatised— divorced from politics and power—and compatible with public tyranny. Public liberty pre-supposes private liberty, but is not identical with it. Private liberties do not pre-suppose public liberty, in fact in contemporary bourgeois electoral regimes private liberties are normally dissociated from public liberties. Discussion of legitimacy must distinguish between public and private liberty or fall prey to the coupling of the two and offer legitimacy to a tyrannical public order by celebrating private freedoms.

Because the political class has access to the public and depends on securing obedience, legitimacy fits into its ideological concerns. The neo-Webs provide an intellectual veneer for the failures of the political class by dichotomising the political choices: democracy or chaos, politics or anomie, elections or historical regression, transactions and negotiations within the political class or class/Hobbesian wars. The self- assertion of workers—that they are victims of the neo-liberal electoral game—is enlarged upon as a vehicle for strengthening democracy if and only if it is ultimately subordinated to the political class, which in turn is a loyal upholder of the capitalist rules of the game. Widespread disillusion with the electoral system, the decline of the political class, the rise of popular movements is described by the neo-Webs as a crisis of the state—not an affirmation of class power in civil society; movement displacement of conventional electoralist politicians is described as the disintegration of political society (politics guided and channelled by the political class).

Movement politics is a factor of political deterioration from the viewpoint of the political class, but it is a factor in the strengthening of civil society against the state from the perspective of the working and under classes. 'Legitimacy' takes different forms and is located in different sites, depending on whether one takes a state-political class centred view or a civil society-movement perspective.

Legitimacy can be conceived as a product earned through participation in the class struggle and the construction of class solidarity. Or it can be conceived of as the magic wand wielded by intellectuals seeking to secure state recognition. The self-defined role of intellectuals possessing the power to confer legitimacy on a regime is to argue that they are indispensable handmaidens of power.

Both in the third world and in the advanced capitalist countries major political forces—particularly bankers, bourgeois and in the third world the military and paramilitary groups—do not feel obligated to fight the battles of democracy or the meaning of democracy on the electoral terrain. Capital flight, credit freezes, threats of coups, corporate mergers and a host of other extra-parliamentary methods are all part of the real terrain in 'defining democracy'. Only the intellectuals of the political class believe that political struggle over the meaning of democracy should take place in the 'terrain of democracy', i e, parliamentary frameworks.

For the organic intellectuals of the political class 'democracy'—parliament, elections, parties and the 'rule of law'—constitutes the centrepiece of political legitimacy. For the popular classes in civil society, the socio-economic problems of declining standards of living, skyrocketing prices, deteriorating wages and the spread of temporary employment are the central issues defining their attitudes toward political authority. The dominant classes that address the interests of the latter can secure 'popular legitimacy' with or without the former. The ruling classes that address the interests of the political class can secure its legitimacy, but lacking a social base will find it difficult to sustain. Democracy or socialism is about the solution of people's basic needs—legitimacy is a derivative of that process. Insofar as democracy is an instrument of those ends, it secures its legitimacy. Material interests define the boundaries and provide the substance of the debate over legitimacy.

The debate about legitimacy as it is framed by Marxists is about the paths and directions which conflicting classes will take. To frame the problems of legitimacy in a class conflict framework raises fundamental questions. In the third world choices between paying overseas banks or meeting popular needs, defending human rights or absolving military tortures, promoting agro-business exporters or peasant producers and local consumers are irreconcilable choices that confound the babblers about 'democracy' without class definitions. The political pattern of the new electoral regimes in Latin America has been to speak to one set of interests (popular movements) during electoral campaigns and to work for another set of interests (banking, export elites) in power. The crisis of legitimacy of these bourgeois democracies—the mass disillusionment, urban uprisings and general strikes—has emerged from this double discourse, the consequent devaluation of democratic ideology and disrepute of the political class.

Legitimacy is part of the great debate among the intellectuals of the political class. Their number one priority is promoting and defending the political institutions of the political class. The alliance between the neo-Weberian intellectuals and the political class around the notion of defending the legitimacy of the institutions of the political class cuts across class boundaries and undermines the fundamental demands of the popular classes. The reverse is also true: consequential political leaders who articulate material demands of the social movements create a new legitimacy, one anchored in civil society that undermines the elite consensus and legitimacy of the political class and its organic intellectuals.

Legitimacy can only have meaning in a specific historical structural context—it cannot be considered in an ahistorical, asocial fashion. Broader structural factors (class relations) and social processes (levels of class struggle) shape the meaning of legitimacy. Being a derivative and dependent phenomenon does not detract from the potential importance that legitimacy may have as a secondary influence on the political process: reinforcing the roles and positions of class protagonists inside state structures and outside in civil society. While legitimacy is derivative of larger societal processes, it plays an important role in reinforcing outcomes.

Legitimacy as a concept requires specification of the levels of analysis: regime, government, state, as well as relations between the political class and civil society. Moreover, the notion of capitalist legitimacy is not tied either to Keynesian reformism or for that matter to democratic electoral regimes: the notion of legitimacy is linked to specific constituencies and social demands and time periods which coincide frequently with deep-seated cleavages. All of which is to say that legitimacy is a component of the analysis of political power whose importance can only be understood in relationship to the dynamic inter-action of class forces.

Styles of Legitimacy

There is no single style of legitimation, rather there are various types of legitimation varying with the social composition of the regime. We can for general purposes distinguish between two types, 'progressive' and 'reactionary' forms of legitimacy corresponding to different forms of regime: progressive legitimacy involves welfare measures in social democratic regimes, social transformation in revolutionary regimes and the extension of democratic rights in liberal democratic regimes. Reactionary forms of legitimacy include wars to legitimate military-industrial complexes, colonial wars to legitimate imperial regimes, repression of minorities to sustain racialist regimes and rapid economic growth to secure authoritarian military regimes. This diversity of forms of legitimation suggests that most ruling classes rule on the basis of class or racially select legitimation among politically visible minorities.

A legitimation crisis occurs when an active excluded group reacts to a regime and sustains a challenge to rulership. Mere abstention by majorities is no more of a problem to rulership than the passive unemployed are a threat to capitalism. Only when the abstaining majority become an active force hindering rulership do we have a crisis of legitimacy in the same way that the unemployed who take to the streets and threaten the accumulation process become a problem for capitalism.

In fact, an inactive abstentionist majority—the norm is the US electoral system—is functional in facilitating the legitimation functions of the state, freeing resources so that the state can increase its allocation to the visible minorities.

The electoral process which is central to legitimation is also a major factor facilitating the demobilisation of civil society, subordinating autonomous social movements to the political class, the political class to the party regime, the party regime to the executive, and the executive to the state apparatus.

In the transition from a deteriorating authoritarian to electoral regimes there is a dual process of reinforcing state authority and providing legitimacy to the continuing authoritarian institutions, while inserting within these institutions a set of electoral practices that elicit popular consent. In a word, electoral regimes procure popular legitimacy for authoritarian structures. When popular movements question the legitimacy of the state, a crisis emerges that is resolved either by deflecting opposition through regime changes; if that is not possible the electoral regime represses the populace.

Evolution of a Concept

In the advanced capitalist countries newly awakened concern with legitimacy first surfaced with the decline of the first wave of class struggle in the aftermath of World War II. The acquiescence of the working class with electoral regimes in western Europe in the context of an expanding world economy and the spread effects of the welfare state in the late 1950s served as the back drop for the capitalist restorationist writers to celebrate the legitimacy of capitalism. The second wave of writers on legitimacy emerged in the aftermath of the crisis of the 1970s and the subsequent period of prolonged economic stagnation without any upsurge of working class struggle. These neo-left writers began to relocate the contradictions of capitalism from the class structure to the state: positing a conflict between the legitimation and accumulation functions of the state. Essentially the struggles took place in the superstructure by and for the political class and their intellectual advisers.

The third phase of discussion on legitimacy, in the 1980s, coincides with the growth of the social movements (women, ecology, peace, animal rights, etc) which challenge state action and its right to act. The focus is on the cultural matrix and the legal basis and consequence of state action. For these post-modernists, class contradictions, struggle and action is described as 19th century residuals to be replaced by the post-modernist language of legitimacy crisis to be resovled by fashioning a new discourse. Curiously enough, the problems posed by the post-modernists resemble those found in the 18th century conflicts between monarchists and republicans—there too the issue was one of legitimacy and sovereignty. No doubt 18th century residuals can be recycled if they serve to update post-Marxist posturing.

Marxism versus Post-Modernism

All along the line there is a profound division between Marxists and the varieties of post-Marxists (post-modernists, neo-Weberians, etc). For, the latter subordinates the class struggle to political struggle among bourgeois factions; replaces class contradictions by cultural contradictions; substitutes the search for legitimacy for the struggle for class power; obscures the conflict between working class socialism and liberal democracy by focusing on individual rather than property rights; and finally prioritises political struggle within the state for struggles to transform the state.

The central issue of course is the relationship between electoral regimes and the state: the qualitative differences in interests vested in one or the other are obscured. Regimes decide the immediate interests of the dominant classes; states defend their permanent interests. The post-modernist argument of 'extending' democracy from the political to the economic sphere overlooks the constraints imposed by the authoritarian institutions of the state. The post-modernists fail to recognise the limits to reform imposed by the state and the reversibility of changes initiated by regimes (and not the process of gradual accumulation of reforms) as long as the state remains in place.

Recent history in Europe and North America provide ample proof of this process: the welfare reforms of the 1950-1970 period were challenged and reversed in the later 1970s and 1980s. The post-modernist effort to reduce qualitative class differences in state power into quantitative policy changes by regimes is an egregious error in method and theory.

Legitimacy and State Functions

On the left, the issue of legitimacy as a key analytical concept emerges during the period of capitalist expansion and the Keynesian welfare state: it is used to explain the state's role as a provider of welfare, a result of the need of the capitalist state to secure legitimacy.

The decline of the welfare state, the reconcentration of income at the top, the increasing role of the state as a vehicle for redistributing income from wage earners to property owners calls into question the notion of legitimacy tied to the welfare state and raises the further question of whether legitimacy—in the sense of popular assent to a governing regime—is a useful concept in analysing contemporary capitalist electoral institutions. The neo-conservative electoral regimes are 'legitimate' in the strictly legal sense of observing the correct procedures in the electoral process. But to go beyond that and attribute 'popular consent' to the regime is to enter into the class content of the regimes and their socio-economic policies and to overlook the lack of popular participation in the electoral process. Hence, the dilemma of critical legitimacy theorists of having a legitimate regime without popular consent.

The post-modern western intellectuals resolve this dilemma by attacking the older basis of legitimacy (or at least putting distance between themselves) based on the welfare state and working class politics: they launch full-scale attacks on the state, statism, public enterprises—and find political legitimacy in individual choice, the market and civil society, while the neo-liberal state seeks legitimacy from investors, bankers, financiers, the visible public.

In summary, different electoral regimes derive their legitimacy from different class reference groups and different balance of class forces. The intellectual commentators elaborate their theories of legitimacy according to which regime pre-dominates at any historical moment.

Monetary Targeting

Objectives and Appropriate Indicators

N A Mujumdar

We in India have adopted monetary targeting when the major industrial economies are moving away from it. Fortunately, the modified version of 'monetary targeting with feedback' recommended by the Chakravarty Committee reflects the lessons learnt from the experience of the developed economies and, to a limited extent, their adaptation to the specific situation of the Indian economy. In implementing the monetary targets, moreover, the recommendations of the Chakravarty Committee have not been followed in important respects.

THE latter half of the 1980s have been rather unheroic years for monetary policy in India. The phase of explicit monetary targeting unfortunately coincided with a period of fiscal profligacy with the result that the credibility of monetary planning has been seriously eroded. In the Seventh Plan document the amount of deficit financing was fixed at Rs 14,000 crore—a level which was considered to be within 'safe limits' or non-inflationary. In actual fact, the total quantum of deficit financing for the five years of the plan have turned out to be Rs 33,524 crore, that is, more than two-and-a-half times the safe level originally envisaged. Such unbridled deficit financing in a way belies claims of monetary planning and targeting. Moreover, the situation is further confounded by the choice of an inappropriate monetary aggregate for targeting. The whole set of issues relating to monetary planning, targeting and appropriate indicators for targeting needs therefore to be widely discussed and debated.

Objective of Monetary Policy

It is appropriate to begin the discussion on monetary targeting with a brief reference to the basic objectives of monetary policy. In India the major objectives of *macro* economic policy have been growth, equity or social justice, and price stability.[1] Monetary policy has to be designed to subserve these objectives. An endeavour to meet the credit requirements of all productive sectors of the economy, for instance, represents the growth objective, whereas prioritisation of sectors and concessional lending rates to these sectors represent the social justice objective. The dilemma of monetary policy is that if the growth objective is to be pursued by itself, the overall monetary expansion would turn out to be too large in view of the almost insatiable demand for credit. Obviously, this would jeopardise price stability and hence the growth objective has to be circumscribed by the objective of price stability. Thus, there is often a conflict of objectives and in the conduct of monetary policy a pragmatic trade-off becomes necessary. The quintessence of monetary policy is to reconcile these objectives while maintaining the overriding commitment to price stability. Thus, sustaining price stability without, at the same time, impeding the full realisation of the growth potential of the economy becomes the central objective of monetary policy.

The whole exercise of monetary planning, monetary targeting, and the choice of the indicators used for the purpose has to be judged against this broader perspective.

Underlying Rationale

Recognising that control of inflation is a primary objective of monetary policy, and that regulation of money supply is essential to achieving this objective, the Chakravarty Commitee[2] recommended that: "...the Reserve Bank of India adopt monetary targeting as an important monetary policy tool, subject to the cautions sounded by us. This would bind the Reserve Bank and the government of India in a common effort to achieve the desired rate of growth in money supply as in the Indian situation, control on monetary growth is impossible without the full support and understanding of the government."

Thus began the phase of explicit monetary targeting. For the first time, the central government budget for 1987-88 set out the target of net Reserve Bank of India (RBI) credit to government as an integral part of the targeting exercise.

At this stage it may be useful to add that in fact an *informal* framework for targeting the growth of money supply was already in existence. Over the years, there has been a progressive attempt to assess the market borrowing programme of the government, the visible deficit of the government—not net RBI credit—and the monetary budget as a set of internally consistent aggregates. While there were no public pronouncements on any specific monetary target, some broad perceptions of the desired rate of monetary expansion used to be exchanged annually, between RBI and the government; and these perceptions provided an important input to the formulation of the government's budget. Moreover, during the period 1981-84 of the IMF Extended Fund Facility Programme some ceilings on credit were stipulated as part of the performance criteria and these had to be given an element of pre-eminence in the conduct of monetary-fiscal policy. Thus, both the RBI and the government of India were already attuned to the process of monetary targeting. What really became necessary in the post-Chakravarty Committee phase was that this process of targeting became explicit, rather than informal, and also a more conscious commitment on the part of the government of India and the RBI to the agreed target was expected.

Strangely enough, the early 1980s also represented a phase when major industrial countries were moving away from reliance on monetary targeting. If this is so, why did the Chakravarty Committee think it appropriate to recommend monetary targeting for India? A straight answer is that monetary targeting, as recommended by the Chakravarty Committee, differs from the purely monetarist approach and in this context the following four features of monetary targeting need to be highlighted.

First, spelling out the analytical underpinning of the committee's report, Sukhamoy Chakravarty[3] has explained that to preserve price stability in the Indian situation, it is necessary to accord an important role to monetary policy within an overall framework of economic policy. This is indeed a diluted variant of the monetarist approach in the sense that it stresses that money plays a role although certainly *not* an exclusive role, in determining the dynamics of price movements. Second, the recommended approach is targeting with a difference: what the committee has recommended is "monetary targeting with feedback". The feedback is to emanate from the real sector and the specific mechanism suggested for this purpose is the mid-year review of the monetary target. Considering the importance of agriculture in the Indian economy, it is recommended that credit targets need to be reviewed and modified, if necessary, in the light of the size of the major kharif crop. Third, the target should be in terms of 'ranges', rather than in terms of a precise target of expansion. Fourth, the committee has recommended that the target be announced publicly so that it is open to public scrutiny; in fact the manner of implementing the target should be subjected to critical analysis by experts.

A clearer appreciation of these four features of the monetary targeting exercise shows that it is *not* a mechanical application of money supply regulation but a flexible mechanism responsive to mid-year developments. Sukhamoy Chakravarty has summed up the subtle difference between the recommended approach and the monetarist approach in the following words: "Unlike in the use of a rigid monetarist approach to targeting in which other sectors of the economy are expected to bear the burden of adjustment, monetary targeting with feed-

back as recommended by the committee is aimed at facilitating the smooth functioning of the other sectors of the economy."

Experience in Industrial Countries

Over much of the past decade, monetary policies in many industrial countries were oriented towards controlling the growth rates of monetary aggregates as a medium-term strategy for bringing down inflation. In their attempts to restore price stability, central banks had to exercise considerable discretion to deviate from, or adjust their monetary targets, instead of following the 'monetarist prescription' of pre-committing themselves and adhering rigidly to money supply rules. "Most central banks exercised discretion to adjust, de-emphasise, or abandon their targets in response to financial innovations and also deregulation, which have introduced new instruments to serve as money or money substitutes, with significant unanticipated effects on the relationships between targeted monetary aggregates and variables such as nominal gross national product (GNP). Discretion has also sometimes been exercised during periods in which unanticipated exchange rate developments have created concerns about the external influences on output and inflation."[4] This is the conclusion reached by the IMF paper which critically examined the practice of monetary targeting in seven major industrial countries—Canada, West Germany, France, Italy, Japan, the UK, and the US. The periods during which these countries used monetary targets date back to 1975 for the US, West Germany and Canada (Canada abandoned the practice in 1982); 1976 for the UK, and 1977 for France. Italy and Japan have not adopted monetary targets, though since 1978 Japan has been announcing in the first month of each quarter a projection for the year-on-year growth of broad money.

A review of the individual experiences of central banks in these countries reveals, first, that central banks cannot control their monetary aggregates precisely, and hence monetary targets have been specified more in terms of ranges, rather than in terms of points. Secondly, since it is impossible in practice to anticipate all the macro-economic disruptions to which it would be socially desirable for the central bank to react, rigid adherence to any mechanical rule would be both socially undesirable and politically infeasible. Discretion rather than rules thus forms the keynote of monetary planning and policy. Thirdly, the financial revolution has blurred many of the lines between different types of 'money' and introduced new versions as well.[5] Consequently, individual measures of monetary growth are a poor guide to short-term movements in demand and hence for the attainment of monetary policy objectives a movement towards multiple aggregates is discernible.

It is thus clear that the recommendations made by the Chakravarty Committee are fully consistent with the lessons drawn from the experience of monetary targeting in major industrial countries.

Choice of Appropriate Monetary Aggregate

Against the background of this experience, the next question to be posed is: What is the appropriate monetary aggregate for the purpose of monetary targeting in India? This question has assumed special significance because after 1978 the RBI switched over to broad money (M_3) from narrow money M_1 which was used earlier. The immediate provocation for such a switchover was the break in the series of data relating to M_1, which was caused by the change in the classification of savings deposits. Up to August 1978, the maximum amount that could be withdrawn from the savings account without previous notice was classified as the demand deposit component and the amount in excess of that as the time deposit component and the excess over this amount as the demand deposit component. Subsequently, this method of classification was modified and the average of the monthly minimum balances in a saving account on which interest is paid is now classified as the time deposit component and the excess over this amount as the demand component. This break in the M_1 series of data, discussed by K A Menon in the recent article,[6] has produced in its wake a far more fundamental change than merely "creating for researchers problems of comparability of data over time" as bemoaned by Arun Ghosh.[7] The reference here is to dethronement of M_1 by the RBI which started using M_3, to the exclusion of M_1, in all its monetary analysis. This also holds true for monetary targeting or for providing to bankers forecast of the broad parameters of money supply expansion in a given year.

It is perfectly understandable that the statistical infirmity occasioned by the break in the M_1 series of data, discussed above, left RBI with no option but to adopt M_3 for its analysis and policy purposes as an expediency in the post-1978 phase. At the same time, it is also reasonable to expect RBI to revert to M_1 as soon as the new series of M_1 compiled on the modified basis are available for a period of say a decade. It is perhaps this sort of expectation which explains why the Chakravarty Committee did not deem it necessary to focus on the choice of an appropriate monetary aggregate for monetary policy and planning. Although the committee has not explicitly recommended M_3 as a monetary aggregate to be used for monetary targeting, it would appear from the following paragraph that the committee is inclined towards an M_3 target: "Formulation of monetary policy with M_3 as the monetary variable to be targeted thus becomes a feasible proposition in the restructured monetary system envisaged above" (paragraph 9.85 of the report).

In any case, the dethronement of M_1 and the *exclusive* use of M_3 by RBI for monetary analysis and policy are of such fundamental significance that they need to be discussed more widely. Unfortunately, this aspect of change has not attracted ade-

quate attention of monetary economists in India.

The crucial issue to consider is: in the Indian milieu, which of the two, M_1 and M_3, is of more direct relevance to demand management objectives implicit in monetary targeting? For convenience of reference, it may be mentioned here that narrow money aggregate (M_1) comprises currency with the public, demand deposits with banks, and other deposits with the RBI, Broad money aggregate (M_3) is derived by adding time deposits with banks to M_1.

The Indian milieu can be broadly sketched as follows: The household sector is the generator of the bulk of savings in the economy. The average gross savings rate has remained around 22 per cent of national income for the last three years, the household sector alone accounting for some 15 per cent or about two-thirds of total domestic savings. Again, the share of bank deposits in the gross financial savings of the household sector has shown a secular uptrend, rising sharply from 31.6 per cent in 1968-69 to more than 60 per cent in recent years. As percentage of gross financial savings, household sector deposits with commercial banks have risen from 18 per cent in 1970 to 67.5 per cent in 1987-88. More importantly, the share of time deposits in total deposits of commercial banks is overwhelmingly preponderant: and the strong preference in India for longer maturity deposits is well known. For instance, deposits of five years and above which constituted only 7 per cent of total fixed deposits of scheduled commercial banks in 1970, rose to more than 60 per cent of the total in 1980. The main conclusion that can be drawn from these facts is that in the Indian milieu, time deposits with banks represent the 'abode of saving' rather than the 'abode of purchasing power', and hence this component is hardly relevant to any measures designed to control liquidity or for demand management. The monetary aggregate M_3 is thus ill-suited to be used for monetary targeting.

There is an inherent paradox in the RBI's adoption of M_3 for purposes of monetary targeting: in the present context of monetary policy, a lower M_3 because of the need to contain inflation, and a higher growth rate of time deposits—a component of M_3—because of the need to raise the savings rate are both simultaneously desired objectives!

Viewed in this perspective, it becomes obvious that the M_1 series of data, which steer clear of this problem, is a more appropriate indicator for monetary targeting. The sooner RBI reverts to this series, the better it would be for formulation of more realistic monetary policy.

Indian Milieu for Monetary Analysis

The canvas of the Indian milieu for monetary analysis and policy is much wider than what has been discussed already. The broader canvas raises the basic issue of adopting the conventional concepts in monetary theory to the Indian institutional milieu. In the absence of such adaptation, the dangers of what Amartya Sen calls the "illegitimate application of imported concepts"[8] to policy formulation become imminent. For formulation of policy what is required is an insightful analysis of specific issues rather than a mechanistic application of textbook concepts derived from an alien milieu. This process of adaptation involves a good deal of research into institutions; inter-relationships between prices, output and money; and the transmission mechanisms through which an exogenous change in any one of these three variables may influence the other two. Some essentially Indian phenomena, which form part of the transmission mechanism, need to be absorbed, rather than being unloaded as an inconvenience, in this adaptation process. As illustrative of such phenomena, the following three issues are briefly discussed.

First, reference may be made to what can be termed, in the absence of a better phrase, the quality of money supply expansion. In monetary policy, primary emphasis is usually placed on its role as an instrument of macro-economic demand management. Hence, considerable sanctity is attached to 'monetary targets', or the permissible magnitude of monetary expansion in a given year consistent with the anticipated rates of growth in real income, as well as some broad assumptions regarding price trends. Empirically, it has been concretely demonstrated that in the formulation of monetary policy, one should not be content with only the data relating to the *quantity* of money supply expansion: it is equally essential to take into account the *quality* of money supply expansion. This is because different 'sources'[9] of money supply expansion exert varying degrees of pressures on aggregate demand. For instance, expansion of money supply brought about largely from accretion of foreign exchange reserves is qualitatively quite different from the same rate of expansion which has been caused by purely domestic factors. Though the money supply expansion under two different sets of situation might be of the same magnitude, the two can have very different implications for demand management.

The second phenomenon relates to currency. The estimation of the demand for currency in the Indian economy has been the econometrician's nightmare. This is because there are two special characteristics of the Indian economy—characteristics which the standard texbooks do not discuss. These are public sector procurement and distribution of foodgrains and the drain of cash to the informal sector. With the help of the necessary empirical data, the impact of food procurement operations on the variations in currency has been clearly demonstrated. The net off-take of foodgrains from the public sector stocks thus becomes a crucial variable in the determination of the currency expansion in a given year. Similarly, the import of certain goods like food articles, including edible oil, the import of which has assumed sizeable proportions in more recent years, fertilisers and fuel ("the three F's" as mentioned in one of the articles referred to in note 9), also has important implications for currency expansion. The standard demand for currency functions unfortunately do not capture this important variable.

Yet another important feature of variations in currency is the flow of cash which takes place constantly between the formal and the informal sectors of the economy. The drain of cash away from the banking system, and the return flow of cash to the banking system, the activation of idle cash balances reflecting dishoarding and hoarding of currency—all these are factors relevant in this context. The size of such flows and the circumstances under which activation of idle balances takes place need to be studied in depth. These phenomena may defy precise measurement, but some allowance needs to be made for these factors in any meaningful monetary planning and analysis, particularly for monetary targeting. Since the elegant econometric exercises are unable to capture these phenomena, which are an integral part of the Indian monetary scenario, the actual variations in currency differ widely from forecasts.

Finally, another area which has received inadequate attention is the impact of money on output. Money has an impact on both output and prices. Money is created because credit is extended to the government, the private sector, and/or to the external sector. Since credit facilitates the production process, it has a favourable impact on output. But this impact varies a great deal from sector to sector and from one end-use of credit to another end-use. For instance, crop loans have a direct impact on output and by their very nature are self-liquidating, whereas a term loan given to an industry may have a long gestation period. The inflationary implications of these two categories of credit would be different. What needs to be driven home is that building one omnibus credit ceiling into a specific monetary target is not enough. A disaggregated credit target which takes into account these precise linkages to different economic activities would be necessary, if the basic objective of monetary policy of exploiting fully the growth potential in the economy is to be realised.

Thus, unless the institutional framework and the behavioural characteristics of the specific phenomena which characterise the Indian monetary scenario are built into monetary models, the models, would remain largely academic.

Concluding Observations

Unfortunately, in economics, as in the case of technology, there seems to be some time-lag between the emergence of innovations in theory, concepts and instruments in developed countries and their absorption by the developing world. During a phase when major industrial economies appear to be moving away from reliance on monetary targeting, we have begun to adopt monetary targeting. Fortunately, the modified version

f 'monetary targeting with feedback' eflects the lessons learnt from the ex- erience of developed economies and, to ome extent, adaptation to the specific situa- ion of the Indian economy. But *only* to an xtent, as the earlier discussion made it clear.

In implementing the monetary targets, noreover, the recommendations of the Chakravarty Committee do not seem to have een faithfully followed. First, the monetary argets are not announced publicly but are nade known indirectly in the RBI governor's communication to banks setting out the credit policy measures. Second, the targets are in terms of points, rather than in terms of ranges, as recommended by the Chkravar- ty Committee. Thirdly, there is little evidence to show that the mid-course corrections en- visaged in the so-called 'monetary targeting with feedback' are taking place in practice.

The experience of the two contrasting years—1987-88 which witnessed the worst drought in the century and 1988-89 perhaps the most buoyant year since the inception of planning—shows that monetary targeting is not exactly tuned to the rhythm of economic activities in a given year. The monetary target fixed for 1987-88 towards the end of March 1987 was well below 18.8 per cent of M_3: this target was fixed in anticipation of growth in real income of 5 per cent. The prospects of growth in real income changed dramatically and RBI's revised estimate was only around 2.5 per cent. Eventually, the actual growth turned out to be 3.6 per cent, as the CSO estimates which became available well after the end of the year 1987-88 confirmed. Strangely enough, the fluctuations in the growth prospects did not seem to affect the monetary target. In sharp contrast to the experience in 1987-88, growth in real national income in the year 1988-89 was exceptionally high, the estimates ranging from 9 to 11.5 per cent, and yet the monetary target remained at below 17 per cent. It must be added that the inflation rate at 9.3 per cent remained more or less of the same magnitude in both these years. The point to be driven home is that those who assert that there is a predictable relationship between changes in money supply (M_3) and in real income on the one hand and price level in the other would do well to ponder over the experience during these two years.

This question should not be misconstrued merely as one of seeking a year-to-year correspondence between the relevant variables. Empirically, taking out four-year period from 1975-76 to 1978-79, it has been demonstrated that notwithstanding a very high average rate of monetary expansion (M_1) of 16.4 per cent, and an average growth in real national income of 5.6 per cent, prices displayed a remarkable degree of stability, rising at an average annual rate of only 1.6 per cent.[10] Even in the medium term therefore, to seek a mechanical relationship between money, output, and prices, as most econometric exercises appear to do, is hardly meaningful from the policy point of view.

Overall, the hazardous nature of forecasting real national income growth in a particular year, the critical role played by supply management strategies including public sector procurement and distribution of essential commodities in the process of price determination and the interaction between formal and informal sectors—all these factors warrant that the monetary authority should approach the problem of monetary management in all humility! As I G Patel[11] puts it: "...one should speak of monetary targeting only in a minor key. In fact, strident notes are seldom appropriate when we speak of monetary policy in any case."

What other conclusions could one derive from the foregoing discussions on monetary targeting? A practising economist should be able to grasp simultaneously the dialectics of the purposes of an instrument as indicated in the textbooks as well as the realities of the milieu in which the instrument is sought to be put to use. Looked at from this perspective, one important conclusion is that what can be called 'the indigenous component' of monetary research in India needs to be enlarged: some of the issues on which more work needs to be done have already been identified. Second, M_1 (narrow money) and *not* M_3 (broad money) is a more appropriate indicator of demand and hence monetary targets[12] should be set in terms of M_1. In addition to M_1, there should also be a target for net RBI credit to government. In situations when actual expansion in M_1 far exceeds the targeted range, it should be possible to pinpoint that this was due to fiscal imprudence. If, on the other hand, there is an over-zealous attempt on the part of the RBI to stick to the target, even after accommodating fiscal profligacy, the result may prove counter-productive affecting adversely the productive potential of the economy. The dual targets of M_1 and net RBI creidt to government would be thus more practical. Thirdly, it should be appreciated that overall monetary restraint could co-exist with liberalism towards selected sectors or sub-sectors of the economy. The reference here is to the self-liquidating nature of credit extended to certain sectors: crop loans to agriculture, export credit and asset creating employment projects undertaken in the context of absence of wage-goods constraint—these are instances in point. The precise credit-economic activities linkages need to be studied in depth so that disaggregated credit targets could be built into the overall credit target. An omnibus credit ceiling is much less meaningful.

Finally, the 'ability to nag' the government is traditionally regarded as one of the important weapons of central banks. In the Indian context, in which the whole exercise of monetary targeting is discussed here, one could sum up that monetary targets could be regarded as additions to the kit of such nagging instruments.

Notes

[This paper is based on the two lectures delivered at the Gokhale Institute of Politics and Economics, Pune, on April 18 and 19, 1989].

1 See for instance, C Rangarajan, "Issues in Monetary Management", December 1988, Calcutta.

2 Report of the Committee to Review the Working of the Monetary System, Reserve Bank of India, Bombay, 1985, para 9.8.8, p 170.

3 Sukhamoy Chakravarty, "Report of the Committee to Review the Working of the Monetary System: A Re-examination", Sir Purshotamdas Thakurdas Memorial Lecture, Bombay, 1986.

4 Peter Izard, Liliana Rojas-Suarez, 'Velocity of Money and the Practice of Monetary Targeting: Experience, Theory and Policy Debate', included in Staff Studies for the World Economic Outlook, IMF, July 1986. In the above context, 'rules' and 'discretion' are used in a technical sense. A rule is a prespecified formula that defines the desired outcome for some selected variable. The exercise of discretion is defined as the alternative to following a rule.

5 'The Year that Monetarism Dies?' *The Economist*, London, January 4, 1986, p 11.

6 K A Menon, 'Reserve Money, Money Stock and Money Multiplier, 1960-1988', *Economic and Political Weekly*, October 8, 1988.

7 Arun Ghosh, 'Money Stock, Velocity and Monetary Savings', *Economic and Political Weekly*, November 26, 1988.

8 Amartya Sen, Introduction to *Resources, Value and Development*, Oxford, 1984, p 2.

9 See the three articles in the section on 'Money' in N A Mujumdar, *Money, Savings and Economic Development*, Bombay, 1989.

10 For details see 'A Disaggregated View of Inflation' in N A Mujumdar, op cit.

11 I G Patel, 'Monetary Policy Revisited', *Journal of Indian Institute of Bankers*, Bombay, October-December, 1988.

12 Without realising this basic fact if an attempt is made to link money, output and prices it may lead to strange results. See, for instance, D Ghose, S Madhur and Prannoy Roy, 'Has Monetarism Failed in India?', *Economic Bulletin for Asia and the Pacific*, UN, December 1985, p 411.

Industry-Agriculture Growth Rates: Widening Disparity

An Explanation

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This study examines the nature and causes of industrial growth in the face of slow agricultural growth. It is hypothesised that the nature of the agriculture-industry relationship would depend crucially on the relative growth of income and employment in not only the industrial sector but also in the tertiary sector. If income grows faster than employment then it tends to generate more demand for industrial goods vis-a-vis *agricultural goods, and consequently the disparity between industrial and agricultural growth widens.*

I
Introduction

THE agriculture-industry relationship has now become a matter of interest, particularly in the context of recent spurt in industrial growth. Broadly, there are two views on this. First, it is argued that the rise in industrial growth without any increase in agricultural growth can be merely transitory. In the long run, industrial growth would slow down through forward and backward linkages between agriculture and industry. On the other hand it is also argued that with diminishing importance of agriculture in the economy, industry can now expand on its own momentum. The present study examines the nature and causes of industrial growth in the face of slow agricultural growth. Most of the studies on this issue have so far concentrated on the direct inter-linkages operating between the two sectors without any reference to the growth of income and employment in the tertiary sector.

It is hypothesised here that the nature of agriculture-industry relationship would depend crucially on the relative growth of income and employment in not only the industrial sector but also in the tertiary sector. If income grows faster than employment then it tends to generate more demand for industrial goods *vis-a-vis* agricultural goods, and consequently the disparity between industrial and agricultural growth widens. This hypothesis seems to be empirically valid both at state and macro level. We find that growth differentials between industry and agriculture at the state level, during the period 1970-71 to 1980-81, can be adequately explained in terms of growth differentials between income and employment in the non-agricultural sector. The evidence also suggests that at the macro level relatively slow growth of employment in the public sector and almost stagnant employment in organised private sector in the recent period seem to have been mainly responsible for widening disparity between industry and agriculture in the eighties.

The organisation of the paper is as follows. Section II reviews the existing literature on the subject in the Indian context. Section III examines income and employment behaviour in 14 major states during the period 1970-71 to 1980-81. This analysis is confined to seventies only because of lack of census data on employment after 1981. Following this a hypothesis is developed and tested in Section IV to explain the industry agriculture income differentials at the state level. Section V extends this hypothesis at the macro level and explains the pattern of industrial growth in recent years. Finally in Section VI we draw the basic conclusion and its policy implication.

II
Review of the Existing View

The traditional literature on inter-sectoral linkages in the growth process generally emphasises the role of agriculture as a primary supplier of wage goods and raw materials to industry (supply-linkage) on the one hand and as a provider of major output for industrial goods (demand linkage) on the other [Johnston and Mellor, 1961 and Krishna, 1982]. This view however does not explicitly spell out the increasing role of the tertiary sector in a modern economy. Further, it may be noted that with growing mechanisation of agriculture it becomes dependent on industry for basic inputs, like, fertiliser, power, pesticides, etc. Incidentally the agriculture-industry relationship becomes more complicated in this process.

A slow growth of net availability of foodgrains or alternatively the movement of inter-sectoral terms of trade in favour of the agricultural sector is believed to cause deceleration of the industrial sector. However, empirically speaking there was no slow down in the growth of production of foodgrains after the mid-sixties [Ahluwalia: 1985]. Nor was there any fall in the marketed surplus of agriculture [Thamarajakshi: 1977] so as to be related to the industrial deceleration. But, so far as the agriculture *vis-a-vis* industry terms of trade is concerned, one encounters a series of mixed evidence. When Thamarajakshi [1977], and Mitra [1977] visualised a favourable terms of trade for the agricultural sector during the mid-sixties and early seventies, Khalon and Tyagi [1983] obtained evidence that stand quite contrary to others' view. Mundle [1977], however maintains that in terms of intersectoral resource flow—of which terms of trade is just a single component—the industrial sector has been undergoing loss since the mid-sixties. Prior to that it was agriculture which was experiencing an outflow of resources. Rangarajan [1982a] in his macro econometric model makes an attempt to capture the demand linkage between agriculture and industry. He identifies a positive impact that agricultural output has on the demand for industrial consumption goods. The effect of foodgrain terms of trade on industrial products has been negative but elasticity is negligible. Both agricultural output and terms of trade had a positive influence on household saving and investment. Keeping in view such segmented impact of agriculture on industry Rangarajan [1982b] drops the idea of explaining the behaviour of industrial production purely in terms of agricultural performance.

Bhattacharya and Rao [1986] emphasises the sluggishness that continued in the performance of industry even after the relative relaxation of the wage goods constraint that occurred during the green revolution period. In their macro econometric framework the partial elasticity of non-agricultural gross domestic product with respect to agricultural output declined from 0.15 for the pre-green revolution period to 0.03 for the post-green revolution period. Deceleration in public investment in general and acceleration of capital intensive investment in agriculture during the post-green revolution period had adverse implications on employment causing relative deficiency in demand for agricultural products. The decline in the share of agro-based industries coupled with such phenomenon of slow employment growth reducing the demand for agricultural products and wage goods, thus weakened the agriculture-industry relationship.

Therefore, bearing in mind the weak supply linkage between agriculture and industry in Bhattacharya and Rao's study [1986] and the existence of a narrow demand linkage, in Rangarajan's work [1982], bet-

ween agriculture and merely the set of industrial consumption goods like clothing, footwear, sugar and edible oils, it may be concluded that the overall intersectoral linkages appear quite modest. Moreover, green revolution being mostly confined to a few pockets, it was less likely that the post-green revolution period could witness a strong demand linkage if it did not exist earlier.

It is in this context that the demand for industrial products originating not only from within the sector itself, but the large demand potential that the high productivity tertiary sector has, needs to be analysed. Industrialisation, indeed, at its first stage gives rise to demand for a large spectrum of tertiary sector oriented activities [Mills and Becker: 1986]. But it may be argued that at a later stage the sustenance of a high rate of industrial production is subject to the volume of industrial products consumed by the tertiary sector. Even if agriculture is not stagnating, its declining share in total product and the rapidly rising share of the tertiary sector, as it is usually postulated in the process of development, further strengthens the justification of the above proposition. However, needless to add that the pattern of industrialisation will depend upon the specific kind of products demanded by the pattern of income and employment generation in both manufacturing and tertiary sector.

Since agriculture provides basically wage goods the demand for agricultural products in non-agricultural sector would depend not only on the growth of non-agricultural income but also on growth of employment in non-agricultural sector. If income in non-agricultural sector grows faster than employment then the demand for agricultural products grows slower than non-agricultural income and consequently the non-agricultural sector can grow relatively faster than the agricultural sector.

III
Income and Employment Growth Rates

This sector analyses at the state level the income and employment growth rates in different sectors over the period 1970-71 to 1980-81. In our definition agriculture includes forestry and fishing too. In the secondary sector we mainly concentrate on the registered manufacturing sector. The tertiary sector has been split into six categories: (a) Transport, storage and communication, (b) banking and insurance, (c) public administration and defence, (d) trade, hotels and restaurants, (e) real estate, ownership of dwelling and business services, (f) other services. The data for this analysis are mainly drawn from the estimates of domestic product and state domestic product at factor cost by the Central Statistical Organisation (CSO) and the employment estimates by the Population Censuses. It is to be noted that Population Census in 1981 did not report the employment figures corresponding to the registered manufacturing units separately from the unregistered ones as it was reported in 1971 Census in its establishment tables. We have, therefore attempted the following approximation before calculating the state specific employment growth rates in the registered manufacturing over the decade 1971 to 1981. From the total employment in the industry division, manufacturing other than household, we have deducted the single workers and family workers for both the years 1971 and 1981. A 'single worker' in the census is defined as 'one who is doing work without employing others except casually and without the help of other members of his family except casually or a participant in work as a member of a co-operative'. A family worker is 'one who is doing his work in a family enterprise along with other members of the family without wages or salary in cash or kind'. We assume that both these categories of single workers and family workers fall within the unregistered sector in the industry division, manufacturing other than household, and, therefore, these numbers have been netted out from the total employment in this industry division.

The main purpose behind the subclassification of the tertiary sector is to highlight the growth differentials of different components of the tertiary sector. While the segments like banking and insurance and public administration and defence are organised-sector-dominated, trade, hotels, etc, and real estate, etc, mostly fall within the unorganised sector. Within the industry division, transport, storage and communication, railway services, communication, etc, are basically in the organised sector and rest are a combination of both organised and unorganised segments. Similarly, the category of other services can be located in both the sectors.

Table 1 presents average annual growth rates of SDP at factor cost of 14 major states during the period 1970-71 to 1980-81. For comparison we have also provided average annual growth rates of NDP at factor cost during this period. The table reveals that there has been wide differences in growth rates of SDP from agriculture among states. Maharashtra has highest growth rate of 4.6 per cent per annum followed by Punjab (3.7), Karnataka (3.3), Gujarat (3.1), Haryana (2.8) and West Bengal (2.8). Kerala, MP and Tamil Nadu have recorded negative

Table 1: Income Growth Rate during 1970-71 to 1980-81, All India and Individual States

(Per cent pa)

State	Agriculture, Forestry and Fishing	Registered Manufacturing	Tertiary: Transport, Storage, Communication, etc,	Tertiary: Banking and Insurance	Tertiary: Public Administration	Tertiary: Trade Hotels and Restaurants	Tertiary: Real Estates Ownership of Dwelling, Business Services	Tertiary: Other Services	Tertiary: Total Tertiary
Andhra Pradesh	1.47	6.93	5.21	10.52	9.54	3.55	5.70	2.39	4.99
Bihar	0.91	4.07	2.74	6.90	1.22	9.92	−0.15	4.35	5.23
Gujarat	3.09	6.27	7.18	8.32	7.18	5.93	3.25	2.75	5.64
Haryana	2.77	7.93	7.72	10.69	7.71	10.57	4.67	3.40	8.13
Karnataka	3.31	8.65	5.81	8.30	8.76	4.58	3.81	1.68	5.00
Kerala	−0.33	4.67	5.22	8.48	7.41	0.63	3.06	3.59	3.50
Madhya Pradesh	−0.71	5.46	6.05	9.33	7.83	0.36	1.77	5.44	4.37
Maharashtra	4.60	6.67	4.69	5.67	5.08	6.03	3.24	1.98	4.76
Orissa	2.01	8.49	4.01	8.67	3.81	1.95	4.10	3.21	3.33
Punjab	3.65	8.77	6.89	9.58	7.37	7.88	2.14	4.92	7.07
Rajasthan	1.11	3.98	4.67	10.75	7.89	3.13	4.36	4.05	4.61
Tamil Nadu	−0.23	7.24	3.98	6.56	8.71	2.48	3.66	1.70	3.77
Uttar Pradesh	1.80	5.60	5.09	8.22	2.20	3.17	4.38	2.15	3.66
West Bengal	2.76	1.99	3.64	5.65	3.86	2.24	4.63	−0.69	2.77
All India	1.93	4.81	6.42	7.67	7.38	4.80	4.13	2.86	

Note : Growth rates refer to exponential trend growth rates pa.

Source: Estimates of State Domestic Product, November 1985, and *National Accounts Statistics*, 1986, Central Statistical Organisation, Ministry of Planning, Government of India.

growth rates. In the case of SDP from registered manufacturing Punjab (8.8 per cent per annum), Karnataka (8.7), Orissa (8.5), Haryana (7.9) and Tamil Nadu (7.2) have performed well above the all India growth rate of 4.8 per cent per annum. Tamil Nadu in particular, and MP and Kerala, have achieved a fairly high growth rate of registered manufacturing output despite a very poor agricultural performance. West Bengal on the other hand has yielded a very low rate of manufacturing output growth rate (2 per cent per annum) in spite of performing relatively better in agriculture (2.8 per cent per annum which is well above the all India growth rate of 1.9 per cent per annum).

In the tertiary sector there is a wide variation in SDP growth rates across states as well as among different types of tertiary activities. In general, the faster growth is recorded in banking and insurance and public administration in all states. In public administration the highest growth rate is achieved by Andhra Pradesh (9.5 per cent per annum) and the lowest by Bihar (1.2 per cent per annum). In transport, storage and communication the growth rate varies between 7.7 per cent per annum for Haryana to 2.7 per cent per annum for Bihar. Gujarat, Punjab and MP have also recorded high growth rate (above 6 per cent) in this activity. In predominantly unorganised tertiary activities—trade, real estate and other services—the growth rates are generally lower than in predominantly organised activities—transport, communication, banking and public administration. In trade the highest growth rate is achieved by Haryana (10.6 per cent per annum) followed by Bihar (9.9) and Punjab (7.9) and the lowest growth rate is achieved by Kerala (0.6) and MP (0.4). In other tertiary sector services West Bengal has performed worst with a negtive growth rate of −0.7 per cent per annum with Punjab performing best with a growth rate of 4.9 per cent per annum.

The overall tertiary sector SDP growth rate has a broad correspondence to registered manufacturing SDP growth rate. The only major exception in this regard is Orissa where the tertiary sector growth rate at 3.3 per cent per annum is well below the registered manufacturing growth rate at 8.5 per cent. In general the growth rate of SDP from tertiary sector is higher than the growth rate of SDP from commodity sector, excluding unregistered manufacturing. This is consistent with the observed pattern of growth elsewhere. The relationships among growth rates of tertiary, agriculture and industry sectors at state level are examined elsewhere [Mitra: 1989].

Table 2 presents average annual growth rate of employment in various sectors during the period 1971 to 1981. In agricultural sector the fastest growth of employment has been recorded in Karnataka (2.7 per cent per annum) followed by Haryana (2.5), Tamil Nadu (2.4), Maharashtra (2.4) and MP (2.3). The all India growth rate of employment in agriculture is 1.9 per cent per annum. Kerala has practically no growth in employment in agriculture. In the registered manufacturing sector the employment growth rate has been very high in Rajasthan (9.3 per cent per annum) and Haryana (8.3) and negative in Kerala (−0.6). The moderately high growth rate is achieved in Gujarat, Orissa, UP and Karnataka. The traditionally industrial states—Maharashtra and West Bengal—have recorded a relatively poor growth rate of employment (3.5 and 3.1 per cent respectively) in registered manufacturing.

In the tertiary sector the employment growth rate is generally lower than that in registered manufacturing sector. Agai within the tertiary sector the employmen growth rate has been faster in trade, trans port, communication and banking and rela tively lower in public administration an defence. Across states, employment in ter tiary sector has grown relatively faster i Haryana, Gujarat, Bihar, MP, Maharashtr Punjab and Rajasthan. Orissa has recorde the fastest employment growth rate in publi administration (4.5 per cent per annum followed by Bihar (2.8), Gujarat (2.9) an West Bengal (2.3). In Kerala employment i public administration has declined.

In the context of agriculture-industry rela tionship it is important to compare not onl relative growth rates of income but als employment elasticity of output. States with relatively lower employment elasticity may have relatively higher growth rate of industry *vis-a-vis* agriculture. Table 3 presents employment elasticity—measured as average annual growth rate of employment divided by average annual growth rate of income—across sectors and across states during the period 1970-71 to 1980-81. In agriculture the employment elasticity has been highly negative in Tamil Nadu (−10.5) and MP (−3.2) and almost negligible in Kerala (−0.03), It may be noted that in all these states the growth rate of SDP from agriculture was negative while growth rate of employment in agriculture was positive. The employment elasticity therefore became negative, which may not be regarded as an evidence of falling employment intensity in agricultural production in these states. On the positive side the highest employment elasticity in agriculture is recorded by Rajasthan (1.8) followed by Bihar (1.4) and Andhra Pradesh (1.4). Punjab has a very low employment elasticity in agriculture (only 0.4) followed by Maharashtra (0.5) and Gu-

TABLE 2: EMPLOYMENT GROWTH RATE DURING 1971 TO 1981, ALL INDIA AND INDIVIDUAL STATES

(Per cent pa)

State	Agriculture, Cultivation, Livestock, etc,	Registered Manufacturing	Tertiary: Transport, Storage, Communication, etc	Tertiary: Banking and Insurance	Tertiary: Public Administration	Tertiary: Wholesale and Retail Trade, etc	Tertiary: Real Estates, Ownership, and Business Services	Tertiary: Other Services	Tertiary: Total Tertiary
Andhra Pradesh	2.09	5.75	4.36	6.97	1.62	3.13	−1.18	1.82	2.68
Bihar	1.30	4.96	3.67	8.86	2.78	4.01	1.23	2.37	3.25
Gujarat	1.90	6.06	5.62	6.26	2.93	3.46	3.44	2.62	3.58
Haryana	2.45	8.31	5.60	12.55	1.97	4.24	4.59	4.04	3.66
Karnataka	2.65	6.51	2.72	7.28	0.67	3.84	1.57	2.12	2.76
Kerala	0.01	−0.59	3.47	5.84	−1.12	2.66	0.71	1.15	1.87
Madhya Pradesh	2.32	6.30	4.87	7.04	1.72	4.69	1.36	2.11	3.26
Maharashtra	2.37	3.47	3.58	5.05	1.62	3.60	−0.16	3.64	3.27
Orissa	2.00	7.05	3.17	8.26	4.52	4.96	−5.80	1.09	2.83
Punjab	1.56	4.85	5.17	8.59	1.56	3.72	0.17	3.38	3.37
Rajasthan	1.93	9.26	4.74	7.83	1.86	4.33	2.80	2.50	3.31
Tamil Nadu	2.42	5.20	1.73	4.19	0.49	3.11	5.52	0.71	1.96
Uttar Pradesh	1.31	6.36	3.40	9.36	0.53	2.75	−1.01	2.20	2.20
West Bengal	1.67	3.05	1.90	6.08	2.31	3.20	0.80	1.29	2.26
All India	1.89	4.79	3.54	6.58	1.63	3.54	1.34	2.19	

Note: (1) Growth rates are exponential trend growth rates.
(2) All-India figures are exclusive of Assam.

Source: (1) Census of India, 1971, India, Series-1, Part-II-B(iii), and Vol 1, Part-II-A(ii).
(2) Census of India, 1981, India, Series-1, Part-III-B(ii) and Series-1, Part-III-A(i).

BHARAT FORGE LIMITED

Registered Office :
MUNDHWA, PUNE CANTONMENT,
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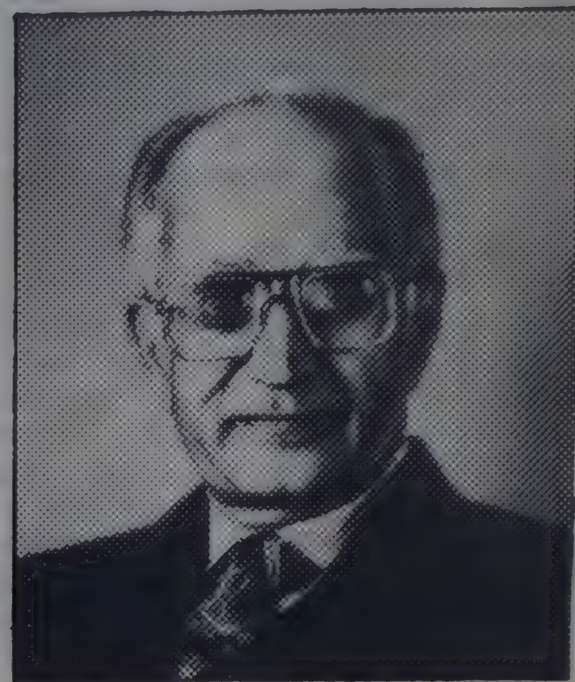
Chairman's Speech



Speech delivered by
Dr. Neelkanth A. Kalyani
Chairman, to the Members of the
Company at the 28th Annual General
Meeting held on 21st Aug. 1989

LADIES & GENTLEMEN,

On behalf of my colleagues on the Board of Directors and on my behalf, I extend to you all a hearty welcome at the Company's Twenty-eighth Annual General Meeting and thank you for sparing your valuable time and making it convenient to attend this meeting.

Having regard to an amendment to the Income Tax Act, 1961, the financial accounting year of the Company has been changed from October – September to April – March, and accordingly the Annual Report sent to you, along with the Notice for this Annual General Meeting, covers a period of 18 months from 1st October 1987 to 31st March, 1989. The Annual Report containing the Directors' Report and the Audited Accounts for the period ended 31st March, 1989 has been with you for quite some time and, I am sure, you have had the opportunity to peruse them.

As you would have observed from the Directors' Report, your Company has continued to maintain an upward trend in its business operations. The Directors, keeping in view the extended period of the financial year and having regard to the overall performance, recommended payment of an Interim Dividend of 25% on the pre-bonus Equity Share Capital of Rs. 52.725 million which was disbursed on February 6, 1989. The Directors have recommended a final dividend of 12.50% on enhanced capital of Rs. 105.450 million after issue of Bonus Shares in the ratio of 1:1.

Your Company continues to maintain its level of exports business with a diversified customer base and hopes to maintain the upward trend in the current year as well. The turnover of the Company in the first four months of the current financial year is higher by about 29% than that during the corresponding period of the previous year.

This is the terminal year of the current Five-Year Plan. As we launch ourselves into the Eighth plan period, we need to set out our perspectives and design strategies which take into account the challenges that we expect to encounter in the next five years. The acute Balance of Payments position is a cause of tremendous concern not only for policy makers in the Government but also to all of us in Industry. There is a tremendous need to galvanise our export effort. The prospects appear to be bright. Although the first year of the Seventh plan recorded a negative export growth rate of 7.2% with the trade deficit amounting to an unprecedented Rs. 87,630 million, subsequent years have witnessed remarkable growth in exports. In 1988-89, exports topped the Rs. 200,000 million mark for the first time, recording an impressive growth of about 30% over the previous year. Through a process of pragmatic selectivity, Government has been successful in somewhat slowing

without a corresponding growth in imports and thereby bringing down the trade deficit.

Several new measures have been taken by the Government to give a boost to exports. Most notable perhaps was the Prime Minister's initiative in setting up a high-powered Board of Trade under the Chairmanship of the Commerce Minister. This forum provides, for the first time, closer interaction between Government and Industry in matters relating to the Country's foreign trade policies. The quick establishment of five Sub-committees under the Board of Trade to advise it on major issues, only goes to prove the firm commitment of both Government and Industry to remove any impediments in increasing exports.

While the general overall scenario for growth in Indian exports appear very promising, there are a few issues that need to be addressed with particular reference to the Engineering Industry. The Engineering Sector represents the segment of industry in which the percentage of value-added is perhaps potentially the highest. For example, in the Forging Industry the percentage of value-addition could be as much as over 90%. It is necessary that such segments of industry which have greater export potential be encouraged by raising their level of competitiveness to bring them at par with their overseas competitors. These industries should be permitted access to the most modern technologies and equipment at the same prices at which these are available to their counterparts abroad. While the initial purchase price of equipment is the same everywhere, Indian importers have to pay more import duties on such equipment which is being brought into the country. In addition, the interest rate that we have to pay on capital that we borrow for purchase of such equipment is also significantly higher than that prevailing overseas. These higher costs have a cascading effect on the price of our end products which become that much more costlier as compared to those of our overseas competitors.

The expected emergence of major industrialised blocs in world markets is another potential challenge for Indian exports. A common European market by 1992 is almost a reality and with re-alignments taking place in the two other large markets of the world, namely U.S.A. and Japan, we can expect increased protectionism against our exports. We need to perhaps consider the Japanese example of setting up uints in U.S.A. and Europe when we attempt to evolve strategies to counter this challenge.

I would also like to touch upon a major event which is going to take place in the Indian Forging Industry. I am referring to the XIII INTERNATIONAL FORGING CONGRESS which will be held in New Delhi in January 1990. It will be for the first time in the history of these Congresses that the International Forging Industry will be meeting in a developing country It is expected that about 600 foreign delegates will attend the Congress and we shall have at least an equal Indian participation. The Congress aims at bringing together, on a common platform, not only the Forging Industry but also its major suppliers and users, so that they can together address the theme of the conference – "FORGING INTO THE 21ST CENTURY". This event will provide an unique opportunity to the Indian Forgings Industry to internationalise.

I take this opportunity to express my sincere thanks to the Central Government, the Government of Maharashtra and the Financial Institution/Banks for their encouragement and support to our company. I would like to thank our collaborators for their help and assistance. I would also like to place on record my sincere appreciation of the contributions made by the employees at all levels, under the overall guidance of the Vice Chairman, towards the Company's progress and growth.

Whilst concluding, on behalf of my colleagues on the Board and my personal behalf, I convey our gratitude for the confidence you have reposed in us. I sincerely hope that you will continue to extend your whole-hearted support and confidence in the future as well, to enable us to further improve the working of the Company.

Thank you!

Bharat Forge

Note: This does not purport to be a record of the proceedings of the Annual General meeting.

arat and West Bengal (0.6 each).

In registered manufacturing Kerala has a egative employment elasticity of −0.1, ecause of negative employment growth rate. n this sector also Rajasthan has the highest mployment elasticity at 2.3. Bihar, laryana, Karnataka, MP, UP and West lengal also have above unity employment lasticity in registered manufacturing. Punab and Maharashtra have very low elasticity.

In tertiary sector the employment elasticiy at the aggregate level is less than unity in ll states. The highest elasticity has been ecorded by Orissa (0.85) followed by West Bengal (0.82), MP (0.74) and Rajasthan 0.72). Punjab and Haryana have very low lasticity: 0.48 and 0.45 respectively. Within ertiary sector public administration has in general lowest employment elasticity, indicating that growth of income has been rising much faster than employment in this secor. In general also organised tertiary sector seems to have relatively lower employment elasticity than unorganised tertiary sector. This may be due to relatively lower wage rate in the unorganised sector in comparison to organised sector.

It is interesting to note that with one major exception (Maharashtra) employment elasticity has been higher in manufacturing in comparison to tertiary sector as a whole in all states. Also in most states employment elasticity in agriculture has been higher than in tertiary sector as a whole. It may be noted that while the share of unorganised sector in total tertiary sector employment has a larger weightage, in case of income it is the other way round.

IV

Agriculture-Industry Cleavage: An Explanation

We have seen in the previous section that the growth rate of industrial output has been in general greater than agricultural output. But the relative differences between growth rates of industry and agriculture vary significantly across states. We have also noted that the employment elasticity of income has been less than unity in practically all tertiary activities including public administration. In registered manufacturing sector also employment elasticity has been less than unity in a large number of states. The relatively slower growth of employment *vis-a-vis* income in non-agricultural sector restrains the demand for agricultural wage goods in relation to non-agricultural income. The relatively faster growth of non-agricultural income over employment on the other hand generates greater demand for industrial goods. Thus, given the supply constraint, the relative growth of industry over agriculture would depend upon the relative growth of non-agricultural income over employment. To test this hypothesis we may regress difference between growth rates of industry and agriculture on the difference between growth rates of income and employment in non-agriculture.

Agriculture is basically supply constrained. At the aggregate level the growth rate of agriculture would have very little sensitivity to demand though relative prices may affect composition of agricultural output. Industry on the other hand is both demand and supply constrained [Chakravarty: 1979]. The growth rate of industry would depend only partly on capacity creation and partly on demand. Given capacity, the utilisation of capacity would vary partly in relation to supply of key inputs, like power and agricultural and non-agricultural raw materials, and partly in relation to demand. A higher growth of agriculture may therefore generate higher output of industry through greater supply of agricultural raw materials and demand for industrial products. However, industry-agriculture relationship may not be uniform as the pattern of industrialisation varies across states. Traditionally industrial states—Maharashtra, Gujarat and West Bengal—depend relatively more on all-India and external market demand. The growth rate of industry in these states, therefore, may not be very sensitive to performance of agriculture and demand generated within these states. We may also note that these states suffered from acute power shortage during the seventies and consequently the growth rates of industry in these states were less than potential. Secondly, states having a high share of capital goods in total industrial output would also be relatively less sensitive to demand generated by agriculture and employment. A state like Orissa, therefore, could achieve a very high growth rate of industry of 8.5 per cent with only 2.0 per cent growth rate of agriculture because of a very low share (only 12 per cent) of consumer goods in total gross industrial output (see Table 4). MP also having a relatively lower share of consumer goods, performed well in industry despite a negative agricultural growth. Tamil Nadu achieved a high growth rate of industry with negative growth rate of agriculture presumably because of its greater dependence on all-India market for consumer goods.

From the discussion above we may postulate that the difference between growth rates of industry and agriculture (YI−YA) would be a function of the difference between growth rates of income and employment in industry (YI−EI) and tertiary (YT−ET). The differences in the pattern of industrialisation among states may be captured through two intercept dummies: Dl (1 for Maharashtra, Gujarat and West Bengal and 0 for other states) and D2 (1 for Tamil Nadu, Orissa and MP and 0 for the rest). Equation (1) presents estimates of this function for 14 major states for the period 1970-71 to 1980-81.

TABLE 3: EMPLOYMENT ELASTICITY OF GROWTH—1970-71 TO 1980-81, ALL INDIA AND INDIVIDUAL STATES

(Per cent pa)

State	Agriculture, Forestry and Fishing	Registered Manu-facturing	Tertiary: Transport, Storage, Communication	Tertiary: Banking and Insurance	Tertiary: Public Administration	Tertiary: Wholesale and Retail Trade, etc	Tertiary: Real Estates, Business Services, etc	Tertiary: Other Services	Tertiary: Total Tertiary
Andhra Pradesh	1.43	0.83	0.84	0.66	0.17	0.88	−0.21	0.76	0.54
Bihar	1.43	1.22	1.33	1.28	2.27	0.40	−8.33	0.55	0.62
Gujarat	0.61	0.97	0.78	0.75	0.41	0.58	1.06	0.95	0.63
Haryana	0.88	1.05	0.72	1.18	0.25	0.40	0.98	1.19	0.45
Karnataka	0.80	1.39	0.47	0.88	0.07	0.84	0.41	1.27	0.55
Kerala	−0.03	−0.13	0.67	0.69	−0.15	4.17	0.23	0.32	0.53
Madhya Pradesh	−3.22	1.15	0.81	0.76	0.22	12.50	0.77	0.39	0.74
Maharashtra	0.51	0.52	0.76	0.89	0.32	0.60	−0.05	1.85	0.69
Orissa	1.01	0.83	0.79	0.95	1.19	2.56	−1.41	0.34	0.85
Punjab	0.43	0.55	0.75	0.90	0.21	0.47	0.08	0.69	0.48
Rajasthan	1.75	2.32	1.02	0.73	0.23	1.39	0.64	0.62	0.72
Tamil Nadu	−10.52	0.72	0.43	0.64	0.06	1.25	1.51	0.42	0.52
Uttar Pradesh	0.73	1.14	0.67	1.14	0.24	0.87	−0.23	1.02	0.60
West Bengal	0.61	1.54	0.52	1.07	0.60	1.43	0.17	−1.88	0.82
All India	0.98	0.99	0.55	0.86	0.22	0.74	0.32	0.76	

Note: Employment Elasticity of Growth = per cent change in employment/per cent in change income.

Source: See Tables 1 and 2.

$$(1)\ (YI-YA) = \underset{(4.20)}{2.92} + \underset{(2.28)}{0.22}\,(YI-EI) + \underset{(2.23)}{0.60}\,(YT-ET) \underset{(-3.74)}{-2.41}\,D1 + \underset{(4.34)}{2.91}\,D2$$

$$\bar{R}^2 = .84 \quad F = 17.67$$

All the estimated parameters in this function turn out to be significant (at 5 per cent level) except that of YT–ET which is significant at 10 per cent level and marginally below the level of significance at 5 per cent. However, (YT–ET) as well as (YI–EI) turns out to be individually significant (at 5 per cent level) when we use them in separate functions, as may be seen from equations (2 and 3).

$$(2)\ (YI-YA) = \underset{(11.86)}{4.31} + \underset{(2.56)}{0.27}\,(YI-EI) \underset{(-4.43)}{-3.03}\,D1 + \underset{(3.15)}{2.15}\,D2$$

$$\bar{R}^2 = .77 \quad F = 15.61$$

$$(3)\ (YI-YA) = \underset{(3.24)}{2.65} + \underset{(2.50)}{0.77}\,(YT-ET) \underset{(-2.89)}{-2.20}\,D1 + \underset{(4.03)}{3.18}\,D2$$

$$\bar{R}^2 = .77 \quad F = 15.39$$

The coefficients of all the variables in all equations are fairly stable with proper sign and the overall goodness of fit in terms of $\bar{R}^2$ and F ratio is quite satisfactory. In all 84 per cent of variations in the growth differentials between industry and agriculture can be explained in terms of growth differentials between income and employment in non-agricultural sector and pattern of industrialisation dummies. This is quite significant considering the fact that this function is estimated at cross-section level using growth rates of variables.

Equation (1) suggests that if employment and income grow at the same rate in both industry and tertiary sectors then the average normal growth rate of industrial income would be about 3 percentage points above the agricultural income growth rate, or if the average growth rate of agricultural income is about 2.5 per cent then the average normal growth rate of industrial income would be about 5.5 per cent. However industrial income in Maharashtra, Gujarat and West Bengal would have increased only by .5 per cent (2.9–2.4) above agricultural growth rate, and in Tamil Nadu, Orissa and MP would have increased by about 5.8 per cent (2.9+2.9) above agricultural growth rate. The growth differentials between industrial and agricultural income would be 0.2 and 0.6 per cent higher for every 1 percentage point increase in growth differentials of income and employment in industry and tertiary sectors respectively. Since agriculture is basically supply constrained the growth differentials between industrial and agricultural income would arise mainly on account of demand induced increase in industrial output. Further, our results suggest that demand induced industrial growth arise more from the tertiary sector income and employment growth differential than that of industrial sector.

If we disaggregate tertiary into public administration and other tertiary activities then we can see (equation 4) that the growth differentials between industrial and agricultural income depend significantly on growth differentials between income and employment in public administration than in other activities. However, overall goodness of fit of equation (4) turns out to be inferior as compared to equation (1).

$$4)\ (YI-YA) = \underset{(2.84)}{2.57} + \underset{(1.05)}{0.13}(YI-EI) + \underset{(1.94)}{0.16}(YP-EP) + \underset{(1.38)}{0.48}(YT^*-ET^*) \underset{(-3.04)}{-2.21}D1 + \underset{(3.75)}{2.99}D2$$

$$\bar{R}^2 = .82 \quad F = 13.21$$

(Where YP and EP are income and employment growth rates in public administration respectively and YT^* and ET^* are income and employment growth rates in other tertiary activities respectively.)

V

All-India Industry-Agriculture Growth Scenario

There has been a big spurt in the growth rate of industry in the eighties as compared to the seventies. The current industrial growth rate is comparable to that in early phase of industrialisation during Second and Third Plans. The industrial growth rate in eighties is higher when estimated from the New Series of Industrial Production (base 1980-81) as compared to the Old Series (base 1970-71). The industrial growth rate in the eighties has accelerated despite any marked improvement in agricultural growth rate.

We have already seen in Section V that at the state level industry-agriculture growth differentials depend crucially on the income

TABLE 4: COMPOSITION OF GROSS VALUE OF OUTPUT (1981-82)—CENSUS SECTOR

(Per Cent)

State	Consumer Goods	Rest
Andhra Pradesh	42.49	57.51
Bihar	6.14	93.86
Gujarat	38.38	61.62
Haryana	22.37	77.63
Karnataka	29.66	70.34
Kerala	21.68	78.32
Madhya Pradesh	22.66	77.34
Maharashtra	27.59	72.41
Orissa	11.87	88.13
Punjab	45.66	54.34
Rajasthan	33.18	66.82
Tamil Nadu	29.39	70.61
Uttar Pradesh	36.99	63.01
West Bengal	27.56	72.44
All India	29.59	70.41

Note: Consumer goods include manufacture of food products, beverage, tobacco, etc, textiles and textile products, wood and wood products, paper and paper products and leather and leather products.

Source: *Annual Survey of Industries*, Vol 1, 1981-82, Central Statistical Organisation, Government of India.

TABLE 5: ANNUAL GROWTH RATES OF GDP AND EMPLOYMENT, ALL INDIA

Year	Agriculture and Allied	Manufacturing, Construction, Electricity, Gas and Water	Transport, Communication, Trade	Banking Insurance, Real Estate, Ownership of Dwellings and Business Services	Public Administration Defence and Other Services	GDP at Factor Cost	Employment: Public Sector	Employment: Organised Private Sector
				(At 1970-71 Prices)				
1971-72	−0.4	2.5	2.6	5.3	5.9	1.6	5.3	0.4
1972-73	−5.8	3.7	2.4	4.6	3.6	−1.0	5.9	1.2
1973-74	7.2	1.9	3.9	2.5	3.5	4.8	4.3	−0.8
1974-75	−1.7	1.2	5.9	−0.4	4.9	0.9	3.1	0.1
1975-76	13.3	5.5	9.2	8.2	4.9	9.7	3.8	0.6
1976-77	−6.3	9.0	4.5	9.1	4.0	0.6	3.3	0.3
1977-78	11.5	7.3	6.9	5.9	4.6	8.7	3.2	2.6
1978-79	2.9	7.6	8.6	8.4	7.4	5.8	3.4	2.3
1979-80	−12.5	−2.3	−0.5	1.3	10.4	−4.9	2.7	0.3
1980-81	12.0	1.2	6.0	2.8	7.9	7.3	2.7	2.3
				(At 1980-81 prices)				
1981-82	6.0	7.6	7.0	4.7	3.5	6.2	2.9	2.0
1982-83	−1.0	4.3	6.1	7.6	7.8	3.1	3.2	0.1
1983-84	10.7	9.5	5.8	5.6	3.6	8.2	2.5	−2.8
1984-85	0.5	6.3	5.2	6.2	7.3	4.0	2.3	−0.5
1985-86	0.5	8.5	7.8	6.3	7.4	5.1	2.4	−0.9
1986-87	−1.6	8.3	5.0	7.3	7.4	4.0	1.9	−0.1
1987-88	−0.7	6.7	4.4	4.7	6.6	3.6	—	—

Source: *Economic Survey*, 1988-89 and 1980-81.

employment growth differentials. This hypothesis seems to be valid at the macro level also, as can be seen from Table 5. We note that GDP from both industry and tertiary sectors have accelerated in the eighties as compared to the seventies. However, growth rates of employment in both public and organised private sectors have decelerated in the eighties as compared to the seventies. With relatively slower growth of employment in relation to income in non-agricultural sector the demand for industrial goods is likely to have increased greater in eighties, and consequently industry agriculture growth differentials have widened.

Table 5 shows that employment in organised private sector has been growing slowly in the seventies. However, its growth rate in the eighties has been mostly negative. The growth rate of employment in public sector (including public enterprises) has also receded in the eighties. Such slow growth of employment in both public and private sectors must have restrained the demand for wage goods whereas high rate of growth of non-agricultural income must have contributed to the demand induced growth of industrial production. However, it is not possible to confirm this econometrically because of lack of comparative estimates of national income of constant prices for seventies and eighties.

The increasing disparity between income and employment in non-agricultural sector has an adverse implication on income distribution, which is partly reflected in the pattern of industrial growth in the recent years. The production of necessities like manufactured food, clothing, etc, has increased only modestly in the eighties, whereas production of luxury items, and particularly consumer durables, is rising now very rapidly, as would be evident from recent statistics on industrial production [*Economic Survey*, 1988-89 and *Report on Currency and Finance*, 1987-88].

If we compare the pattern of industrialisation of the eighties with its early phase of Second and Third Plans then we may notice while in the early phase the big spurt in industrial production came mainly from basic and capital goods, in the current phase it is more from consumer durables. Also in the current phase there is relatively more incentive for both production and consumption of consumer goods than before. Further the widening base of middle-class and fiscal concession given to them in the recent years have generated additional demand for luxury goods.

It may be noted while analysis of employment growth in states is based on census data the same at the macro level corresponds to only organised sector. It is possible that there is a positive growth of employment in the unorganised sector; however there is no evidence of any significant improvement in income and standard of living in the unorganised sector.

VI
Conclusion

The following conclusions may be drawn from this analysis. At the state level we find a great deal of variations between industrial and agricultural growth rates. This can be largely explained in terms of income and employment growth rates in industry and tertiary sectors. However, the pattern of industrialisation varies across states. The traditionally industrial states depend more on all-India and external markets for the sale of industrial output, and consequently their industrial performance is less dependent on income and employment growth within the state. Also, states with a very low share of consumer goods in total industrial output is less sensitive to demand generated within the state.

It is interesting to note that the employment elasticity of output in general is lower in the tertiary sector than in agriculture and manufacturing in all the states. Further, the employment elasticity of output in the tertiary sector is less than unity in all the states. Within the tertiary sector, public administration and defence has in general lowest employment elasticity indicating that wage rate has been rising faster than employment in this sector. The organised tertiary sector as a whole seems to have relatively lower employment elasticity than the unorganised tertiary sector.

At the macro level we find evidence that the growth differentials between industry and agriculture has widened during the eighties as compared to the seventies. This coincides with decreasing employment elasticity of output in both industry and tertiary sectors, and particularly in the organised private sector in the recent years. The macro evidence is, therefore, consistent with the state level evidence discussed above.

The increasing disparity between the income and employment growth rates and its consequent effect on agriculture and industry growth differentials has a wider implication on equity. The people already employed in the organised sector are enjoying the benefits of the current industrial boom, whereas the vast majority of the population in the unorganised sector is deprived of this benefit because of inadequate gainful employment and low wage rate. Thus, the urgent need of the hour is not industrial growth *per se* but industrial growth with more employment so that the benefits of growth can be shared more equitably by all sections of the population.

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Correction

In 'Culture and Subaltern Consciousness: An Aspect of MGR Phenomenon' by M S S Pandian (July 29, Review of Political Economy), on page PE-63, para two, line one, please read Symbiotic for Symbolic. The error is regretted.

Ed.

The Intelligentsia as a Ruling Class

Ashok Rudra

THIS has reference to the discussion piece of Ramaswamy R Iyer (March 11) on my article 'The Emergence of the Intelligentsia as a Ruling Class in India' (January 21). It is understandable that one should be somewhat confused about the identity of the class I have called the Intelligentsia, its lines of demarcation from other classes and the common properties shared by different members of the class, as I have myself taken different stands on this point in my notes and in the body of the article (and all the more so as by some clumsy handling there has been some mess created between notes 6 and 7). Classes are like elephants which are easy to identify but difficult to define. I stand by my identification of the class in terms of the sections of the population covered by it, as well as the social characteristics described by me. However, at the time I wrote the paper I was dissatisfied myself about how to give a theoretical definition to the class. As such, my treatment of this most important question in the body of the text reads as if the demarcation depends on the distinction between manual and non-manual labour. I agree with everything Iyer writes about this being not at all satisfactory. On the other hand, I think I gave a perfectly satisfactory solution to the problem in note 6, where I define the class as follows: "Members of this class sell their services at a price *higher* than the value produced by them. It may be noticed that I am making use of Marx's distinction between value produced by a labourer and the value of the labour power of that labourer. Workers in the Marxian scheme sell their labour power at a price lower than the value of what they produce. Members of the intelligentsia do the opposite—instead of generating a surplus they receive more value than they produce, the difference being filled by a transfer from the surplus generated by labourers engaged in material production. They therefore have the same position in relation to other classes as what has been called the 'labour aristocracy'."

I have taken the trouble of quoting extensively for my own writing as I had intended what is now printed as note 6 to replace note 7 altogether. Confusion arises from different things being said in the body of the text, in note 6 and 7. Bungling arose as a result of the rush in which the paper was sent for publication. I do not regret the rush. *EPW* is unique in the world of periodicals in the social sciences for providing a forum for discussion of problematic issues even while they arise in the work of researchers. I wanted to take advantage of this marvellous opportunity for getting the benefit of discussions. I already had the benefit at the time of publishing of having the commentaries and rejoinders of Andre Beteille and Pranab Bardhan and now I have the benefit of the various questions raised by Iyer.

Now that I have clarified that the members of the intelligentsia class are not defined as those who engage in mental labour and do not produce any value, most of the serious questions raised by Iyer cease to apply. There is no question of unskilled workers being more important as producers than skilled workers, masons being more important than architects, production taking place without the help of managers. Accountants and clerks can also be recognised for the contributions they make to the process of production. All that is necessary for my purpose is that the members of the class including "judges, managers, teachers, poets and professors" receive a value for their services higher than the value of the products produced by them.

I do not see any problem with there being very great disparities in the income and wealth, earned and possessed by different members of the class and their having common life styles, "at least common aspirations". This is one matter on which it is possible to have convincing empirical evidence. I have been carrying out a survey with two colleagues of mine in the Indian Statistical Institute into the consumption, habits and life styles of some sample households of people with white collar occupations. The results are being published in instalments in the *EPW*, the first three of which have appeared in the issues of April 22, June 10 and July 22. One of our most remarkable findings is that in a monthly income range stretching from Rs 3,000 to Rs 12,000 the consumption of a large number of items is either not responsive to income change at all or responsive to a very low degree. Whether one is a clerk or a high court judge one aspires to possess and use the same kind of consumer items—the differences being no more important than that between black and white TV and colour TV. This is what I meant by saying "a common life style, at least common aspirations".

The lack of any comparability with the standard of living of the vast majority of the population can also be statistically authenticated. We have got another paper ready for publication about the living conditions of the very poor in which we show that these very poor families do not possess even two sarees per adult female (whereas the number in the white collar group easily crosses 50). Iyer finds that the distinction I make between the 'Babu Class' and 'non-Babu Class' constitutes the weakest part of my paper. In my own judgment it is one of the most important points made in my paper.

Iyer raises many other points on which I do not think that I can give him any satisfaction. Thus, he has difficulties with the term 'contradiction'. For him it is a logical term. I have used it as a familiar technical term in Marxian Philosophy. But then Iyer is "unable to accept the view that thinking without an ideological framework is either impossible or pointless". For us, it is indeed impossible and pointless to think without a theoretical framework and in the social sciences a theoretical framework cannot but have an ideological content. My theoretical framework, which is that of Marxian political economy, is looked upon by Iyer as "the formidable ghost of Marx looming over Rudra's pages". After this, it is very difficult for any communication to take place between Iyer and myself. Before criticising and rejecting my propositions Iyer tries "to capture the different elements in Rudra's paper in a non-doctrinal statement without theoretical formulation". All through his piece Iyer reveals a strong allergy towards theoretical arguments and treats any attempt at theorisation as indulgence in doctrines. His anti-theory bias goes to such an extent that he has difficulties even with the distinction between the subjective and the objective, the short-run and the long-run. He writes "Anything can always be said to be objectively other than what it is. Similarly, anything which conflicts with our theory can be dismissed as a short-term phenomenon". Of course one can do no such thing. If 'contradiction' is a technical term in Marxian philosophy, the objective-subjective distinction is an established concept in philosophy in general. Similarly, the short-run/long-run distinction is an important notion in economics, both neo-classical and Marxian.

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Crisis of Postponed Crisis

The advanced capitalist world is in the midst of a peculiar 'crisis of postponed crisis'. This has major implications for third world countries. Unless these countries are vigilant, the advanced capitalist countries will seek to overcome their predicament by exporting recession to the third world and inducing multinational banks to finance such exports by acquiring greater political leverage with *vis-a-vis* third world countries **2011**

Holes in Poverty Alleviation

IRDP has been one of the more important policy initiatives intended to alleviate large-scale poverty in rural India. A study of the programme in Andhra Pradesh, however, brings out that the coverage of target groups has been low and the impact on incidence of poverty marginal. Further, districts which are more advanced showed better performance than less developed districts indicating that benefits percolated largely to the fertile and irrigated areas. The most neglected segment of this development strategy is agricultural labour, particularly in the more backward regions. **2025**

Command Performance

The Eighth Plan approach paper, which has been formally adopted by the Planning Commission, has quite clearly been designed to suit the Congress(I)'s electioneering purposes. It cannot therefore be taken as a serious step in the planning process. **1989**

Biased Medical Care

Health services in Kerala are relatively well developed with at least one governmental health institution in every village. However, medical care is biased in favour of the elite classes because of at least three reasons: cost, travelling time and waiting time. **1991**

Caste and Class

In contrast to the traditional Marxist and the Ambedkarist unilinear viewpoints, multilinear historical materialism would view race, tribe, varna and jati as pre-class institutions of exploitation and administration. Such a view not only enables separate, comparative and objective studies of societies that had or have these institutions, but also brings out the present relations of caste-class struggles in their real concatenations. **2002**

Dispensing with the Dynasty

The innocent millions, whose formal votes have been instrumental in the sustenance of the Indian ruling dynasty till now, have to be weaned away from their loyalty to the concept of *advaita*. The first blow for Enlightenment is to dismantle the belief that the dynasty, this *particular* dynasty, has the divine eternal right to rule India and that, without its benign presence, the nation is bound to collapse. **1985**

Gold Standard Revisited

The British Indian gold standard has been a topic of controversy both among contemporaries of the period and among the latter-day scholars. Indian nationalist opinion generally alleged that India was denied the benefits of a full-fledged gold standard as a means to reducing its access to gold. Capitalising on the mercantilist flavour of this criticism, official opinion propagated the gold exchange standard as a cost effective variant of the gold standard. In fact the rejection of the plea for a gold standard had much to do with British and American interests, with Britain's external liquidity crisis in the inter-war years being a crucial consideration. **2015**

Unconstitutional

The bill introduced in the Rajya Sabha by the home minister last month to amend the Criminal Law Amendment Act, 1961 making it "an offence *per se* to publish a wrong map of India" is clearly unconstitutional. **1987**

Cause for Celebration

It was not at all surprising that the western media and the governments of the major capitalist countries have waxed lyrical over the recent developments in China. For long they had been proclaiming the demise of communism, and now the events leading up to June 4 gave them much succour. The tragic situation for the Chinese people became a cause for cheers and celebrations as far as these gentry were concerned. **1997**

Last Laugh

The Americans saw in Afghanistan a re-enactment of their own trauma in Vietnam. Only this time the victims would be the Russians. And it almost happened that way—almost but not quite. **1986**

LETTERS TO EDITOR

Police Lawlessness in Andhra Pradesh

THE kidnapping of K Balagopal has been a shocking episode. K G Kannabiran, president of the Andhra Pradesh Civil Liberties Committee (APCLC), has in a press statement said that he suspects that "Praja Bandhu", which has owned the kidnapping, is a "police outfit". The president of the Police Officers' Association, says Kannabiran, wanted to meet him personally; later he was told on the phone on behalf of Praja Bandhu that Balagopal had been kidnapped and would be killed unless two constables kidnapped by the People's War Group were released immediately. He was also told that Balagopal would be killed if any attempt was made to move a writ petition for his production in the court.

The police has been functioning as a lawless force for quite some time in several parts of India, particularly Punjab and Andhra Pradesh. At one time it was hoped by some that terrorism by extremists could be curbed by state terrorism. However, the unleashing of police terror on millions of people and countless deaths in 'encounters' have led nowhere to peace, but only to the new demon of police lawlessness. The rise of this demon now threatens freedom of every kind. Apart from being the general secretary of APCLC, Balagopal has been contributing richly to the understanding and solution of contemporary social problems; by choosing to kidnap him the police has announced that there is no freedom of thought or expression in this country unless it suits the police, the Constitution notwithstanding.

The police of Andhra Pradesh, it must be remembered, has the support of the ruling politicians and landlords. Violence on behalf of landlords, traditional as it is, rarely rouses public conscience; the police is even a more legitimate instrument than private armies. However, if N T Rama Rao does not desist from state terrorism, and cannot curb police lawlessness, his claims of being the harbinger of justice will be in vain.

SATYA DEVA

Chandigarh

Preserving Regulation

THE article 'Tribal Land Alienation in Andhra Pradesh' by T Prabhakar Reddy (*EPW*, July 15) clearly shows that the government's decision to repeal Regulation I of 1970 will result in accelerated tribal land alienation. The author explains the process by which the transfer of land from tribals to non-tribals takes place, and supports his argument with field-level data. As the author points out, the tribals in India are among the most 'historically disadvantaged bottom groups of society'. It is incredible that the many laws enacted for their protection have brought about such little improvement in their situation. Quite the contrary—the passing of lands from the powerless to the dominating class—has been happening.

As a student of anthropology, I feel that additional survey-based studies such as this would be useful for the formulation of informed decisions and measures to start to restore to the tribals some control over their own lives and the power to function in the complex society into which they are being thrust. The revocation of Regulation I of 1970 would have exactly the opposite effect, and so must not be repealed.

PAMELA RAO

CA State University,
Chicago

II

WE invite your attention to the article 'Tribal Land Alienation in Andhra Pradesh' by T Prabhakar Reddy (*EPW*, July 15). It is stated that the governor, who has otherwise a penchant for picking holes in the actions of the Telugu Desam government, has also ratified the repeal of Regulation I of 1970. To the best of our knowledge, the above statement is not correct as the governor has not yet approved the proposal for repeal of Andhra Pradesh Scheduled Areas Land Transfer (Amendment) Regulation I of 1970 as no such proposal seems to have been received by her. Further, the question of governor ratifying the action of the state government does not arise as according to the provisions of the Fifth Schedule of the Constitution of India the assent of the president of India is necessary for any change in the existing regulation. Otherwise such changes shall have no effect.

T RAMACHANDRA RAO

Action for Welfare and Awakening in
Rural Environment
Hyderabad

Production Centres for Refugee Women Workers

THE article 'We Demand Our Rights. Refugee Women's Long Journey' (July 8) truly depicts the 'struggle', 'strength' and 'spirit' of the women workers of the production-cum-training centres run by Delhi administration.

We, the children of our proud (illiterate) mother, now aged 68 years, who struggled for about 17 years (1955 to 1972) and worked in the production-cum-training centre at Kalkajee, New Delhi, join her in strongly protesting against the proposed closure of these centres. These centres with all their highly exploitative features—low piece-rates, deduction of 25 per cent of the wages for the use of the centres, ever rising costs of accessories such as buckram, zippers, cloth lining, etc—have been providing direly needed succour to the helpless and needy women.

It is pertinent to mention that the piece-rates in these centres which were fixed in the late 1950s remained unchanged even after the mid-1960s in spite of the fact that there had been very steep increase in the consumer price index (about 60 per cent) and specifically prices of food items during this period because of the composite result of the Chinese invasion, defence expenses, crop failures and extensive hoarding and black-marketing of foodgrains. And our mother's earnings, though meagre in real value despite the hard labour of more than 12 hours a day, constituted a major contribution for our struggling family members.

We demand that not only these centres should continue to function but the exploitative features built- in over the years be removed and all the workers presently working in these centres should be absorbed as regular employees of Delhi administration.

Satya Devi Parwanda, Veena and Rajinder Parwanda, Kiran and Narender Parwanda, Indu and Ashok Parwanda, Ragini and Vinod Parwanda and Sarita and Vipin Parwanda

New Delhi

Face-Saving Formula

THERE is little reason to be optimistic about the prospect of a satisfactory settlement of the 'Bodoland' issue in the light of the developments in the week that has followed the signing of the tripartite agreement in Delhi on August 28. In the last one week, despite the commitment by the All Bodo Students Union led by Upendranath Brahma (ABSU-UB) to stop violence, more than 30 persons have been killed in the areas claimed for 'Bodoland'.

The agreement signed in Delhi now appears to have been merely a transitory device which was considered tactically necessary but which none of the parties seems to be seriously intent upon implementing. This is natural because the issue itself is so complicated and the stated demands and positions so completely irreconcilable that either the talks had to break down within minutes of beginning, after the well known positions were restated, or a face-saving formula had to be adopted without any of the parties ever meaning to implement the formula. In other words, there are strong indications that all the parties involved in the tripartite talks, for their own reasons, would rather allow the impasse to continue since for any solution there has to be considerable coming down from their present rigid positions. The ABSU-UB is realistic enough to see that their visions of a 'Bodoland' comprising virtually the whole of the north bank of the Brahmaputra (with additional safeguards for the plains tribal people on the south bank and for Bodo-Kacharis in the Karbi Anglong district) is simply not feasible since the areas neither have a Bodo (or even tribal) majority nor are they contiguous. This has been ominously and tragically evident in the calculated acts of violence let loose by the ABSU-UB in those parts of the north bank outside Kokrajhar district and Udalguri sub-division of Darrang district (where too the Bodo people are merely a dominant, not predominant, population) with a view to forcing the non-Bodos to move outside the areas and the frightful backlash and generalised communal violence that broke out—and is still continuing on a small scale in areas westwards. But the ABSU-UB leadership quite simply cannot come down since as it is there are indications that the leadership is not entirely in control of the situation on the ground. This is again a pattern that strangely recalls the dilemmas that the AASU leadership faced at the height of the Assam agitation.

The government of Assam certainly wants the agitation to end, but on its own terms. The present leaders seem incapable of understanding the stirrings among the state's indigenous minority communities since they view them, at least in words, as simply no different from other Assamese speaking people integrated into the pan-Indian network of caste Hindus and Muslims. Even less are they able to comprehend the fact that the ambitions and expectations that they themselves had released during the six-year long Assam agitation, and the fears and prejudices they had exploited (as much as the genuine issues they had raised) are once again animating an agitation that has consciously replicated itself along the lines of the AASU agitation. Quite simply the ABSU-UB agitation, like other as yet dormant movements in the state, challenges the deeply-held ideological conviction about what constitutes Assam and the Assamese people.

Thus locked in a combat which by definition admits no winners, the exploitation of these rigidly held stands for its own partisan ends has been a relatively simple task for the union government which increasingly has to be read as no more and no less than an amoral alliance of market operators in business and industry, bureaucracy and factions of the Congress Party organisation, all now collectively going under the name of the Congress(I). The union government certainly does not want to yield to the demand for creation of another state since its whole thrust has been towards making the existing states irrelevant. But it certainly has found the ABSU-UB agitation useful to put pressure upon the AGP government which despite its best behaviour has now come to be seen as an adversary—simply because it has been insufficiently humble. Only this explains the encouragement that the ABSU-UB agitation has received even as leaders of the union government have been repeating that there will be no further division of Assam, though whether the ABSU-UB agitation has received active assistance and training in the execution of its violent programmes, including bombings and killings, has to remain a matter of speculation given the nature of the agencies alleged to be involved in such operations and their styles of functioning.

It is therefore time that both the Assam government and the ABSU-UB should demand that the union government should stand up to be counted, formally, in the presence of representatives of the two adversaries on the 'Bodoland' issue. Much of the suspicion that the ABSU-UB is merely allowing itself to be utilised by the union government will disappear if it were to insist upon what it has maintained in the Delhi discussions—that the next round of talks have to be at the initiative of the union government with Buta Singh himself participating. The government of Assam too has said that it has 'no objection' to this, though in its own interest and in the larger interest of the people of the state and the region it should have been as insistent upon the presence of the home minister and a formal declaration of the centre's stand on the whole issue in the presence of the representatives of the government of Assam and the ABSU-UB, as the ABSU-UB has been. If this were to be insisted upon by both the parties, perhaps the time for playing games in Assam would be over.

POLITICS

Beyond Bharat Bandh

ACCORDING to available reports, the Bharat bandh on August 30, sponsored by the opposition parties, was a considerable success as it has marked an extension of their mass support in comparison with the similar exercise last year. Apart from the expected success in the states under the opposition parties' rule, which now extends to Tamil Nadu but excludes Karnataka, the bandh call this time received significant responses in a number of the Congress(I)-ruled states—notably Bihar and Orissa. Capital cities of the Congress(I) states like Uttar Pradesh, Madhya Pradesh, Rajasthan and Gujarat and some other smaller towns in those states were not totally unaffected by the bandh call. Even in and around Delhi, industrial and business establishments as well as schools, colleges and universities were largely closed or at least deserted. All this certainly bears witness to a considerable erosion of the Rajiv Gandhi's legitimacy and mass support, particularly in the wake of the demonstrated inefficacy of the government's systematic campaign against the bandh on the TV and radio, the allurement of food and fun for the union government employees opting for overnight stay in their respective offices on the bandh-eve, not to mention the elaborate bandobast for intimidation through large-scale police mobilisation and the arrest and detention of tens of thousands of workers and leaders of the opposition parties.

However gratifying these achievements may be, the opposition parties have to face the present situation without blinkers, that is, if they do not wish to deceive themselves into smug self-satisfaction. The opposition has to reckon with the following questions in particular:

First, the new phase of the opposition offensive which had started with the demand for Rajiv Gandhi's resignation following the revelations and strictures contained in the CAG report on the Bofors deal and was raised to a new height with the mass resignations of the opposition members of the Lok Sabha may be said to have closed with the recent Bharat bandh. The initiative at the moment has ceased to be with the opposition whose general expectation now is to meet the Congress(I) for the next round at the general elections slated by the year-end. This leaves the initiative, if only a limited one, with Rajiv Gandhi whose prerogative it is, as the prime minister, to fix the exact time for the polls within the statutorily defined period.

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But, will it be really wise for th tion to take the Lok Sabha election the due period for granted? The speculations, or misgivings, occasionally voiced about the existence of a contingency plan in the top drawers of the top policy-planners in New Delhi to put off the polls under certain circumstances cannot be brushed aside as nonsense. In view of all this it would be wise for the opposition now to launch on a nationwide campaign for ensuring the Lok Sabha elections by the year-end.

Secondly, while recognising and registering the relative advance that the recent Bharat bandh does represent, it would be unwise to overlook that it does not reveal any big leap in public opinion in the so-called Hindi heartland in favour of the opposition. More importantly, the opposition, the left parties in particular, should note that the making of corruption in high places the main issue of the campaign as they have done is not an example of good strategic planning. Firstly, it is something rather remote for the common people. Secondly, corruption may not really serve as a helpful quality to demarcate the opposition from the ruling party as the opposition stalwarts are not perceptibly immune from the same disease. Thirdly, however enormous it may seem to be by its own standards, corruption cannot explain the crisis of the socio-economic system and all its political reflections.

Finally, for a successful mass campaign, key political issues have to be so formulated that common people may easily identify their appropriate and correlated economic and moral-ethical counterparts. Gramsci's contention that economic, political and philosophical representations of any concrete phenomenon should all be translatable into one another's language is not an idle platitude. Hence, the left parties should take the initiative to come out with a package of key economic, political and moral-ethical issues affecting the life and well-being of the Indian masses, that is, outlining the path to improved living standards, guaranteed democratic norms and a corresponding upgradation of ethical conduct of the politicians and administrators.

BOFORS

Getting Closer

FORMER chief of army staff K Sundarji's startling interview to *India Today* has peeled off some more layers from the government's package of fabrications on the Bofors gun deal. Most importantly, Sundarji's disclosures, perhaps more than any other piece of evidence dug up so far, have served to strengthen suggestions of the prime minister's direct culpability in the matter.

The former chief of army staff has revealed—and this is now authenticated by the government through the statement issued on Wednesday by the Defence Wing of the Press Information Bureau—that he had dvised the government in writing that it should use the threat of cancellation of Bofors' contract in order to compel the company to come out with the details of the so-called commissions it had paid to get the contract, including the identity of those who had received the payments. And should Bofors still refuse and the contract have to be actually cancelled, Sundarji had given it as his considered opinion that this would mean a delay of 18 months to two years in the acquisition of the guns from an alternative source which he as the army chief regarded as "an acceptable risk". According to Sundarji, it was the prime minister who had shot down the proposal to compel Bofors to come out with the truth. Rajiv Gandhi apparently put his foot down at a meeting at his house on July 4, 1987 at which the minister of state for defence and defence ministry officials were present.

The defence ministry's statement, while it cannot deny that Sundarji had indeed tendered the advice he says he had, seeks to justify the rejection of that advice with the assertion that "national security is much larger than its military aspect" and that therefore "the views of the [chief of army staff] though important cannot alone determine national security decisions". However, this statement overlooks two important facts.

First, it is spokesmen on behalf of the government and the prime minister personally who, no doubt convinced that they would not be believed if they put it out as their own view, have claimed repeatedly in parliament and outside that the option of threatening Bofors with the cancellation of the contract had to be ruled out because the security implications of this particular step had been held to be unacceptable by the army authorities. It has now been established that what the army authorities, at the very highest level, had told the government was exactly the opposite.

Second, and more important, the view that Bofors should be confronted with with the prospect of losing the gun deal and that the security risk of possible cancellation of the contract could be regarded as acceptable was not that of the then chief of army staff alone; it was also that of the then minister of state for defence, Arun Singh, who certainly could not be said to have taken a purely military view of the matter and who in fact went so far as to resign from the council of ministers because his advice was not heeded. So the homilies contained in the defence ministry's statement that "national security is much larger than its military aspect" and that the views of the chief of army staff "cannot alone determine national security decisions" are thoroughly beside the point in this particular instance. It should be added that the chances of the contract for the guns having to be actually cancelled were very slim, for it is inconceivable that Bofors would have opted to lose the hard-won multi-billion dollar deal rather than disclose the identity of those to whom they had paid the commissions. It was the Indian side which had everything to fear from such a disclosure, not Bofors.

With the chief of army staff and the minister of state for defence (who, let it be remembered, because of his then closeness to the prime minister and because the defence portfolio was nominally in the charge of the prime minister had all along

been functioning as *de facto* defence minister) advising the same course of action, it is obvious that this advice could have been rejected only by Rajiv Gandhi. The government's laboured efforts to controvert General Sundarji's account of the meeting at the prime minister's residence on July 4, 1987 at which, according to Sundarji, Rajiv Gandhi berated those present for urging that Bofors be threatened with cancellation of the contract are also therefore quite immaterial.

The decision to reject the option of compelling Bofors to disclose the details of the commissions paid was, it is clear as daylight, that of Rajiv Gandhi who overruled the advice of not only the chief of army staff (who might be said to have taken a purely military view of the matter) but also the minister of state for defence. That is the import of General Sundarji's interview and that stands despite the government's attempted denial through this week's orchestrated statements from the defence ministry, the then defence secretary (now governor of Sikkim) and the then additional defence secretary. This of course immediately brings up the politically all-important question: why, but why, was the prime minister so anxious to rule out use of the one weapon which was most likely to make Bofors come out with the truth, specifically the identity of those who had received the illegal payoffs? The answer to the question is, it seems, getting plainer with every passing day.

MRTP ACT/FERA

Preparing the Ground

NO major changes in industrial policy in the direction of further deregulation can be expected at the moment because elections are only a few months away. The ASSOCHAMs or the Abid Hussains know this and yet they are keeping up the momentum of the campaign. One major policy change that has been eluding foreign business interests and/or large Indian industrial houses is deregulation with respect to MRTP and/or FERA companies. The proposal to liberalise licensing policy for FERA/MRTP companies/business houses came up before the Cabinet Committee on Economic Affairs (CCEA) some months back but the plan was shelved, presumably because the timing was politically inappropriate.

Viren J Shah, president of ASSOCHAM, has presented proposals for amendment of the MRTP Act under three headings. Basically these relate to Section 20 of the Act which determines which categories of undertakings should come under the ambit of the provisions with regard to concentration of economic power. ASSOCHAM wants the minimum asset limit to be raised from Rs 100 crore to Rs 500 crore. Similarly the minimum asset limit for a 'dominant' undertaking should be raised from Rs 1 crore to Rs 25 crore. ASSOCHAM has also suggested that companies in which the financial institutions hold more than one-third of the voting power should be brought out of the 'interconnection' ambit. Viren Shah presumably wants it to be believed that the financial institutions indeed safeguard 'social' interests and not the private interests of the managements.

Speaking at a recent seminar in Madras on August 17 Abid Hussain, member, Planning Commission, advocated the scrapping of FERA to attract foreign investment. Needless to say, this is in line with the ASSOCHAM's interests. The arguments being heard are that following the worsening of the balance of payments and a peak reached in the debt-service ratio, the time has come to attract foreign direct investments. But these lobbyists are also realistic. For the moment, they are asking that just as equity held by the International Finance Corporation (IFC) is not included as part of foreign investment for FERA purposes, the same should be extended to other development finance agencies like DEG, CDC, Swedfund, Finnfund, etc. The point is are the IFC or these foreign financial institutions 'neutral'?

Raising the FERA limit itself 40 to 51 per cent has been opposed by some Indian business interests, particularly in the pharmaceutical industry. One remembers their past representation to the government against treating the companies with 40 per cent foreign equity as Indian companies. They wanted the facility to be restricted to companies with foreign equity up to 26 per cent only. The government is keen to put foreign investment on the 'fast track'. Recently, the finance secretary, Gopi Arora, hinted at the setting up of a board for foreign investments on the lines of the one for trade to sort out the problems of foreign investors.

SOVIET UNION AND INDIA

Myopic Vision

GLASNOST does not seem to have improved the Soviet Union's myopic vision of the Indian political situation or brought about any change in its infantile loyalty to the Nehru dynasty.

During a recent visit to Delhi, the Soviet vice-president Valentina S Shevchenko was so impressed with prime minister Rajiv Gandhi that she chose to give his controversial Panchayati Raj Bill a clean chit saying that a similar bill to devolve power to villages would be introduced in the Soviet parliament in October. She had the temerity to rebuke the Indian people, when addressing them she said: "Not many people in your country have properly understood the bill that seeks change at the grassroots level". In an indirect criticism of the CPI and the CPI(M) which have been opposing the bill as a threat to the autonomy of state governments, the Soviet vice-president asserted that it was in no way an infringement on the powers of the state. Her statement as usual ended with the expression of Moscow's traditional code of respect reserved for Jawaharlal and his descendants: "policies of non-alignment, non-violence and economic progress" which, according to her, made Rajiv Gandhi popular both in India and the Soviet Union!

At around the same time when the Soviet vice-president was heaping accolades on Rajiv Gandhi in New Delhi, the Soviet foreign affairs weekly *Noroye Vremya* came out with a commentary which amounted to a defence—weak though—of the ruling Congress(I) against opposition attacks. Pooh-poohing the opposition charges of corruption against the Congress(I) government as the only trump card to be used by the opposition in the coming elections, the commentary dismisses the CAG report on Bofors as something which did not add to the weight of opposition accusations. Describing the electoral policies of the communist parties as a "flexible approach", it speculates that the communist rejection of joint action with the BJP is a "cold shower for those who had hastened to advertise a possible united front of opposition to the Congress(I)".

It is ironical indeed that a Soviet commentator finds no weight in allegations of corruption against the state involving crores of rupees, and tends to dismiss the entire issue as an electoral trump card to be used by the opposition. May be, cases of nepotism, embezzlement, bribery have become so common in the Soviet Union (judging by the revelations coming out now) that they no longer disturb the conscience of Soviet political commentators. Or, is corruption a localised issue—to be punished in the Soviet Union (as Brezhnev's son-in-law has been penalised) but to be dismissed in India, the Soviet Union's third world model of utopia of "non-alignment, non-violence and economic progress"? One wonders how Moscow will react, if the Indian people ever decide to punish Rajiv Gandhi for corruption and other misdeeds—may be in another utopian situation, but a situation which will perhaps better reflect the Indian popular psyche than Moscow's wishful thinking.

It is surely not accidental that the Soviet vice-president and the Soviet political commentator have come out with kudos for Rajiv Gandhi on the eve of the coming elections. It is in keeping with the Soviet policy towards India. Way back in the 1950s Khrushchev visited India—on the eve of elections in Andhra Pradesh, which used to be a communist stronghold in those days—and issued a chit in favour of Nehru's 'progressive' domestic policies, which came in handy for Nehru's party in Andhra Pradesh to use as propaganda for defeating the communists. After more than three decades, one hopes that the Indian communists—if they are seriously interested in ousting Rajiv Gandhi—will have the courage to publicly condemn the recent Soviet statements supporting Rajiv Gandhi and dissociate themselves from the glib Soviet assessment of India's "non-alignment, non-violence and economic progress".

STOCK MARKET

Not the Beginning of a Bear Phase

THE most striking aspect of the present securities market scenario is the contrasting behaviour of the two segments of the capital market—secondary and primary. Very briefly stated, the primary market has been displaying remarkable buoyancy whereas the secondary market has been distinctly subdued since about the beginning of the second week of July. Investors who have been avid buyers of shares/convertible debentures on offer in the primary market have either been keeping off the secondary market or figuring as persistent sellers.

After striking altogether new highs during June-end/early July, equity price indices started drifting lower. By about the first week of August, the *Financial Express* equity price index for Bombay had declined by 10.4 per cent and the all-India index by 11.1 per cent. During the same period, the BSE sensitive index registered a decline of 11.4 per cent and the national index moved down by 10.3 per cent.

In view of the preceding sharp upswing carrying most equity price indices to new all-time highs, technical considerations alone could have produced a decline of this order. But trading sentiment was also adversely affected by the vicious political atmosphere. Bears fully exploited the situation. Institutional purchases produced occasional rallies which could not be sustained due to corrective profit-taking, lack of follow-up support from the public and offerings by investors.

In the last week of August, however, the market staged a smart rally in the wake of substantial institutional buying which caused considerable anxious short covering and also induced renewed speculative support. By the end of August, the *Financial Express* index for Bombay had moved up by 5.1 per cent, retracing 43.7 per cent of the ground lost in the preceding decline. The retracing by the all-India index was 47.3 per cent. The BSE sensitive index moved up by 3.8 per cent from its August low, retracing 29.1 per cent of the ground lost in the decline from its all-time peak. The retracing by the BSE national index was 48.9 per cent.

With the outside public generally inclined to keep off the market and professional operators, who thrive on public money, also preferring to maintain a low profile in view of the uncongenial political weather, the volume of business shrank considerably. Bears had generally an edge over their rivals and the Calcutta and Ahmedabad markets had to put up with payments difficulties owing to heavy losses suffered by some big bull operators following the decline in prices.

Talking to a cross-section of the stock exchange fraternity—trading community and stockbrokers—the impression one gathers is that the stock market has lost its way in the thick fog of political uncertainty and that the market may have to live on a lean diet for quite some time as the uncertainty is likely to continue till the elections to parliament are out of the way. The confused political situation is not considered to be conducive to any significant improvement in the general market sentiment. The virtual absence of fresh investment inquiries and persistent offerings by investors have been interpreted by many as an indication of the erosion of investor confidence.

Such an assessment would seem to betray lack of proper perception on the part of the stock exchange fraternity of the fundamental factors affecting the outlook for equities and its obsessive concern about short-term fluctuations caused mainly by technical factors. It is one thing if investors keep off the market and resort to dis-investment selling because of a basic change in their assessment of the outlook for equities. But it is an altogether different matter if they are conserving and augmenting their cash resources for more profitable deployment of their funds in the primary market because of the favourable terms on which new and rights issues of shares/convertible debentures are being offered. Public response to new and rights issues is a far more reliable measure of the investment climate and investor confidence than the state of the secondary market which is known to suffer from occasional speculative excesses. Despite the regulatory framework evolved by the stock exchange authorities and the market's inbuilt self-adjusting mechanism for rectifying errors of excessive optimism and pessimism, the secondary market finds itself confronted at times with payments difficulties created by speculative excesses. More recently, both Calcutta and Ahmedabad have had a bitter taste of this.

The slide-down in equity price indices from their all-time highs is essentially in the nature of an important technical correction of the preceding sharp upsurge in prices. The decline has been orderly and quite normal—amplitude and durationwise. The overall behaviour of the market does not yet provide any convincing clue as to whether the month-end recovery marks the end of the corrective phase or it is only a minor rally. The process of technical adjustment can at times be quite painful and a long-drawn affair. And it could well be that the market is currently passing through such a phase.

Be that as it may, there seems to be no good reason to think that the current corrective phase would mark the end of the bull market and the beginning of a bear market. For fundamentals which have a bearing on the outlook for equities remain strong. Particularly relevant is the corporate performance which is highly encouraging. All studies point to an impressive increase in turnover, profits and dividends. Corporate investment activity for expansion, diversification, modernisation and new projects is at its all-time best. All the conventional economic indicators are pointing sharply upward, though balance of payments is undoubtedly an area of concern. The country has been blessed with another good monsoon, holding out the prospect of bumper agricultural harvest which will help spur industrial production. Investible funds seeking deployment in the equity market keep growing. Imagine UTI mobilising a record Rs 2,800 crore in July—the concessional offer period—which is Rs 600 crore more than the July 1988 figure.

No less significant is the growing awareness on the part of the government and the stock exchange authorities of the imperative need to expand and strengthen the infrastructural and organisational framework to provide more efficient service to the rapidly growing number of investors and protect their interests to promote the cult of equity. Several measures have already been taken in this direction and more are in the offing.

The Bombay stock exchange is implementing a Rs 10 crore automation project in association with CMC for accelerating the programme of modernisation. The Calcutta stock exchange has initiated steps to set up a stockholding corporation in association with the Canara Bank. Financial institutions and corporate boides are being asked to become members of the stock exchanges. Investment facilities under various equity support schemes have been liberalised. Serious attention is being paid to the problem of odd lots and to generating liquidity in listed securities. The Credit Rating Information Services of India (CRISIL) will soon start offering investors equity research information and information on companies.

Planning Commission member Abid Hussain has made a spirited plea for waiving of ceiling of foreign equity investment to promote foreign investment. Income-tax, wealth tax and gift tax Acts are being amended to lure NRI investment. The government has approved the creation of an over-the-counter exchange (OTC) under the Securities Control (Regulation) Act to protect investors from unscrupulous promoters of new companies. It is proposed to bring gradually under the OTC ambit all tradable securities in which investors are at a disadvantage in eliciting the right price.

All these measures are aimed at improving the investment climate. Little wonder that the primary capital market is forging ahead and public issues are evoking en-

thusiastic response. The spate of new issues with quite a few of them of really giant size (Rs 400 crore to Rs 820 crore)—each exceeding the total amount raised in a year until a few years ago—is an indication of the availability of investible funds, investors' confidence in the equity cult and promoters' optimistic assessment of business prospects. Unquestionably, the capital market has undergone a profound change over the past few years. Its growth has been phenomenal and the potential for further growth is immense.

It is, however, interesting to hear market men say that the mega issues which will be on offer in the near future are not strictly related to the financial requirements of the projects concerned and that they have a 'political content'. It is also worth noting how the promoters of the mega issues are resorting to all kinds of tactics to woo prospective investors. The view is widely shared that the subscription dates for the mega issues should be staggered to minimise their adverse impact on the secondary market.

The point can scarcely be over-emphasised that all mega issues need to be carefully appraised and monitored to minimise undesirable pre-emption of funds and to ensure the healthy growth of the corporate sector to better subserve national interests.

TEA

Shortage Threatens Exports

TEA prices in the domestic market have been surging week after week because of lower production this year, the Bodo agitation affecting the arrivals at auction centres and a firm trend in prices in overseas markets.

Though no official figures are available, according to industry and trade estimates, production by end August may be down by about 25 million kg at 400 million kg compared with the same period of the 1988 season. Almost the entire decline has occurred in south India. The carry-over stock from the 1988 season was almost nil. Since internal consumption of tea has been rising by a hefty 15 to 17 million kg a year and is expected to reach a level of 490 million kg this year, a situation of shortage is developing and prices are zooming. At 226.32 million kg the quantity sold in the Calcutta auctions between January and July this year is 25 million kg lower than that sold during the corresponding period of 1988. The all-tea average price realisation for the period January to July 1989 works out to Rs 31.34 a kg, up by Rs 7.50 a kg compared to last year. In recent weeks there has been a further big spurt in prices to Rs 40 per kg and more. At the retail level, even the most ordinary varieties of CTC teas are now priced around Rs 50 a kg.

In view of the rising prices in the domestic market, there is pressure on the government to cut tea exports. The commerce ministry has been resisting the pressure as the unit value realisation in overseas markets is high. At the same time, the government is worried about the continuing rise in domestic prices, particularly because this is an election year.

Tea production increased to 700 million kg in 1988 from 673 million kg in 1987 and 621 million kg in 1986. Going by the trend so far, production during the current year may not exceed 690 million kg. With domestic consumption accounting for 490 million kg and absence of carry-over stocks from the previous year, the quantity available for exports is expected to be only 200 million kg against the commerce ministry's target of 250 million kg. With rising prices in the domestic as well as international markets, tea companies are having a good time. This is reflected in the buoyancy in tea shares. Foreign buyers, including the Soviet Union, have been quite active at the Calcutta auctions during the last few weeks. This has pushed up prices significantly.

In a bid to check the runaway rise in prices, producers' associations have been asked by the Tea Board to send more supplies to the auctions. Warehouses have been instructed to send weekly reports to the board on arrivals of teas from the gardens. According to reports, the board is also considering the option of holding separate auctions exclusively for the domestic market. Trade circles feel that such a measure could help in bringing down the CTC tea prices by about Rs 5 per kg.

Another option suggested by major blenders (dominated by the multinationals) is that the country should import about 25 million kg of CTC tea for the domestic market so that it can export more of the high priced varieties without subjecting the consumer at home to continuous bouts of price increases. This way, it has been argued, the country would be able to maintain its export markets while protecting the interests of consumers at home. The tea producers' lobby, however, is totally opposed to this move for obvious reasons. They would like to make the best of the current unprecedented boom in tea prices.

While immediate steps are needed to check the rising tea prices, efforts are also called for to step up the growth in tea production in the coming years if the country is to maintain exports at 200 to 225 million kg per annum. Since the growth in tea production has not kept pace with the growth in domestic consumption, the exportable surplus has come down substantially over the last few years. At around 700 million kg, tea production in 1990 is expected to be well behind the Seventh Plan target of 760 million kg.

TWENTY YEARS AGO

EPW, September 6, 1969

Two years of labour to establish its findings appear to have so exhausted the Dutt Committee on industrial licensing policy that it went about gathering wool when it came to making recommendations for improving the licensing system... To stop altogether the growth of larger and foreign houses and companies would, in addition to demoralising and breaking up organisational teams, lead to production bottlenecks in the immediate future when the boom in economic activity, which everybody hopes for, would enlarge the demand for both capital and consumer goods... Again, while the committee is legitimately exercised over some large firms installing "capacity far larger than licensed and [producing] outputs much larger than the capacity licensed to them", it has not produced any solution which would do away with the mythical concept of capacity and replace it with operationally meaningful quantities like investment and foreign exchange allocation ...That the committee's thinking on controls was cast in an outdated pocket-sized mould (rather like the rajah of yore going round the village kingdom to see things for himself or the PWD overseer located at site) is clear from the manner in which it confidently recommends the appointment of directors by public institutions wherever financial assistance is extended by them.

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By their agitated reaction to recent developments in the Congress, the other parties have once again acknowledged that Congress remains to be the centre-piece of Indian politics... There are the parties which are proceeding on the assumption that the split in the Congress, though not formal yet, is nevertheless real and see their future role mainly in aligning themselves with the one or the other of the Congress phalanxes... To Swatantra and Jan Sangh the split in the Congress is between nationalist-democratic elements and those who are either pseudo-communist or are bound to play into the hands of the communists... Also an exponent of a national front, but of 'progressive' forces, is CPI. The party's national council has emphasised the need to support the Indira Gandhi faction in Congress to prevent a "rightist takeover of power"... This leaves the SSP alone still clinging to all-out anti-Congressism which had its heyday just after the 1967 general election... It is of some interest that the one party with perhaps the most ambivalent attitude to recent developments is CPI(M). A lengthy statement adopted by the party's Central Committee in July claims that the party... refuses to believe that the threatened split in Congress is between "pro-monopolist and non-monopolist bourgeoisie"; at the same time it does not dismiss the crisis in Congress "as simply a factional quarrel" and affirms that CPI(M) is "vitally interested in inflicting a defeat on the Syndicate"... Here was CPI(M) once again trying, self-consciously but unsuccessfully, to sound different from CPI!

STATISTICS

Index Numbers of Wholesale Prices (1981-82 = 100)	Weight	Latest Week (19-8-89)	Variation (per cent) Over Last Month	Over Last Year	Over March 25, 1989	In 88-89++	In 87-88	In 86-87	In 85-86
All Commodities	1000	165.4	1.3	7.1	5.4	6.3	5.3	5.7	7.1
Primary Articles	NA	166.7	1.8	3.2	6.3	4.8	5.2	2.0	4.8
Food Articles	NA	187.4	1.4	4.0	7.9	9.1	6.6	6.8	6.4
Non-food Articles	NA	162.9	3.2	2.1	4.7	−6.7	6.4	−10.2	−2.3
Fuel, Power, Light and Lubricants	NA	156.0	0.1	4.1	0.5	5.2	6.8	11.9	2.6
Manufactured Products	NA	166.4	1.3	10.1	5.9	7.9	4.9	7.2	6.0

Cost of Living Index	Base	Latest Month	Variation (per cent) Over Last Month	Over Last Year	Over March 1989	In 1988-89	In 87-88	In 86-87	In 85-86
For Industrial Workers	1960 = 100	838^6	0.6	7.2	2.4	9.1	9.1	8.8	6.5
For Urban Non-Manual Employees	1984-85 = 100	142^6	1.4	6.8	2.9		9.6	7.9	7.9
For Agricultural Labourers	July 60 to June 61 = 100	727^5	0.8	9.0	−0.3		9.8	4.8	4.8

Money and Banking		Latest Week (11-8-89)	Variation (per cent in brackets) Over Last Month	Over Last Year	Over March 24, 1989	In 88-89	In 87-88	In 86-87	In 85-86
Money Supply (M_3)		2,04,161	1,683	29,662	12,929	27,225	22,027	22,295	14,423
			(0.8)	(17.0)	(6.8)	(16.7)	(15.7)	(18.8)	(13.9)
Net Bank Credit to Government Sector	Rs crore	1,08,528	1,208	13,768	11,704	12,738	12,811	12,776	6,555
Bank Credit to Commercial Sector	Rs crore	1,30,929	462	21,258	2,896	18,752	12,389	11,294	10,963
Net Foreign Exch Assets of Banking Sector	Rs crore	5,935	216	1,326	−172	637	673	1,314	13
Deposits of Scheduled Commercial Banks	Rs crore	1,50,071	2,574	22,839	5,296	21,385	15,321	17,320	13,160
			(1.7)	(18.0)	(3.7)	(18.1)	(14.9)	(20.3)	(18.2)
Foreign Exchange Assets**	Rs crore	5,513	44	−155	−365	−830	−508	604	+197
			(0.8)	(−2.7)	(−6.2)				

Index Numbers of Industrial Production (1980-81 = 100)	Weights	Latest Month (March) 1989	Averages for* 1988-89	1987-88	Variation (per cent) In 1988-89	In 1987-88	In 1986-87	In 1985-86
General Index	100.0	208.1	181.0	166.4	8.8	7.3	9.1	8.6
Basic Industries	39.4					5.6	9.2	6.8
Capital Goods Industries	16.4					16.0	18.2	10.6
Intermediate Goods Industries	20.5					4.7	4.4	7.5
Consumer Goods Industries	23.6					7.4	7.1	12.5
Durable Goods	2.6					7.6	18.9	18.7
Non-Durable Goods	21.0					7.4	4.9	11.5

Note: The index numbers of industrial production by use-based classification are not available beyond March 1987

Foreign Trade	Unit	Latest Month (June 89)	Cumulative for* 1988-89	1987-88	1987-88	1986-87	1985-86	1984-85	1983-84
Exports	Rs crore	1,972	6,039	4,348	15,719	12,569	10,895	11,744	9,771
					(25.1)	(15.4)	(−7.2)	(20.2)	(11.0)
Imports	Rs crore	2,645	6,663	6,461	22,343	20,201	19,658	17,134	15,831
					(10.6)	(2.8)	(14.7)	(8.2)	(10.8)
Balance of Trade	Rs crore	−673	−1,734	−2,113	−6.624	−7,632	−8,763	−5,390	−6,060

Employment Exchange Statistics	Unit	Latest Month (Feb 89)	Cumulative for* 1989	1988	1988	1987	1986	1985	1984
Number of Applicants on Live Registers (as at end of period)	Thousand	30,246	30,246	29,821	30,050	30,247	30,131	26,270	24,861
					(−0.7)	(0.4)	(0.4)	(0.4)	(7.9)
Number of Registrations	Thousand	370	884	906	6,028	5,465	5,473	5,824	6,220
					(10.3)	(−0.2)	(−6.0)	(−6.4)	(−8.0)
Number of Vacancies Notified	Thousand	35	75	85	542	621	616	683	707
					(−12.7)	(0.8)	(−10.0)	(−3.4)	(−15.5)
Number of Placements	Thousand	18	44	65	340	360	356	388	407
					(−5.6)	(1.1)	(−8.2)	(−4.7)	(−16.3)

Income	Unit	1988-89@	1987-88++	1986-87++	1985-86	1984-85	1983-84	1982-83	1982-81
Gross Domestic Product (current prices)	Rs crore	2,93,306	2,60,680	2,33,305	2,06,732	1,86,406	1,58,851	1,42,876	1,22,226
Gross Domestic Product (1980-81 prices)	Rs crore	1,70,363	1,64,441	1,56,083	1,48,955	1,44,391	1,33,830	1,29,776	1,22,226
Per Capita Income (1980-81 prices)	Rupees	1,918	1,892	1,836	1,791	1,781	1,687	1,686	1,627

* For current year upto latest month for which data are available and for corresponding period of last year.
** Excluding gold and SDRs. + Upto latest month for which data are available.
++ Provisional data. @ Quick estimates.
Notes: (1) Superscript numeral denotes month to which figure relates, e g, superscript[1] indicates that the figure is for January and so on.
(2) Figures in brackets denote percentage variation over previous period.

TATA TEA

Boom Continues

TATA TEA has established a pilot plant at Munnar for the production of button mushrooms and has commenced test marketing the produce. It is intended to set up a major export-oriented project in the future. Other projects in the pipeline include a spice processing centre at Cochin and a medicinal and aromatic plant processing centre at Munnar. The company also proposes to develop lands/estates which may form part of its business activities. The company has achieved sales of Rs 209.11 crore during the 15-month period ended March 1989 as compared to Rs 136.18 crore in the previous 12 months and earned a gross profit of Rs 28.62 crore against Rs 29.55 crore. Net profit is Rs 17.07 crore (Rs 11.05 crore). The directors have recommended a final dividend of 35 per cent on the capital enlarged by a two-for-five bonus issue which together with the interim of 15 per cent makes a total of 50 per cent as against 45 per cent paid for 1987. The quantum of dividend amounts to Rs 7.81 crore, an increase of about 55 per cent over the sum of Rs 5.11 crore paid for the previous year. The extension of the accounting year has involved the inclusion of the operations of two January-March quarters during which most tea companies, particularly those in north India, have hardly any production of black tea and expenses generally exceed income.

Total tea production was approximately 58 million kgs compared to the 1987 production of about 49 million kgs. The performance of the packet tea division showed further improvement. Plans are being finalised for setting up a new packeting centre in north India to cater to the demand from that area. Profits from export sales of packet teas also showed improvement. The company takes pride for the pioneering role performed by it in the growth and development of polybags which ensure garden fresh teas of good quality to the consumers at economic and fair prices. Following the lead given by Tata Tea in this regard, many other companies including established multinational tea packeters have come into the market with their own brands of polybags.

The company continued to be active in the areas of bulk and value added tea export to the US, UK, Europe, Iran and other Middle East countries. Very large export orders for the supply of bulk and packet tea to Iran have recently been entered into and negotiations are currently under way with other countries for undertaking similar business. The instant tea market in the US continued to shrink, exacerbating the already fierce competition which the company had to face from both US and overseas producers of instant tea. As a result, exports of instant tea to the US have shown a decline with a corresponding decline in margins and profitability. The company's earnings in foreign exchange amounted to Rs 34.31 crore inclusive of Rs 22.98 crore contracted for payment in rupees. Expenditure in foreign exchange was only Rs 89 lakh. The company has agreed to transfer the shipping agency affairs of P and O Containers to a separate company which has been floated by the latter so as to have full control over its agency affairs in India. Tata Tea will, however, be adequately and satisfactorily compensated for the loss of the business which it has built up over the last eight years.

The Week's Companies *(Rs Lakh)*

		Tata Tea		Tata Press		Colour-Chem	
		Latest Year 31-3-89*	Last Year 31-12-87	Latest Year 31-3-89	Last Year 31-3-88	Latest Year 31-3-89	Last Year 31-3-88
Paid-up Capital		1709	1221	157	157	794	794
Reserves		7879	5482	635	586	1348	1209
Borrowings		6943	4711	1010	1024	2017	1725
of which Term Borrowings		1766	1925	632	733	490	590
Gross, fixed assets		10054	8773	1689	1661	4918	4733
Net fixed assets		7167	4417	1168	1225	1736	1776
Investments		5336	2894	74	70	139	146
Current liabilities		3793	3765	357	269	3519	2644
Current assets		7652	7712	900	738	5880	4557
Stocks		2664	3878	264	178	2680	2054
Book debts		1349	1421	469	398	2713	2207
Net sales		20911	13638	1492	1211	8616	7306
Other income		1257	830	79	77	456	289
Raw material costs		1197	948	589	456	5181	4153
Wages		4269	3159	322	265	983	878
Interest		1045	722	129	129	501	410
Gross profit (+)/loss (−)		2862	2955	179	128	646	655
Depreciation provision		505	1033	85	55	239	231
Tax Provision		650	817	11	3	105	125
Net profit (+)/loss(−)		1707	1105	83	70	302	299
Investment allowance reserve		—	—	1	15	—	—
Transfer to reserves		926	594	47	27	127	140
Dividend							
Amount	P	—	—	—	—	—	—
	E	781	511	35	28	175	159
Rate (per cent)	P	—	—	—	—	—	—
	E	50	45	22	18	22	20
Cover (times)		2.19	2.16	2.37	2.50	1.72	1.90
Ratios (per cent)							
Gross profit/sales		13.69	21.67	12.00	10.57	7.49	8.96
Net profit/capital employed		17.80	16.48	10.48	9.55	14.10	14.94
Inventories/sales		12.74	28.43	17.19	14.70	31.10	28.10
Wages/sales		20.41	23.16	21.58	21.80	11.43	12.02

* 15 months.

TATA PRESS

Higher Profit Margin

TATA PRESS has fared better during 1988-89 with increase in sales from previous year's Rs 12.11 crore to Rs 14.95 crore and in gross profit from Rs 1.28 crore to Rs 1.79 crore. These figures also show enhanced profit margins. Net profit is Rs 83 lakh (Rs 70 lakh). Dividend has been stepped up from 18 per cent to 22 per cent and is covered 2.37 times by earnings as against 2.50 times previously. The company expects to maintain this trend in the current year.

Considering the distinct market trend towards four-colour printing, the management has decided to add one more such machine which will be imported and is expected to be operative in August/September this year. Following the amendments to the Companies Act, many large and medium size companies have chosen to opt for abridged form of reports to shareholders. The company is a leader in the printing of corporate reports and this has been a significant part of its business in the past. The directors, however, hope the amendments will not impair the company's results over the long term.

COLOUR-CHEM

Structural Changes

COLOUR-CHEM has earned a slightly lower gross profit of Rs 6.46 crore than the previous year's Rs 6.55 crore despite an 18 per cent increase in sales at Rs 86.16 crore against Rs 73.06 crore. Sizeable increase in material costs and the company's inability to increase prices to the extent warranted led to continuing squeeze on profit margins. Chronic shortages and uncertainty in the availability of many essential inputs, moreover, necessitated build-up of inventories, which increased carrying costs. With a saving in tax liability, after tax profit turned out to be a shade higher at Rs 3.02 crore (Rs 2.99 crore). The increased dividend of 22 per cent is covered 1.72 times by earnings as against 1.90 times previously. The company's export earnings during the year

amounted to Rs 10.87 crore FOB as against Rs 9.12 crore in 1987-88.

A far-reaching change in the company's structure has been initiated to reinforce its future prospects. Bayer and Hoechst have been the company's technical-cum-financial collaborators since its inception and each of them holds 16.4 per cent of its equity capital. Both collaborators have been examining ways and means of promoting the diversification of the company's activities and they have agreed that Bayer will transfer its shareholding in the company to Hoechst, subject to the requisite approvals of the appropriate authorities in India. B M Ghia, chairman, feels that the emergence of Hoechst as the sole collaborator of the company augurs well for the company's further development. The company and Tamil Nadu Industrial Development Corporation (TIDCO), who jointly promoted Vanavil Dyes and Chemicals (VDC), have agreed that the company will purchase 6,24,000 equity shares in VDC held by TIDCO at a price not exceeding Rs 25 per share. On completion of the proposed acquisition of this block of shares, the company's holding in VDC's equity will increase to nearly 51 per cent. The company could then induct additional resources and fresh technology for expansion and diversification at VDC.

Meanwhile, Colour-Chem's turnover during the first quarter of the current year has been 30 per cent higher than that achieved during the corresponding period of last year. But its Roha factory was severely damaged by heavy rains and flash floods which occurred on July 24/25. The chairman estimates the damage in the region of Rs 125 lakh to Rs 150 lakh.

BANK OF MADURA

All Round Progress

BANK OF MADURA's performance during the year ended March 1989 has excelled that in earlier years in many important respects. The bank's total deposits increased from Rs 260.39 crore in 1987 to Rs 299.55 crore at the end of March 1989, recording a growth of 15 per cent as compared to growth rates of 13.75 per cent and 11.57 per cent in 1986 and 1987 respectively. The bank's aggregate deposits (excluding bank deposits) rose from Rs 254.57 crore at the end of 1987 to Rs 297.01 crore at the end of March 1989, registering a growth of 16.6 per cent, as compared to the growth rates of 9.12 per cent and 14.66 per cent in 1986 and 1987 respectively.

With increase in the resources, the bank was able to attain a growth rate of 19.2 per cent in advances at the end of March 1989, when its total advances increased by Rs 31.09 crore from Rs 161.92 crore to Rs 193.01 crore. Advances had increased by Rs 6.65 crore in 1987. The average credit-deposit ratio which was 72.90 per cent in 1986 has been consciously brought down to 62.90 per cent at the end of March 1989 by augmenting resources through scientific planning, well-laid policy guidelines and specific marketing strategies. Advances to the priority sector which formed 35.60 per cent of total advances as at the end of 1987 rose to 39 per cent as on March 30, 1989. The bank is confident of reaching the goal of 40 per cent shortly. The turnover of foreign exchange business handled during the period amounted to Rs 246 crore as against Rs 127 crore in 1987. The volume of export and import business amounted to Rs 66 crore compared to Rs 48 crore during the previous year.

The period under review resulted in a net profit of Rs 127.28 lakh showing an increase of Rs 24.78 lakh. The rate of increase in profits was 24.18 per cent. But for the payment of Rs 1.15 crore towards arrears of wages, the increase would be 136.38 per cent.

The bank had a total number of 249 branches in March 1989. During the year four rural branches were opened. In June 1989 one metropolitan branch was opened at Kukutpally, Hyderabad. The bank's network now comprises 250 branches, of which 104 are in rural centres, 51 in semi-urban, 56 in urban and 39 in metropolitan centres. The bank has 42 per cent of its branches in rural areas all of which are in Tamil Nadu.

USHA RECTIFIER

Integrated Steel Complex

USHA RECTIFIER CORPORATION plans to invest over Rs 1,500 crore in setting up an integrated steel complex at Amethi un UP. In the first phase, involving an investment of Rs 711 crore, the company would set up a gas-based sponge iron complex with a capacity of 8,00,000 TPA of hot briquetted iron. The complex will include a captive 1.2 million tonnes iron ore pelletisation plant and a 60 MW gas-based power plant. The plant would use high grade iron ore fines from NMDC's Bailadila mines in Madhya Pradesh as raw material. The final product, hot briquetted iron (HBI) is a better substitute for steel melting scrap and is used by all mini steel plants and the integrated steel plants under SAIL. In fact SAIL has offered to purchase 3,00,000 TPA from the company on a long-term basis. The second phase of the complex would involve setting up of two 70-tonne electric arc furnaces together with the latest thin slab caster and a 5,00,000 TPA steckle mill to produce hot rolled coils. These facilities including expansion of HBI production would involve an additional investment of Rs 800 crore.

The total project would be financed through issue of fully convertible debentures totalling approximately Rs 700 crore which would be offered to equity shareholders, fully convertible debenture-holders and the general public. The terms for the issue are under finalisation by the Controller of Capital Issues.

Work on the project has already been started by Engineers India who have been retained by the company for detailed engineering, project consultancy and turnkey commissioning of the plant. The process technology would come from either MIDREX Corporation, USA (a subsidiary of KOBE Steel, Japan) or from HYL SA of Mexico.

The company is negotiating with Voest Alpine of Austria and Lurgi GmbH and MAN-GmH of West Germany for the supply of plant and machinery.

Usha Rectifier's existing operations are also doing extremely well. The company achieved a turnover of approximately Rs 50 crore in the first six months of the current year and is expected to reach a turnover of Rs 120 crore by the year-end. Profit after tax was Rs 5.86 crore for the first six months and is expected to be around Rs 14 crore for the full year. The company's Bimtal operation has started production and the company is already in the market with its TV kit components. The company is a leader in the electronic semiconductor industry and supplies to almost all the major clients in the country.

IN THE CAPITAL MARKET

Essar Gujarat

ESSAR GUJARAT is entering the capital market on September 18 with a convertible debenture issue of Rs 400 crore. Out of this, Rs 137 crore will be offered to existing shareholders of the company on a rights basis. Out of the balance, Rs 54 crore have been reserved for allotment to group companies and employees and Rs 69 crore for allotment to NRI investors. Debentures of the value of Rs 145 crore are to be offerd to the Indian public. Each debenture offered to the public will be of the face value of Rs 180 and will be converted in two stages, in June 1990 and June 1992, into four equity shares at an average maximum price of Rs 45 each. Essar Gujarat shareholders are to be offered a minimum of three debentures for every ten shares held on a rights basis. Each debenture will be of the face value of Rs 200 and will entitle the shareholder to five shares on conversion at a maximum average price of Rs 40 per share. Essar Shipping shareholders will be given a minimum of 10 debentures from the quota reserved for group companies at a price of Rs 180 per share. The proceeds from the debenture issue will part finance Essar Gujarat's proposed export-oriented steel plant with a capacity of 8 lakh tonnes per annum. The debenture issue is notable for the frills which have been added on to it. These include: (1) Arrangement with some banks to provide loans for payment of allotment money repayable over a maximum period of three years. (2) Arrangement with three nationalised banks—Andhra, Central and Canara—to enable use of their credit cards by applicants for the debenture issue. (3) Issue of a tradable warrant with every debenture entitling the holder to apply for an equity share at any time between the fourth and fifth year from the date of allotment at a price to be determined by the Controller of Capital Issues but not exceeding Rs 70. The warrant is proposed to be listed with stock exchanges to permit tradability. (4) Issue of a 'loyalty coupon' of Rs 10 with each debenture as an incentive to shareholders who retain their shares after two conversions for three years from the date of allotment of the debenture. The company is also simultaneously offering 14 per cent secured non-convertible debenture of Rs 100 each for a total value of Rs 100 crore. The non-convertible debenture issue will open on November 8.

Larsen & Toubro

LARSEN & TOUBRO's convertible debenture issue of Rs 820 crore will open on October 4. Out of the proposed issue, debentures worth Rs 200 crore (inclusive of Rs 9.5 crore reserved for employees) will be offered on rights basis. Shareholders will be offered additional debentures worth Rs 60 crore on preferential basis. Similarly, holders of L & T debentures of Series III will be offered debentures worth Rs 50 crore on preferential basis. Of the balance, debentures worth Rs 310 crore will be offered on preferential basis to shareholders of Reliance Industries and Reliance Petrochemicals. The face value of the debenture is Rs 300 (Rs 290 in the case of the rights issue) which will be converted into five equity shares. The first conversion will be at the end of six months, the second at the end of 18 months and the third at the end of 30 months from the date of allotment. The premium for the first conversion will be Rs 30 per share for shareholders under the rights issue and Rs 40 for others. The second conversion will be at a premium of Rs 50 and the third will be at a premium as determined by CCI, not exceeding Rs 55 per share.

Su-Raj Diamonds (India)

SU-RAJ DIAMONDS (INDIA)'s rights issue opened on September 1. The rights issue comprises 50,15,115 equity shares of Rs 10 each at a premium of Rs 40 per share aggregating Rs 25.08 crore, which includes 5 per cent reservation for employees/working directors. The object of the issue is to augment the long-term resources for expansion of the company's business. The issue, which will close on September 30, is structured so that Indian residents have to invest only Rs 25 (Rs 5 towards share capital and Rs 20 towards share premium) immediately and an equivalent amount around April 1990. Meanwhile, liquidity will be ensured since these partly paid rights shares will be separately listed on the Bombay, Ahmedabad and Delhi stock exchanges. The Su-Raj group, which is amongst the leading manufacturers and exporters of cut and polished diamonds from India, is implementing a project for installation of approximately 960 sawing machines at Jodhpur which will make it one of the largest sawing factories in the world. The project is at an advanced stage and is expected to be commissioned shortly. The company has pioneered the introduction of the technology for 'sawn' diamonds in India. The company has turned out encouraging results for the 11-month period ending March 31, 1989, with turnover at Rs 72.61 crore as against Rs 51.08 crore in the previous year, representing an increase of 55 per cent on an annualised basis. Profit after tax, which increased from Rs 4.34 crore in 1987-88 to Rs 6.29 crore in 1988-89 (11 months), also showed an impressive growth of 58 per cent on an annualised basis. Dividend has been hiked by 5 points to 20 per cent (annualised). Earning per share, which stood at Rs 9 in 1987-88, grew to Rs 14.4 on an annualised basis in 1988-89. The company's estimated turnover for 1989-90 is in the region of Rs 130 crore. For the first quarter of the current financial year exports totalled Rs 27 crore as against Rs 13 crore in the corresponding period of the previous year. The company commissioned a modern automated jewellery manufacturing unit at SEEPZ in 1988-89.

Quality Steels and Forgings

QUALITY STEELS AND FORGINGS is making a public issue of 18 lakh equity shares of Rs 10 each for cash at par aggregating Rs 1.80 crore. The issue is intended to provide part of the finance for the company's technology upgradation, expansion and diversification programme. The company is installing at its steel melting plant in Kalal in Panchmahals in Gujarat secondary metallurgical treatment facilities to give the cast steel substantially higher strength and to render it free from harmful gases and non-metallic inclusions. The company is also setting up its own forge shop which will enable it to transfer hot metal and thereby conserve fuel and increase realisation. As part of diversification, the company proposes to set up a separate ferro-alloy plant at Meghnagar in Madhya Pradesh. The public issue will open on September 27.

NOTICE

It is hereby notified for the information of the public that McDOWELL & CO. LTD., propose to make an application to the Central Government in the Department of Company Affairs, New Delhi, under Sub-Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969 for approval to the establishment of a new undertaking as a division of the Company. Brief particulars of the proposal are as under:

1. Name and address of the owner of the undertaking	:	McDOWELL & CO. LTD. Le Parc Richmonde 51, Richmond Road Bangalore 560 025
2. Capital structure of the applicant organisation	:	Equity / Pref (Rs. Lac) Authorised: 1500 / 88.80 Issued & Fully-Paidup: 768.25 / 9.48
3. Management structure of the applicant organisation indicating the names of the Directors & Manager, if any	:	a. Mr. Vijay Mallya b. Mrs. Ritu Mallya c. Mr. S.J. Kaul d. Mr. M.P. Talwar e. Mrs. Lalita Mallya f. Mr. D. Basappa g. Mrs. Prema Mallya h. Mr. B.P.R. Sarcar
4. Whether the proposal relates to the establishment of a new undertaking or a new unit/division	:	New Unit, as a division of the Company.
5. Location of the new unit	:	Chindwara or Datia Districts Madhya Pradesh
6. In case the proposal relates to the production/ storage, supply, distribution, marketing or control of any goods, articles, indicate:		
a. Names of the goods/articles	:	Potable Alcohol
b. Proposed licensed capacity	:	50 Lac Litres/Annum
c. Estimated annual turnover	:	Rs. 67.50 Crore
7. Capital structure of the proposed undertaking	:	The proposed undertaking will be a unit of the applicant organisation and therefore will not have a separate capital structure.
8. In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover etc.	:	Not Applicable
9. Cost of the project	:	Rs. 16.57 Crores
10. Scheme of financing, indicating the amounts to be raised from each source	:	Partly from Internal Accruals and the balance by raising Loans and Leasing.

Any person interested in the matter may make a representation to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi 110 001, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

for **McDOWELL & CO. LTD.**

P.B. MAHADEVAN

Date: 17.8.89

Calcutta Diary

A M

The innocent millions, whose formal votes have been instrumental for the sustenance of India's ruling dynasty till now, have to be weaned away from their loyalty to the concept of advaita. *The first blow for Enlightenment, the necessary condition, one could say, is to dismantle the belief that the dynasty, this* particular *dynasty, has the divine, eternal right to rule India and that, without its benign presence, the nation is bound to collapse.*

HARYANA is next door to the nation's capital. Even more relevant, it is quintessential Aryavarta. The cultural norms prevailing there could not be more reassuring: never mind you and I being less than a dozen years away from the twenty-first century, the Dark Ages are for ever. Sons take it as their natural right to indulge in outrageous activities on the strength of political offices held by fathers. Sons-in-law, erstwhile no-good vagabonds, emerge overnight as billionaires. Daughters-in-law die from mysterious gunshot wounds. Amendments are suggested to the Hindu Succession Act to prevent married daughters from enjoying a share in parental property. Arguments to justify such behaviour and attitudes bear the common pattern of crudity already made familiar by legislators from the northern plains, operating under the benign guidance of Shankar Dayal Sharma and Balram Jakhar, in the august parliament. Between those ranged on this side of the political divide and that side, there is, as far as public conduct goes, hardly any noteworthy difference. They represent the quality of *avyaya*—the aspect of both immutability and indestructibility—of Indian non-civilisation. The stupendous experiment with democracy in the country, the hurly-burly of it, they take to be an extension of the tussles over feudal inheritance in which they are particularly at home. The age of feudalism is, for them, by no stretch over. They are very much living in it, savouring its delights with every pore of their existence. The current goings-on therefore add up to theatre with a split image: on the surface, the inexorable forces of democracy are on the march; below the surface, the skulduggery of olden days renews itself every hour on the hour, on all days in the week, in all weeks of the month, in all months of the year.

This is where apologists for the regime-that-be in New Delhi bestir themselves. While outwardly a sophisticated lot, they in fact have been able to put little distance between their natural crudity and their cultivated airs. Since the Devi Lals, so their plea runs, are no improvement over what we have been offering you, why bother to change? The argument soon drifts into the familiar known-devil-*vis-a-vis*-the-unknown-one claptrap. Attention is drawn to the incidental advantages they—the present crowd—can ensure. For instance, certain external economies flow from the fact of having foreign in-laws; one is, willy-nilly, forced to get involved, or take an interest, in happenings elsewhere in the world; once the public school ethos is substituted by the Haryanvi coda, only factors affecting the Holstein breed are likely to determine the country's international relations, nothing else will matter; be sensible, you cannot allow that kind of thing to happen to your nation, why not stay with, let us say, Pietco.

The danger, let it better be confessed, is real. In case, following the coming Lok Sabha elections, the dynasty collapses and the alternative crowd takes over, there could indeed be a retrogression in one or two socially crucial areas; new versions of Raj Narains might begin to show their face, a denouement one does not greatly look forward to. On a balance of considerations, however, it might still be desirable to opt for a change. The medieval mind is a formidable corpus. It has entrenched itself over the centuries. It would not obligingly disappear merely because the electorate chose to vote in a particular manner in a particular season. Precisely on account of that, it might make sense to compartmentalise the problem and combat what has to be combated bit by bit. Much can be said, for example, in favour of assigning priority to the task of demolishing the myth of indestructibility of the 'royal' household. The Devi Lals are, as the cliche goes, no great shakes. In some matters they would indeed try to drag us into darker chambers of medievalism. At least in the present context, though, the Leninist edict of moving one step back in order to proceed two steps forward has a major significance. In the dens and jungles of the northern states, there are princes galore, many of them belong to the old families, a few have come up in the course of the past quarter of a century as a consequence of the new agricultural strategy. Once the dynasty falls, some of them are bound to try to push themselves to the front, and one or two amongst them are likely to succeed, even if temporarily. They, there is no question, would not be any great improvement over the dynasty. They might even nurse the ambition to set up dynasties of their own. But at least these would not be the *same* dynasty. The innocent millions, whose formal votes have been instrumental for the sustenance of the dynasty till now, have to be weaned away from their loyalty to the concept of *advaita*. The first blow for Enlightenment, the necessary condition, one could say, is to dismantle the belief that the dynasty, this *particular* dynasty, has the divine eternal right to rule India and that, without its benign presence, the nation is bound to collapse. The awareness that reality can have a different texture from what All-India Radio and Doordarshan have conditioned them to is a gain which, in the present circumstances, is impossible to assess in terms of conventional weights and measures. It is worth suffering all the obscenities a phase of the Devi Lals might inflict provided the electorate could be persuaded to get used to the idea of an India surviving even without the dynasty. The sense of wonder, accompanied by a sense of self-assurance likely to be experienced would be comparable to what the young brat feels the first time he balances himself on the bicycle without leaning on the handle-bar: look mom, no hands; look, we are without the dynasty and yet we have not collapsed.

True, at this stage, other logic-choppers might intervene. Have we not been here before, did not we get rid of the lady a little over a dozen years ago, the dynasty did not however disappear, the country's millions needed the dynasty, which had enough resilience to bounce back, and in about two and a half years, history was restored to where it belonged; what gives you confidence that, even assuming that you succeed a second time to eject the dynasty, it would not stage a come-back taking advantage of the faction fights amongst the Pindaris? Whether the Indian nation needs the dynasty as much as it needs air and water to survive is a proposition which cannot be independently tested in a laboratory; it is a matter of value judgment and therefore beyond the pale of debate. One might also brush aside the implications of the adage once-bitten-twice-shy, whichever way it is interpreted. Even so, a qualitative difference exists between the situation obtaining twelve years ago and what obtains now. The lady was a one hundred per cent political animal, tough, single-minded in the pursuit of targets and totally ruthless; following her defeat, she made it her business to chart a course which would pave her triumphant return within a space of a bare few years. The lady's son, in contrast, continues to provide the impression that, while he much enjoys the regalia of power, he is innocent of the art and artefacts of political battlement. Once he is dislodged from the throne, he might simply decide to call it quits, without bothering in the least about the fate that might overcome the party he presides over. The exercise of royalty can of course be habit-forming, and the temptation to return to power and glory might still instil a kind of ferocity in the person which was not there earlier. But ferocity by itself is likely to prove to be small change. In order to withstand the buffetings of for-

une and reclaim the kingdom, it would, in he first place, be imperative to retain the oyalty of the servitors. Given the son's rather indifferent record of electoral performance over the five years of his reign, should he in addition be at the receiving end of a huge drubbing in the national polls due in the winter, the erstwhile retainers might arrive at their own conclusion, namely, the triumph in December 1984 was exclusively on account of the burning embers of the mother's funeral pyre; since funeral pyres are not for ever, there was little point in not shifting their loyalty.

Once that realisation establishes itself, the *advaita* cult would receive the final *coup de grace*. In the liberalised environment, dynasties would then begin to compete with one another. To be fair, some of these dynasties might be even more greatly in love with the Dark Ages than the present one is. That, let it be agreed, would be retrogression. On the other hand, the people would have come to the knowledge that no dynasty was for ever, and, besides, it was given to them to topple an entrenched one. At that stage, even such ideas might threaten to sprout that all dynasties, new and old, deserve to be dumped into the dustbin of history. *That* would be no retrogression, but progress. Sometimes events crawl, sometimes they unfold without seemingly conforming to any logical system, something they turn upon themselves. The sum total of such happenstances still constitutes that grand, magnificent process we call history.

POTOMAC MUSINGS

The Last Laugh in Afghanistan

Deena Khatkhate

The Americans saw in Afghanistan a replay of their own trauma in Vietnam, only this time the victims would be the Russians. And it almost happened that way—almost but not quite.

FIFTEEN years have gone by and yet very few have known about what exactly happened in Vietnam that destroyed first the American armour, then the American army and finally this greatest nation's self-confidence. America had all the resources, all the manpower, all the support of its allies, but all in vain. They came a cropper; scapegoats were sought and also found. The media played foul, the students rioted, the draft dodgers' ranks swelled, liberalism sapped the very vitality of the nation. Hence America must go back to its roots, the roots of its bravado, its cruelty, its predatory onslaught on the Indians to make a nation. And when the memories of the ignominy were about to fade, there came the adventure of Brezhnev's Russia which sent its army of over a hundred thousand men into Afghanistan. At last the Americans were gleeful. The same Russians had been smiling in their sleeves at the US predicament in Vietnam and now they would meet their Vietnam in Afghanistan. Before their minds' eyes, the whole traumatic saga of Vietnam resurged, only that this time the Russians would be the victims and they the gloaters.

And it almost happened that way. The Russians got sucked in till there arose a new star, Gorbachev, on the Russian firmament to announce the Russian withdrawal. Though superficially, the Americans greeted the news with a sense of relief, deep down they wished for a Russian debacle. Aren't the Afghans great fighters? They would be on the Russians' trail. While the Russians were retreating they would be stewed in their own juice—as the Americans were, in the final hours of the Vietnam war. The tales of wishful thinking went on long into the Arabian nights.

The deadline of February 15, 1989 came and has gone. The Russian army is back in Russia and in the barracks. But the expected denouement has not come about, disappointing the Americans. The fib was floated that Najibullah's government would collapse the moment the Russians were gone. Were not the Russians defeated as the Americans had been in Vietnam and if Americans had been trounced why would not the Russians be? Are they superhuman? The Mujahideen are strong, armed and supported by American dollars. But lo and behold, the Russians are out, but Najibullah is still there, deeply entrenched, even stronger than before and smiling with the newly-acquired confidence of a victor. Mujahideen are banging their heads on the outer walls of Jalalabad, with their noses rubbed in dust and the rotting flesh of their dead comrades all around.

Hyperbolic reportage in American papers about the heroic struggle of the Mujahideen, day in and day out, has destroyed the credibility of the so-called free press of the free world. The reports were managed by the American administration and the governments of the other western countries in no way differently from the way the Indian press is. Blind anti-communism and self-serving analyses of Russian motives led them up the garden path, with made-up stories about the valour and bravado of the Afghan guerrillas. When the Najibullah regime survived for three months after the Russians' withdrawal, the truth began to emerge. The people here, as elsewhere, had been taken for a ride by the press and the western governments. The same press is now providing different tidings. Najibullah's party, the PDPA, is "now stronger than was supposed and it has indeed a strong base in cities and an inde-terminate amount of support throughout Afghanistan". The Russians had left not because they had lost the war but because of a shift in their geopolitical strategy with Gorbachev's ascendancy. Russians has reached the point of what Paul Kennedy would describe as "imperial overstretch". It can no longer follow hegemonistic policies internationally unless it resolves its internal social tensions, reforms its productive apparatus and provides outlets to the people for articulation of their aspirations and hopes. In this grand power game Afghanistan is a small change. True, the Russians did not cover themselves with glory in their Afghan occupation, but neither were they vanquished by the guerrillas armed by the Americans. In the Russian calculus the gains of exit are far in excess of the losses. There was thus no question of the Russians meeting their Vietnam in Afghanistan. Russia knows, as Americans and the world know, that Afghanistan cannot and would not remain beyond the pale of Russian influence. Geopolitical factors would never permit it.

What about the so-called brave Mujahideen? They are riff-raff drawn from squabbling and warring tribal communities. They have used American money for opium traffic and arms to mutilate and murder their own people more than the enemy. Selig Harrison, who is a pariah now in the American political arena, has been hammering home the point for months that the US government knows very little about the regime it has been seeking to overturn for so long and that the American press has fed the public cock and bull stories. He has produced the most damaging evidence about the American press. He has disclosed that "those few US journalists who got as far as Kabul and had the backbone to controvert received wisdom had their copy either rewritten or cut to ribbons. Most journalists just sat in the Intercon in Peshawar and did nothing." He knew of one journalist "who was eating his dinner when he was asked to file a story urgently to New York. He went out and made up completely phony footage."

The cozenage was not confined only to the realm of newspaper reporting but extended to portraying the Mujahideen as a patriotic band of Afghans, yearning for the liberation of their land. That they were the satanic errand boys of Khomeini was veiled, that they were a pipeline for heroin transmission to the western countries was pigeon-holed, that they perpetrated the most heinous kind of crimes and atrocities on their fellow countrymen was swept under the carpet. Now everything has come out in

the open. Thousands of prisoners were mutilated and women raped. Raza Anwar, an Afghan not by any means a friend of Najibullah, has written in his book that "to the Mujahideen it is the observance of Islam itself to torture and mutilate the bodies of captured rebels". There have been several defections from the ranks of the Mujahideen to the Afghan government, repelled by the cruelty of the rebels. By just being Najibullah's enemies, the Mujahideen increased the ranks of the friends of the regime. Shrewed as he is, Najibullah skilfully exploited the dark side of the rebels to prove his bona fides. He also offered blandishments to co-opt different tribal leaders in the government, destroying the unity of the Mujahideen. Afghan society was never homogeneous; it has been always fractured with myriad tribal loyalties. With the passage of every day, the Najibullah regime is gaining sustenance and the hopes of Pakistan and America of toppling at are receding.

At the best of times the Americans are loath to remove their blinkers and the situation is now worse. They are still wedded to the belief that the Russian-backed government in Afghanistan will collapse and therefore they have turned their backs on a negotiated settlement. But Benazir Bhutto's Pakistan cannot afford that luxury. With so much on her plate, Benazir Bhutto wants to back out from the American policy and end the Afghan imbroglio. She does not want the Afghans to believe that they have traded one type of invader for another. A retreat now will be a victory later. Will the Americans oblige? Till then, Pakistan and Afghanistan will stand on the edge of a precipice. The Americans will see their greenbacks vanish in the valleys of Afghanistan, will provide arms to Afghans to kill Afghans and in return will get the dreadful of scourge of heroin destroying American youth. In the furrows on the Gorbachev's forehead at the time of the signing of the Afghan agreement, the Americans may have discovered the image of their own fate in Vietnam. Gorbachev did not laugh then, but he may be doing so now. Did they not say, those who laugh last laugh best?

CIVIL LIBERTIES

Maps and Freedom of Speech

A G Noorani

The bill introduced in the Rajya Sabha by the home minister early last month to amend the Criminal Law Amendment Act, 1961 making it "an offence per se *to publish a wrong map of India" is clearly unconstitutional.*

IS it not open to a citizen to assert where, in his opinion, the boundaries of his country ought to be—whether on grounds of history, morality, law or expediency? Is the right limited to words or does it extend to expression of opinion through maps as well?

On August 1, the union home minister, Buta Singh, introduced a bill in the Rajya Sabha which seeks to amend section 2 of the Criminal Law Amendment Act, 1961 by inserting two provisions. Under one publishing of maps which do not conform to those prepared by the Survey of India will be an offence punishable with a fine or six months' imprisonment or both. The other provision makes such offences cognisable only on a complaint by the government.

The statement of objects and reasons attached to the bill says:

> Publication of wrong maps of India depicting incorrect boundaries of the country amounts to indirectly questioning the frontiers of India and its territorial integrity.
>
> Certain measures were taken to ensure that correct maps of India were published. In 1986, instructions were issued to all state governments and union territories to see that publishers get their maps vetted by the Survey of India before publication. It was decided later that the Survey of India would make available on 'free sale basis' the outline maps of various scales and the publishers who utilise them as base for their maps would not be required to get their maps vetted by them.
>
> Where maps were required to be prepared on scales other than those on which outline maps were available, the publishers were required to get them vetted by the Survey of India.
>
> In spite of these measures, instances of incorrect depiction of external boundaries of India by private agencies, newspapers and so on continued to come to notice.
>
> With a view to discourage the tendency to publish wrong maps of India with impunity, it was considered necessary to make it an offence, *per se*, to publish a wrong map of India.

This is the draconian effect of the bill. It does not make intent or *mens rea* an ingredient of the offence. It will be "an offence *per se* to publish a wrong map of India". And what is a 'wrong' map, pray? One which does not conform to those published by the Survey of India. Reason? Publication of such maps *"amounts to indirectly* questioning the frontiers of India and its territorial integrity".

By now quite few studies by Indian writers have appeared which question India's claim not only to the Aksai Chin but, as the late Karunakar Gupta did, even to the McMahon Line. Would Gupta have been sent to jail if he were to publish his views through a map or if he were to publish a map to illustrate his views?

It is clear that the proposed amendment would be unconstitutional. Article 19(2) of the constitution empowers the state to impose only "reasonable restrictions" on the fundamental right to freedom of speech and expression "in the interests" *inter alia* of "the sovereignty and integrity of India". How can a non-conformist map be said to "amount to indirectly questioning" the country's territorial integrity?

Section 2 of the Criminal Law Amendment Act, 1961 as originally enacted was stringent enough: "Whoever by words either spoken or written, or by signs, or by visible representation or otherwise, questions the territorial integrity or frontier on India *in a manner* which is, or is *likely to be* prejudicial to the interests of the safety or security of India, shall be punishable with imprisonment for a term which may extend to three years, or with fine, or with both." There was a small concession in that the likelihood of harm was an ingredient of the offence.

There came the Unlawful Activities (Prevention) Act, 1967 which penalised anyone who advocated "the cession" of a part of India even if it be in the country's best interests—the Katchativu islands ceded to Sri Lanka, for instance. Also punishable is one who "disclaims or questions the sovereignty of India in respect of any part of the territory of India".

The white paper on Indian states published by Sardar Patel in March 1950 as well as its previous edition of 1948 showed the boundary in the Aksai Chin area as not "undemarcated" or "undefined". Would that be an offence now? Evidently, yes.

However, section 13(3) of the act of 1967 excludes from its scope an agreement entered into by the government of India with a foreign government as well as "negotiations therefor carried on by any person" authorised by the government. A citzen who advocates the cession of Aksai Chin or who draws a map on the lines of the 1950 map can be sent to jail. The prime minister or the minister who signs a boundary treaty with China which provides for such cession is protected. So are the officials who embark in the "negotiations". A law which imposes such nonsense to silence dissent cannot be accepted as a reasonable restriction on the right to freedom of speech.

Command Performance by Planning Commission

BM

The Eighth Plan Approach Paper has been designed for the Congress(I)'s electioneering purposes. It cannot be taken as a serious step in the planning process.

THE Approach Paper on the Eighth Plan has been adopted by the full Planning Commission. According to the time-table indicated by the prime minister, the paper will be presented to the union cabinet in the second week of September and it goes without saying that it will be approved without much ado. It is, of course, always likely, considering the wayward manner of the prime minister's working, that the approval by the union cabinet may be stalled for some time. There was considerable dithering by the prime minister before he could be persuaded to go through with the formality of holding a meeting of the full Planning Commission under his chairmanship to adopt the Approach Paper. This was not because there could be any problem with the minister-members of the commission raising any awkward questions. Once the prime minister had given his nod of approval at an informal meeting with the official planners, there could be no such problem and the ceremonial adoption of the Approach Paper by the full commission went through smoothly. The union cabinet can be expected to behave no differently. The reluctance of the prime minister to endorse the Approach Paper for some time after it had been drafted by the planners in Yojana Bhavan seems to have been inspired by the idea planted by some faceless adviser that a pre-election public debate on the Eighth Plan may not suit the exigencies of the ruling party's electioneering which has been geared wholly and stridently to populist slogans and postures. It seems to have been argued that questions might be raised and doubts cast on the feasibility of the planned targets and the government's ability and willingness, considering its economic and social policy preferences, to realise the promises being made. But another set of advisers seem to have argued and apparently convinced the prime minister that the Approach Paper with its string of dazzling targets might actually make available to the ruling party and its publicists, advertisers and propagandists some additional talking points for his election campaign. The prime minister himself is so much under the spell of his publicity men and advertisers and the official media machine that he is unable to comprehend that the effect of their labour is often negative and counterproductive when achievements and claims are advertised and tall promises made which fly in the face of reality and known facts and, therefore, carry little conviction or credibility. This has been sharply spotlighted by the Bharat Bandh. Large sections even in the ruling party have actually begun to question the efficacy of mindless publicity and advertisement campaigns. This has relevance as much to the Approach Paper and the targets it flaunts as to the policies and promises bandied about by the government and in particular the prime minister himself.

So far as the planning exercises are concerned, even after the adoption of the Approach Paper by the full Planning Commission large holes in it remain uncovered. The critical macro-economic parameters it projects are still uncertain and undecided. The prime minister himself is still not happy with the growth rate target of 6 per cent and his hang-up with a higher growth rate persists. He could be persuaded by the sober advice of some of the planners to endorse the target of "at least" 6 per cent with the rider that it could be improved upon "through better management and efficiency". At the same time, some of the compelling issues relating to the feasibility of even the projected 6 per cent growth rate have been simply evaded. The question of the rate of savings and hence the investment required in the Eighth Plan has not been clinched. The assumption that the incremental capital-output ratio (ICOR) would be 4.15 per cent in the Eighth Plan compared to 4.3 per cent as has been calculated with much ingenuity for the Seventh Plan has also been kept aside for later consideration.

MOUNTING DEBT

It may be presumed that when and if the union cabinet is called upon to rubber-stamp the Approach Paper, the position with respect to such 'minor' matters as the saving rate and the ICOR will be settled to the satisfaction of the political bosses. The required expertise is, after all, available in Yojana Bhavan for such purposes. The experts can be relied upon to juggle statistics if necessary. All that has to be done is to shift the base line or the time-frame to arrive at figures which look nice and desirable. The new series of indices have come handy in recent times to dress up the rates of industrial growth, price rise and national income generation. The revised national income series shows a comfortable hike in the growth rate achieved in the Seventh Plan and this has also helped to show a decline in ICOR to 4.3 per cent. The inflow of foreign savings in the Seventh Plan has also been scaled down from 2 per cent of GDP as earlier calculated to 1.8 per cent. The inflow of foreign savings has been assumed on this basis to be 1.6 per cent of GDP for achieving a growth rate of 6 per cent in the Eighth Plan as compared to a growth of 5.4 per cent in the Seventh Plan. But the planners have evidently not been able to project such glad tidings on several other counts for the Eighth Plan. It is, after all, not possible to throw all caution to the winds. The union finance ministry, it appears, has also exercised a sobering influence on the prime minister as well as the 'high-flyers' among the planners in respect of the resources, domestic and foreign, which can be mobilised for the Eighth Plan.

In the face of the large external and internal debt piled up during the Seventh Plan, the finance ministry had to caution that the projection of a growth target of even 6 per cent would give rise to ticklish problems in financing the Eighth Plan, especially its public sector component which is proposed to be of the order of Rs 3,50,000 crore at 1989-90 prices. With the domestic saving rate hovering at around 20 per cent of national income, the calculations show that dependence on foreign savings may well go up to more than 2.6 per cent of GDP (compared to 1.8 per cent calculated for the Seventh Plan) for financing the Eighth Plan to achieve the postulated growth rate, let alone improve upon it. That will, however, be a sure way of walking into the foreign debt trap. The idea that foreign savings of the order of 2.6 per cent of GDP will become available is also facile and fanciful. It is not a question only of the stiff conditions which are bound to be attached to the inflow of foreign resources on this scale. The fact also is that foreign savings on this scale may simply be not available whatever policies may be adopted by the government to attract foreign savings. It is, however, argued in this context that the average rate of domestic savings would be stepped up from 21.1 per cent to 23.3 per cent of GDP. This implies an increase in the marginal rate of saving to over 33 per cent. This is not beyond the capacity of the people of India to achieve. But considering the profligacy of the ruling establishment, the inefficiency of big business and the wild consumerism which has been recklessly promoted among the upper and middle classes by official policy more brazenly since the mid-eighties, the savings target cannot be achieved except by brutal intensification of exploitation of the working people. This has its own implications—economic, social and political. Some fresh

work also seems to have gone into the savings rate calculations. Earlier, the savings rate was calculated to be 21.4 per cent of GDP in the Seventh Plan and it was proposed to be stepped up to as much as 24.1 per cent which required that the marginal rate would have to go up as high as 39 per cent. The question of a sharp increase in the tax ratio from 16.9 per cent to as much as 20 per cent of GDP too has not been squarely faced in this context. The growth target for exports which has been scaled up to 12 per cent in volume terms to meet the foreign exchange requirements of the plan is not only unrealistic but also has implications which have been evaded.

EMPLOYMENT SCENARIO

The Approach Paper promises an employment growth rate of 3 per cent. An official spokesman of the Planning Commission has smugly proclaimed that this would be faster than that achieved in recent years and in any case faster than the growth rate of the labour force. But how exactly this growth target which has a close relevance to the proclaimed objective of satisfying the basic needs of the people is to be achieved has not been spelled out. The same promise was made in the Seventh Plan and has not been realised. On the contrary, unemployment and under-employment have grown at a faster rate during the Seventh Plan than before and even existing, relatively gainful, employment in organised industry, the large services sector and commercial agriculture has declined during the Seventh Plan period. In this context, the claim of the official spokesman of the Planning Commission that Eighth Plan would "build on" the experience of the Jawahar Rozgar Yojna is disconcerting. For this shows that the planners and their political masters are either wholly devoid of any understanding of the problem of generating gainful and productive employment in the economy or they are engaged in cynical deception of the people. The generation of opportunities for gainful employment, after all, is not possible by juggling financial allocations for special employment programmes. The large leakages of funds apart, such devices can only touch the fringes of the problem. For any meaningful employment-oriented policy to give results, it is imperative that labour-intensive peasant farming, handicrafts, rural industries and small-scale enterprises are preserved and promoted. The market-oriented, capital and import-intensive modernisation policy which is being pursued by the government cannot but aggravate the unemployment problem.

A target as deceptive as the one set for employment in the Approach Paper is that for poverty alleviation. It is claimed that the percentage of the population below the poverty line would be brought down by 10 per cent, from 28-30 per cent by the end of the Seventh Plan to 18 per cent. The calculations that have gone into 'bringing down' the percentage of the population below the poverty line to 28-30 per cent at the end of the Seventh Plan are bound to be challenged by competent experts as similar claims have been challenged in the past. It was claimed when the Seventh Plan was drawn up that the percentage of the population below the poverty line had come down to 41 per cent in 1981-82 and further to 31 per cent in 1985. It was planned to bring this percentage down to 21 per cent, exactly by 10 per cent, as is now being proposed for the Eighth Plan. However, the Approach Paper now admits that those below the poverty line at the end of the Seventh Plan will be 28-30 per cent of the population, nearly the same figure as at the end of the Sixth Plan. This has important implications for the policies and performance of the present government. The debates in the past on poverty alleviation used to focus, among other factors and considerations, on the rather low trend rate of growth of around 3.5 per cent in the sixties and seventies. It used to be argued that with such a low rate of growth there could not be appreciable percolation of the benefits of growth down to the mass of the people to alleviate the condition of those below the poverty line. It was also argued that once the growth rate picked up to, say, about 5 per

cent or above, the benefits would begin to percolate down lifting up the masses below the poverty line. It is now claimed that the economy has been lifted to a higher growth path, with an average annual growth rate of 5.4 per cent in the Seventh Plan. And yet this higher growth has not alleviated the condition of those below the poverty line. Those below the poverty line are still 28-30 per cent of the population. The benefits of the supposedly higher growth in the Seventh Plan have thus apparently been wholly monopolised by the upper classes. This is a telling commentary on economic policy and management in the Seventh Plan which have been brazenly elitist in their orientation and so have kept the masses of the people out of the ambit of the growth process. The 6 per cent growth rate projected for the Eighth Plan cannot, therefore, give any comfort to the poverty-stricken masses and can bring cheer only to the exploitative upper classes and segments of middle classes which can pick up some crumbs. The poverty alleviation targets, more starkly than other quantitative objectives set in the Approach Paper, show graphically that the planning process has been subverted and turned into planning for the upper classes.

Postpone NDC Meeting

The prime minister, for his part, likes to order the planners to work backwards from a growth target set arbitrarily and to calculate on that basis the broad macro-economic parameters of the Eighth Plan. The first imperative of sound planning, however, is the delineation of a policy frame and political commitment on the basis of which to build a statistical model and arrive at plan targets which are feasible. Every one of the targets—the growth rate, saving rate, ICOR, employment generation and so on—set in the Approach Paper have policy implications which call into question the content and direction of official policies pursued in the eighties, more markedly since the mid-eighties. It has been claimed that policy issues have been outlined in the Approach Paper, but this has been done in such a manner that critical issues—such as elitist-oriented resource mobilisation, policies, including tax policies, the widening of the space available for big business and the opening of doors for multinationals with their labour-saving technologies, mechanisation of farming mocking at land reforms and inequitable sharing of gains of production and productivity both in industry and agriculture—have been sought to be obfuscated rather than pinpointed and highlighted. What has evidently weighed with the planners, is that the exercise of framing the Eighth Plan should be geared to subserve the political-populist and electoral objectives of the ruling junta which obviously seeks to retain full freedom to pursue its so-called liberalisation and high-tech modernisation policies even while mouthing populist slogans in a desperate effort to save its skin in the coming election. The writing of the Approach Paper, in spite of some tussle between the realists and the high-flyers, has been designed essentially for electioneering purposes. It cannot be regarded as a serious and meaningful step in the planning process.

It is yet a moot point whether the National Development Council will be convened before the elections to discuss the Approach Paper after it has been approved by the union cabinet. In any case, the NDC session is bound to be a stormy one. The move, if made, to convene the NDC will provoke responses from the opposition parties and state governments led by these parties which will be similar to their reactions in respect of the panchayati raj bill and the Jawahar Rozgar Yojna. The idea that the Approach Paper can become one more electioneering issue for the ruling party may sound smart but is not likely to yield dividends. It will indeed be wise to put off the session of NDC for the adoption of the Eighth Plan Approach Paper till after the Lok Sabha election in order to safeguard a modicum of political consensus on development planning itself. Pushing the Approach Paper through the NDC in order to clear the way for finalising the Eighth Plan, skipping the stage of drawing up of a draft outline of the plan, is also being proposed, but this can only queer the pitch for development planning. The opposition parties, for their part, must avoid getting bogged down with the targets which the Approach Paper seeks to flaunt and must raise sharp debates on the policy issues and the social orientation of planning under the Rajiv Gandhi government.

Rationing Medical Care in Kerala
Price and Non-Price Mechanisms

V Raman Kutty

Health services in Kerala are highly developed with at least one governmental health institution in every village. However, medical care is biased in favour of the elite due to at least three reasons—cost, travelling time and waiting time.

HEALTH economists often talk about the 'rationing of medical care' though there is some controversy regarding the use of this term. Some maintain that "no nation is wealthy enough to supply all the care that is technically feasible and desirable"[1] and hence rationing by the mechanism of price has always been present. What is meant is that if medical care is provided as a market good, only those who can afford the price can avail of the service, thus restricting the use of the product. Some others want to use the term only to denote deliberate rationing of certain services to certain segments, as is done in Britain's National Health Service, and they call market mechanism of allocation of services, 'price allocation'[2]. It has been pointed out that even in the United States, where the market forces are allowed free reign in most aspects of life, the egalitarian ethic in medical care has asserted itself through the provision of medical insurance, which attempts to pool the risks of people for major health expenses which they could not individually afford[1]. The general consensus, however, is that 'not all care expected to be beneficial is provided to all people'[3]. Given that resources allocated to production of health care are inadequate, it follows that there should be some mechanism which determines who shall have access to care.

This question becomes much more acute in most developing countries, though much less discussed, partly because the health services sector is mostly grossly inadequate to provide much needed care. Besides, health care competes with other priorities like sanitation, food production and immunisation, for scarce resources. Two important factors which distort the picture are (1) most third world governments are politically committed to providing free medical care. This means that health facilities be nominally free at the point of delivery, though many covert charges are associated with their use. (2) regional disparities in distribution of services are much larger in developing countries.

Thus, money prices may not be the important factor determining health facilities use in developing countries.

Travel time has been postulated to be an important component of cost of obtaining medical care in developing countries. When services are provided at little or no monetary cost, the opportunity cost of travel becomes important in deciding who shall have access to medical care. As is to be expected, the demand for medical care has been found to be more travel time elastic among the poor when compared to the rich[4]. This is possibly because the time taken off is forfeited from work, which poor people can ill afford to do.

One could postulate that there are three components to the price that people pay in developing countries to obtain medical care:

1 Money price
2 Travelling time
3 Waiting time

Table 1: Correlation Coefficients between Variables Relating to Distribution of Private Beds in Kerala, and Other Important Variables

	Kendall's Tau (non-parametric)
1 Pvt beds/1,00,000 population and	
(a) Per capita income	0.51
(b) Schools/1,00,000	0.79
2 Pvt beds/square kilometre and length of roads/square kilometre	0.74

Note : 'P' values are not given since all districts have been considered and there has been no sampling.

Sources: 1 Department of Economics and Statistics, Government of Kerala, Trivandrum (1986), *Statistics for Planning*, various tables.

2 Department of Economics and Statistics, Government of Kerala, Trivandrum (1987), *Report of the Survey of Private Medical Institutions in Kerala*, various tables.

Table 2: Districts in Kerala Ranked According to Number of Government Beds, Stratified According to Degree of Urbanisation

Most Urban	Less Urban	Least Urban
Trivandrum (1)	Quilon (8)	Pathanamthitta (11)
Kozhikode (3)	Alleppey (2)	Idukki (12)
Ernakulam (5)	Kottayam (6)	Wynad (13)
	Trichur (4)	
	Palghat (9)	
	Malappuram (10)	
	Cannanore (7)	

Note: Figures in brackets indicate the rank of the district in number of government beds. 'Most urban' contains the three districts with the 3 municipal corporations in the state, 'less urban' those districts with the largest 10 towns, and the rest of the districts fall into 'least urban'.

Source: As in Table 1.

In different situations, each of these becomes important. As one can imagine, the component of travelling time becomes a large factor for rural dwellers, especially when transportation facilities are scarce, and health care providers are concentrated in urban areas.

Price of Medical Care in Kerala

In Kerala health care services are well developed. There is at least one governmental health institution in every village. There are about 33,000 beds in the government and 50,000 beds in the private sector[5], which works out to 1 bed/309 people. People are knowledgeable about their rights to use these facilities. The government spending on health averages below 3 per cent of the state GDP[6]. If we assume that people spend about twice the government expenditure on health care, we already have a figure of around 9 per cent of the GDP spent on health.

In the private sector in health in the state, ability to pay clearly determines who shall have access to care. There is no health insurance, therefore all private health expenses are met out of personal resources. There is a high correlation between the per capita income in the districts, and the private bed density (Table 1). There is also a high correlation between private beds/square kilometre of area, and length of roads/square kilometre. This means that private facilities are situated in accessible places. So travel time does not figure largely in the price of private care. Thus private medical care in the state is allocated by money prices.

In the government sector, the picture is more complicated. Government beds are concentrated in the urban areas, as can be seen by comparing the rankings of districts with respect to urbanisation and number of government beds (Table 2). In a recent survey, the Kerala Sastra Sahitya Parishad, a voluntary organisation, found that 13-32 per cent of households in rural areas in the different districts of the state, gave 'distance' as a reason for not utilising the government health facilities[7]. Whatever free service is available in the government health sector is more accessible to urban dwellers. Thus, their travel time price of acquiring medical care is less than that of the rural people.

When money price and travel time become insignificant waiting time becomes an important component of the price of medical care. But waiting time price does not fall equitably on all the 'consumers' of medical care. There is a section of these for whom waiting time is practically reduced to nought. This may be because of privileged position in society, familiarity with the system, corruption, etc. The legitimisation of private practice of government doctors, as has been done in Kerala, encourages this 'jumping the queue' since it is difficult to deny priority to those who have previously consulted the doctor. Moreover, this also means that many people who may otherwise opt for private care, utilise government services because consultation fee is the only price they pay for all the care received. This 'price' does not truly reflect the cost of medical care consumed in many instances.

The effect of this 'jumping the queue' on the section which is not thus privileged, is that it increases its price of obtaining medical care in terms of increased waiting time. This means that this section, in total, consumes less medical care than they would have if the waiting time were more evenly distributed.

Conclusions

Thus, there are mainly three devices which preferentially allocate medical care in favour of a section of the population in Kerala:

1 Money price, which acts as the most important factor in the case of private care, and which favours the rich.

2 Travelling time—the government facilities being more easily available to the urban dwellers.

3 Waiting time, which introduces a bias in favour of more influential members of the community, in the allocation of health care. This bias, as we have seen, is perpetuated by the legitimisation of the private practice of government doctors. It should be remembered that these categories are not necessarily mutually exclusive. Thus, the rich are also more likely to be influential and urban dwellers. The net result is that the general health care system, government and private included, is greatly skewed in favour of the elite classes in allocating its benefits.

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Rural Non-Agricultural Employment

Tara Shukla

The determinants of rural non-agricultural employment of rural-urban linkages, incidence of unemployment and poverty within the rural non-agricultural sphere and the characteristics of its labour market were among the central concerns of the National Seminar on Non-Agricultural Employment in India. A report.

A NATIONAL Seminar on Non-Agricultural Employment in India: Trends and Prospects, jointly sponsored by the Indian Society of Agricultural Economics and Gujarat Institute of Area Planning took place at Ahmedabad, between March 29 and 31, 1989. The seminar was unique in the sense that it brought together agricultural economists, urban economists, demographers, planners and policy-makers, making the dialogue inter-disciplinary. Any macro level study on employment in rural sector is necessarily confronted by two data sets, one provided by the decennial population censuses and the other quinquennial surveys conducted by the National Sample Survey Organisation. The former is plagued with frequent definitional changes, albeit with a view to improving quality of data, rendering comparison over time a little difficult. The other, though confined to the period 1973 to 1983, has an advantage of getting hooked up to the 1961 population census data on account of similarity in the concepts used. The latter source is decidedly more refined, conceptually uniform and touches upon various aspects not covered by the population census but disaggregated data are not available beyond the regional level as defined by it.

The thrust of the papers submitted at the seminar centred around determinants of rural non-agricultural employment, rural-urban linkages, incidence of unemployment and poverty found within this sector, the characteristics of its labour market, besides the trends in its growth and composition. The issues were examined both at the all India and at the regional levels, as also for different industry categories, based on the NIC classification at single, two or three digit levels, depending upon the requirement of indepth niceties of analyses.

Sectoral and Spatial Linkages

A careful documentative analysis of concepts used in different decennial population censuses and the biases that crept into the measurement of size and growth rates of employment overtime, was well borne out in the papers dwelling upon the subject. There was equally strong evidence from the regional level (Uttar Pradesh, Maharashtra, Tamil Nadu) studies that the pattern of growth of employment in different categories of the non-agricultural sector, as observed from population censuses and NSSO data was strikingly similar in most of the cases. It was perhaps because of this that, notwithstanding the different methodologies and sources of data used by different authors, broad results with respect to determinants of rural non-agricultural employment turned out to be similar or complementary to each other at all India as well as regional levels. Of the various explanatory variables used to gauge the types of linkages of rural non-agricultural employment with the agricultural sector, the variables relating to agricultural output per head uniformly proved to be weak as against agricultural output per hectare. Though variables like extent of mechanisation, ratio of area under non-food crops, gave varied results for the different regions studied, overall their individual explanatory power for impact on the level of non-agricultural employment was not found to be statistically significant. Indicators like agricultural productivity per hectare, index of agricultural development and area under irrigation emerged as strong proxies and showed significant positive correlation with the size of non-agricultural employment. Impetus from the agricultural sector for the growth of non-agricultural employment or rural industrialisation seems to be quite positive and strong. In other words, where the agricultural sector is growing, the non-agricultural sector is also growing. At the other end of the spectrum, however, the UP study observes that wherever the land-man ratio is adverse and technological change has been slower (for example east UP) there has occurred a marked absolute and relative growth of non-agricultural workforce.

Almost all the studies point to positive and strong linkages of non-agricultural sector with urbanisation. One of the regional studies (Maharashtra) pin-points linkages especially with the small and medium size cities, testing the correlations of aggregate growth in size of non-agricultural employment in aggregate with district per cent urban and for various NIC category groups, with industry specific city-size variables, namely, Class III, IV, V, VI, towns. The results obtained are positive and significant. The Tamil Nadu study, based on taluka level data, also observes some sort of threshold level where urbanisation emerges as an important factor. Grouping talukas on the basis of per cent urban (i e, less than 15 per cent, more than 15 per cent but less than 20 per cent and more than 20 per cent urban population) positive relationship is observed (significant at 5 per cent level) with non-agricultural employment, where the base year urbanisation is higher, while the relationship is negative in talukas where the base year urbanisation is low.

On the other hand, another study observes that the rural economy is perhaps responding to the force in the national market, the latter penetrating the former through the metropolises and other large cities (Class I), although in a limited way. The study assesses the process of sectoral diversification on the basis of select metropolitan regions which are defined by putting together the district around the metropolises of 1971, viz, cities that had population sizes over one million. It is observed from the study that the percentage of male workers engaged in household industries, in three out of seven metropolitan regions, has increased between 1961 and 1981 at the rate almost equal to that for India urban, it being substantially high for the rest of the regions. In the case of male employment in non-household industries, the percentage has gone down between 1961 and 1971 in Calcutta and Ahmedabad regions. The trend between 1971 and 1981 could not be discerned for want of data.

Another pertinent observation of this study is that the non-household manufacturing component of rural non-agricultural employment consists of the categories—accounting for 53 per cent of the non-household employment—that may not be using local raw materials nor basically catering to the regional market.

We, thus, have two types of scenarios wherein urbanisation provides an important linkage to the growth of rural non-agricultural employment. The linkage with small and medium size cities seems to be a natural phenomenon, arising out of growth mechanics, whereas that of metropolis and Class I cities is possibly the outcome of industrial dispersal policies with incentive packages as pursued especially from the seventies. The dispersal outward from the metropolises and Class I cities seems to be peripheral. The diseconomics of agglomeration, besides fiscal incentives would account for it. The percentage variations in employment in manufacturing and trade/commerce components of non-household industries in the selected regions are quite wide and there are many districts that fall below the average for the region without the metropolitan district. This dispersal therefore is basically different from the rural-urban linkages found in the case of small- and medium-size cities. This of course, may not be considered an altogether unwelcome development if it results in upgrading the rural skills and developing innovative and non-traditional entrepreneurship in the rural areas. But if this has not happened, there would be an apprehension that the thrust of dispersal of manufacturing and trading activities from

the Class I cities, as observed, may prove to be a backwash and possibly result in liquidating the endogenous rural industrial base having linkages with growth in agricultural sector. It may be incidentaly mentioned that the percentage of employment amongst cultivators and agricultural labourers has gone down in the case of four and three, respectively, of 7 regions studied. Such an occupational shift is possible and also justifiable if it lifts the overall levels of employment in the regions eventually and does not breed poverty. The policy strategy will need to come to grips with the issues involved in both the alternative routes to growth of rural non-agricultural employment. In this connection, the stagnancy or decline registered in rural based industries like (1) beverages, tobacco, and tobacco products, (2) jute, hemp and mesta textiles, and (3) leather, leather products, etc, should cause concern. The technology, location and organisation emerge as major constraints, as brought out by a national workshop on agro-processing strategy for acceleration and exports in 1988, held at Indian Institute of Management, Ahmedabad. An integrated strategy for development of this sector will need more indepth insights.

A study of Maharashtra observes that the rural infrastructure as it obtains presently, though not unfavourable to the growth of rural non-agricultural employment, is not conducive either, being somewhat agriculturally biased. The analysis of the contribution of various government plan and non-plan development expenditure to the growth in rural non-agricultural employment in Maharashtra suggests high a pay off from plan development expenditure on the power sector incentive package for industry, major irrigation projects and on roads and primary education from non-development expenditure. Similarly more can be expected from credit institutions which have so far played only a marginal role for this sector. With the growth of such conducive rural infrastructure and thrusts on development of small- and medium-size towns for agglomeration benefits, the integration of rural industrialisation with urban-based industries on one hand and agricultural sector on the other may prove to be mutually enriching.

Unemployment and Poverty Levels

Papers dealing with these subjects have used NSSO data set on person day unemployment. No comparable data are available from population censuses. The population censuses, however, give data on migration, rural to rural, rural to urban and out of state for males and females, an indicator which is relevant in discussing unemployment and poverty levels. These data are not available in NSSO data sets. Discussion on both these issues was one of the central themes of the papers. The pioneering work on 'Residual Sector Hypothesis' by Vaidyanathan provided an impetus for further exploratory probes on this aspect, with more segregated data and explanatory variables. Some per-

tinent observations stand out from the studies. In agriculturally developed regions, non-agricultural employment is high, wherever concentration in landholding/assets is high. Non-agricultural employment is low wherever proportion of area in the range of 5 to 20 hectares is high, the non-agricultural employment is high. Whenever non-agricultural employment rate is high, net-imigration of males is also high. So also is person day unemployment rate (PDUR). All these results are statistically significant. So we have a phenomenon where agricultural development, non-agricultural employment, rate of net imigration, rate of PDUR all move together.

The characteristics of the labour market in this sector are quite complex and yet segments/relationships are similar—self-employment, wage labour, casual labour; single worker; family workers' employer, employee. Occupational shifts, entries and exits would be more with development and integration and will need resilience and adjustments. The characteristics thus observed may be signs of buoyancy.

The concentration ratio based on land-holdings gives a much more kinked picture for the agricultural sector than that based on assets. The latter still has a negative correlation with the size of non-agricultural employment. A higher proportioin of area under cultivation in the range of 5 to 20 hectares gives a wider base for linkages with the non-agricultural sector through larger demand and supply situations and the correlation between the two becomes positive and significant. Male migration adds to the pool of labour and it is found to be veering to areas where both agricultural and non-agricultural employments are high. These migrants are mostly found in the 'employed' categories. Are they replacing the self-employed cultivators in the agricultural sector to fill the void created by the latter's occupational shift to the non-agricultural occupations as entrepreneurs and equity contributors?

Some apprehension has been shown with regard to availability of equity capital in the rural non-agricultural sector. Similar apprehensions were expressed with regard to the agricultural sector once upon a time but the studies in the sixties showed strong propensities to save and invest, amongst the cultivators, so as to enable capital formation to keep pace with increases in labour supply thereby keeping the capital-labour ratios constant. It will not be surprising to find a matching flow of capital from the rural sector if the rural industrialisation really takes off and experiences a technological breakthrough. This would, of course, demand an appropriate policy thrust.

The PDUR reported in the NSSO surveys may possibly prove to be either a temporary phenomenon, a 'waiting period' or a reflection of the aspiration of wage/casually employed to obtain better jobs. It may also be a structural phenomenon on account of skill-specific demand for labour and lag in adjustment on the supply side. The analysis of the labour market characteristics in the Maharashtra study has found labour in NIC 2 and 3 categories to be skilful and literate. Apart from these, a measurement issue seems to be involved in the analysis on unemployment rates as given in the papers. The estimates are based on current daily status rather than usual status. This would mean that they club together main and secondary workers. There can be differences of opinion on the concept thus used. However, one thing seems to be clear—a more discriminating questionnaire may be necessary for future rounds of NSSO on this aspect, so that finer analysis is possible.

Some attempts have been made to estimate incidence of poverty in the rural non-agricultural sector. Analysing poverty incidence on the basis of average wage earning of casual labourers in non-agricultural operations, one study observes a positive association of average non-agricultural wage earnings of males with percentage of male non-agricultural workers. Non-agricultural wages are found to be higher than those obtaining in the agricultural sector. When this observation is linked with the observation of the same study that unemployment rates are higher in agriculturally developed regions which also have higher a percentage of non-agricultural workers, it would mean that high unemployment rates do not depress the non-agricultural wages relative to agricultural wages. This leads the author to conclude that higher unemployment rates are not indicative of higher incidence of poverty in this sector. Another study finds incidence of poverty to be higher for the self-employed but lower for the regular wage employed and casual labourers in the non-agricultural sector compared to their counterparts in agricultural sector. These studies, however, club together main workers and secondary workers in their estimation a practice whose conceptual appropriatness is questionable. Doubts may also be expressed about the comparability of the categories of self-employed and wage employees in rural non-agricultural and agricultural sectors. Will there not be some sort of skill specificity, especially in the case of the rural non-agricultural sector, even in such occupations as construction, which is known to be preferred by a certain section of the rural community and may not be considered as one where entries and exits may be open at both the ends. There may be an element of stickiness of wages even in this apparently non-unionised sector on account of inelasticities especially on the supply side. This may have a bearing on the co-existence of high unemployment rates and high wages, like in urban formal markets though for entirely different reasons. The rural non-agricultural labour market seems to be very complex and very segmented, unlike the agricultural labour market, and there may exist common as well as complementary labour pools from which both the sectors in rural areas draw their supply of labour resources. The residual sector hypothesis may operate in some segments whereas other segments may be more subject to forces of demand and supply situations.

In this context, there should be equal concern with the extent of exogenous labour force in the rural non-agricultural sector. Most of it may be on account of public sector occupations, including financial agencies, community organisations, like public health workers, etc. The increasing dispersal of industries around and on the periphery of metropolises and Class I cities has been observed earlier. These industries, by definition are capital intensive, and being skill-specific probably also 'import' labour into rural area, without *pari passu*, creating much fall out effects on endogenous employment. Among other things, this may carry the urban consumption patterns to rural areas with a built-in component of demonstration effects. Of course, this by itself may not be considered an unfavourable feature. The 'imported' labour would simultaneously generate demand for rural products and services but this phenomenon cannot be converted into a good booster for upgradation of rural skills and production processes unless steps are taken to set up requisite infrastructure, institutions and organisations for capitalisation, to the benefit of rural industries.

The issues relating to capital requirements of rural non-agricultural industries are not much perceived nor are the capital/output, capital/labour, input/output ratios. These issues are besieged with conceptual, measurement, and data problems. It is time that the strategy for growth of rural non-agricultural sector is seen as an independent entity rather than as an appendage to the urban or agricultural sector or as a consequence of urban sector and agricultural sector development.

The Seminar on Non-Agricultural Employment in India: Trends and Prospects has initiated debate and brought together researchers from different disciplines having different focuses but bearing on the subject.

J.K. Synthetics Ltd.

NOTICE

It is hereby notified for the information of the public that **J.K. Synthetics Ltd.** proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under Sub-section (2) of section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the establishment of a new undertaking. Brief particulars of the proposal are as under:-

1. Name and address of the Applicant : **J.K. Synthetics Ltd.,** Kamla Tower, Kanpur

2. Capital Structure of the applicant organisation

Share Capital	Authorised (Rs./lakh)	Issued, Subscribed & Paid-up (Rs./lakh)
Equity Shares of Rs. 10/- each	8500.00	3843.36
Cum. Red. Pref. Shares:		
–11% of Rs. 100/- each	100.00	100.00
–14% of Rs. 100/- each	1200.00	300.00
–15% of Rs. 100/- each	200.00	100.00
	10000.00	4343.36

3. Management structure of the applicant organisation indicating the names of the Directors, including the Managing/Wholetime Directors and Manager, if any : A Public Limited Company managed by two Managing Directors and two Wholetime Directors under the superintendence and control of the Board of Directors. The details are as under (As on 31-3-1989):-
   1. Dr. Gaur Hari Singhania (Chairman & Managing Director)
   2. Shri Govind Hari Singhania (Vice Chairman & Managing Director)
   3. Shri Yadupati (Wholetime Director)
   4. Shri Ramapati (Wholetime Director)
   5. Shri Chiranjilal Jhunjhunwala
   6. Sir Bhim Singh
   7. Shri Narendrajit Singh
   8. Shri Bharat Hari
   9. Shri S.S. Betrabet (Nominee of ICICI)
   10. Shri K.C. Mittal (Nominee of G.I.C.)
   11. Shri K.B. Agarwal
   12. Shri Shailendra Swarup

4. Indicate whether the proposal relates to the establishment of new undertaking : The proposal relates to implementing the expansion capacity of 11,730 tpa of Polyester Filament Yarn through a new undertaking under the name of India Synthetics Limited, and by way of change of location from the non-backward Dist. of Kota in Rajasthan

5. Location of the New Undertaking : Banswara, 'C' Category backward District in the same State of Rajasthan

6. Capital Structure of the proposed undertaking : Authorised Capital Rs. 2.00 crores (initially)

7. In case the proposal relates to the production, sotrage, supply, distribution, marketing or control of any goods/articles, indicate:
   - i) Name of goods/articles : Polyester Filament Yarn
   - ii) Proposed licensed capacity : 11,730 tpa covered by Letter of Intent No. LI.61 (86) dated 7-2-1986.
   - iii) Estimated annual turnover : Rs. 99.00 crores (net sale value of production) at full production.

8. In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover, etc. : Not applicable

9. Cost of the project : Rs. 94.00 crores

10. Scheme of Finance, indicating the amounts to be raised from each source :

	Rs. lakhs
i) Equity/Cumulative Preference Shares—JKS, its Associates, including NRIs, Foreign Institutional Investors, Collaborators	1880
ii) Foreign Currency Loans/external commercial borrowings/suppliers' credit (Export credit)	2170
iii) Fully or partially convertible debentures/loans from financial institutions and banks, deposits, suppliers' credit	5350
	9400

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

DATED: This 28th day of Aug., 1989
Registered Office:
Kamla Tower, KANPUR (U.P.).

JAYKAY

For **J.K. SYNTHETICS LTD.**
Sd/-
(J.P. BAJPAI)
SECRETARY

Lalit 553

Lessons of Tiananmen Square

S Vidyarthi

The recent events in China point to the urgent need for smashing the capitalist system there, and the need for a genuine Marxist-Leninist Party in the interest of genuine communism. History will prove that only communism can save China.

IT was not at all surprising that the western media and the governments of the major capitalist countries waxed lyrical over the recent developments in China. For long they had been proclaiming the demise of communism, and now the events leading up to June 4th gave them much succour. A tragic situation for the Chinese people became a cause for cheers and celebration as far as these gentry were concerned.

Now that the smoke has cleared and it is becoming apparent that the faction of Zhao Ziyang has been crushed, at least momentarily, one is witnessing the spectacle of contorted exercises in damage control on the part of these various powers. Deng Xiaoping is alleged to have said that China represented 'a tasty morsel of meat' for the foreign powers, and as Deng reasserts his command what these powers fear most is the loss of their economic influence in China. They recoil from thoughts of the possible geopolitical realignments that may come about. It is increasingly being felt in the corridors of the White House, Westminster and the Quai d'Orsay that the wrong horse was backed. Hurriedly, they are trying to scramble over the obstacles created by their own florid rhetoric and make their peace with Deng. The pragmatism of merchants has taken over from the lusty cheers of ignorant louts.

Disastrous though the events of the past month have been for the Chinese people, their continuing calvary under the reactionary regime of Deng Xiaoping is being relentlessly presented as the 'evil fruits of communism'. In this regard, although there is much talk of the brazen mendacity of the Chinese government in denying that its troops ever opened fire in Tiananmen Square, there is scarcely a mention of the biggest mockery of truth, the biggest fraud—and that which both the Chinese government and the western press ceaselessly proclaim—which is the assertion that the Chinese state is a communist state. Once this basic lie is accepted, then only confusion can prevail. It will not be possible to explain the travails of the 'democracy movement', nor its protagonists or slogans. Its fundamental character can and will be twisted at will to suit the particular agendas of various interested parties, and the genuine path for the emancipation of the Chinese people will be cluttered up by a hundred-and-one useless theories.

Reality of Chinese Economy

Long before the recent tumult began, the development of the Chinese economy itself had provided ample proof of its essentially capitalist physiognomy. While the form or outward appearance this capitalism takes is different from the form of classical capitalism, with the majority of industry in the hands of the state, and land not privately owned but 'leased for a generation', it is clear that the entire production in China—whether in town or country—relies on the making of profit as the sole motive of production, and the appropriation of this profit by the rich, either directly, through enlarged leaseholding rights in land, or through the bloated salaries and perquisites of the managerial strata, the party functionaries and so on. If we add to this the fact that there has arisen in China a distinct and numerically significant *private* capitalist class—who themselves directly own the means of production—and treat labour as a commodity in the most blatant fashion, as well as the presence of joint ventures with foreign capitalist firms, it becomes clear that the Chinese economy can under no circumstances be described as 'socialist' or 'communist'. Stock markets have been set up in Shanghai, Beijing and Shenyang, as well as in several other cities, with some types of share issue paying dividends based on profits, and not just fixed interest. By now it is estimated that approximately 10,000 companies in China have issued shares, and some companies in the eastern city of Shenzhen even issue shares to foreigners. The Chinese government is also clearly moving in the direction of privatising existing state-owned industries, hoping that a change in the *form* of ownership of capitalist property will somehow rescue the economy from its many problems. The organ of the Communist Party of China, *Renmin Ribao*, gives prominent coverage to the views of right-wing economists like Li Yining, Hua Sheng and others who advocate mass lay-offs, price increases and the creation of a western-style shareholding capitalist system. Hua Sheng was quoted as saying that although Marx 'was generally correct in the field of politics', he 'erred in economics by opposing private property'! Indeed Marx—were he alive today—would have had no compunction in labelling China a capitalist country.

Predictably, the course of the reforms has caused severe dislocation in the economy and hardships for the people. It has led to a great polarisation in the distribution of income in both the urban as well as rural areas, and large kulaks have reappeared for the first time since the revolution of 1949 had expropriated the large landowners. Rampant inflation, estimated at between 30 and 40 per cent per annum, and the increasing fear of unemployment coupled with the rapidly multiplying perception that a tiny minority is enriching itself at the expense of the majority, have led to a situation where there is serious disaffection amongst vast sections of the people towards the direction in which China is travelling. Already, more than fragmentary evidence of popular resistance is available. It has been reported that in Inner Mongolia, for example, the government has established special teams of bodyguards to protect entrepreneurs from the ire of the people. A businessman in the eastern city of Jiangyin had his factory smashed by frustrated workers and he was even sued to demand that he share his profits with the people. In Shenyang, a worker killed his factory owner, and was himself promptly executed. The residents of Shenyang, however, regard the youth as a folk hero because the boss was considered a tyrant who got his come-uppance.

Counter-Revolution within Counter-Revolution

Such acts are merely the most severe expressions of the great aggravation of class tensions and conflicts China has witnessed in recent years. These have pitted the workers and peasants against the capitalists and their 'communist' party as well as the various sections of the emerging Chinese elites against each other. While a precise discussion of the composition of the different sections of the bourgeoisie is difficult to embark upon, it may be observed that, for example, the capitalists in Shenzhen (right on the border with Hong Kong) who are bent on increasing the penetration of foreign capital and who see that penetration as a prime source of personal enrichment have a definite basis for contradictions with the emerging kulaks or with the capitalists from outside the special enclaves, with bureaucratic capital and so on. Those sections of the bourgeoisie linked with say the US could also have a tendency to come into conflict with those nurtured by Japan, or others. Within classical capitalist countries, these conflicts rarely take on an acute or violent form partly because of the role the 'pluralist', multi-party system of bourgeois democracy plays in mediating and modulating these conflicts. The recent bitter factional struggle in the Chinese party is evidence that under a different juridical framework, one would have actually seen the emergence of different political parties, but the contradictions among the Chinese ruling classes have not, at the present juncture, reached such a sustained level. The reforms are strengthening the process of class formation, but this process has yet to be played out fully. In Poland something akin to Western style 'parliamentary democracy' has already emerged, and perhaps China is on that path.

The Chinese leadership has shown itself willing and able to exploit the contradictions between the two superpowers, as well as between the US, Europe and Japan to achieve its goal of becoming a major player in the geostrategic struggle for markets and global spheres of influence. From the early seventies, this has been the direct thrust of their foreign policy, with the Mao Zedong regime issuing fulsome praise for and allying itself with the EEC and the US, and developing the pragmatic "Theory of the Three Worlds" for the ideological legitimisation of its counter-revolutionary moves. Today there can be no doubt that the Chinese government is a counter-revolutionary government. The dominant sections of the Chinese bourgeoisie have definite plans to turn China into an imperialist superpower, and are willing to accept foreign credits and investments only insofar as they assist them in that goal. But they are wary of turning China into a vassal of any other power, and any capitalist or ultra-reactionary elements who desire relations of close proximity with other imperialists are bound to be viewed with distaste by the dominant sections. This is one of the reasons for the continuous infighting and jockeying for power within the Communist Party of China. The important point to stress is that, even today, there is not much disagreement with regard to fundamentals: anti-communism and fear of revolution are as much a part of the outlook of Li Peng and Deng as they are for the Zhao Ziyang group. Disagreements arose and will continue to arise over the *precise shape and contours of the path of counter-revolution*, and in this, the speed of change and the degree of alliance with other imperialist powers are very definite factors. The path of reforms also throws up some sections who gain and some who lose from *within* the ranks of the bourgeoisie, and this becomes another explicit bone of contention. At times, such disputes and conflicts can flare up, and recognised norms of resolution within the apparatus of the party no longer suffice. Armed clashes can break out. Police measures may be used. Such is the basis for the *counter-revolution within the counter-revolution*.

Meaning of 'Democracy' Movement

The faction of the Communist Party of China led by Zhao Ziyang utilised the death of another kindred spirit and strong champion of the current 'reforms'—indeed a proponent of their extension and further deepening—Hu Yaobang, to test the waters of counter-revolution. It was reported that thousands of 'students' joined him in organising Hu's funeral in a demonstrative fashion, openly issuing calls for greater 'liberalisation', a euphemism for what is essentially bourgeois democracy and a speed-up of the market-oriented reforms. The western media roared with approval, and after a short period of stock taking, the larger movement began, this time the main slogans being "greater democracy" and "anti-corruption", and with the same student leaders of Beijing University in the leadership. At one point it was estimated that close to half a million people took to the streets in Beijing, and there can be no doubt that this was a reflection of the tremendous hardship and exploitation the Chinese people had endured, particularly in recent years. They took to the streets to vent their anger and frustration against the regime and no doubt lent to the demonstrations a more popular character than had previously been displayed. For a moment it looked like the genuine grievances of working people might be articulated—their hatred of the capitalist system, its inflation, unemployment and income inequalities, their hatred of the foreign capitalists who had reappeared on Chinese soil, etc—but as events rapidly unfolded, this proved to be a pipe-dream. The 'student' leaders lodged in Tiananmen Square made several appeals that they wished to confine the 'democracy' movement to students only, or rather only to those who shared their narrow agenda and, either for this or for other subjective reasons, the large crowds that had taken to the streets in the beginning rapidly thinned out. The students demanded 'democracy', and yet were silent about the capitalist system in China whose very existence is the negation of democracy. The hidden agenda of these student leaders was, of course, that which they had prematurely raised during Hu Yaobang's funeral—for more capitalist reforms and foreign capital—but which if directly raised, would never have struck a chord of sympathy with the people. Hence the counter-revolutionary agenda was deliberately cloaked in imprecision and nebulousness, with some student leaders going so far as to say that what they wanted was 'democracy', although they weren't sure what exactly it was!

Of course in such movements, the battle lines are rarely drawn with such accuracy that one can characterise all those who demonstrated during those fateful days as counter-revolutionary. It is not unlikely that progressive individuals and forces—especially from the working class—might have been associated with the movement, at least in its earliest stages, but they were clearly unable to impart a progressive agenda to its overall character, save for some desultory references to the evils of inflation. It was also reported in the western media that some of the protestors were singing the *Internationale*, the Communist anthem, but one cannot conclude much from that fact alone. The Chinese leadership too takes pride in singing it, and this is not surprising since it is a symbolic source of legitimacy in a country where the people have strong and ancient sentiments for communism. In any event, it was surprising that the demonstrators, albeit professing *naivete* when asked what kind of democracy they envisaged, should have chosen as a symbol for their 'democracy' replicas of the 'Statue of Liberty', a symbol which the entire course of world history has shown to be reactionary. In the eyes of the world's peoples, the Statue of Liberty epitomises US imperialism, the biggest enemy of democracy on earth, and it is hard to believe that the 'students' were unaware of this. Many of the 'students' also held aloft banners and placards praising perestroika and glasnost, which have also become the watchwords of world reaction. Instead of such symbols and slogans being removed and their promoters ruthlessly driven out of the movement, the 'students' loudly proclaimed their affiliations and class partisanship by choosing an incarnation of the Statue of Liberty—the so-called 'Goddess of Freedom and Democracy'—as the final symbol of their movement. That is how history will remember them. Fitting indeed, for now the overall character of their movement can never be in doubt.

A lot has been said and written about the provocative and distorted manner in which the capitalist media reported the events in China. In their coverage, they chose to accomplish several tasks simultaneously. Firstly, it was to *besmirch the banner of communism* by constant allusion to the Chinese government as 'communist', even though all the facts showed its capitalist and indeed, fascist nature. Secondly, it was to *raise the prestige of capitalism* by presenting the open protagonists of capitalism in China as

heroes, and by down-playing and ignoring the terrible economic problems facing the people as a consequence of the capitalist system that exists in that country. Thirdly—and this is in reference to the broadcasts of the US government's 'Voice of America' radio station about how fighting between different units of the Chinese army had 'already begun' (although there was no evidence for this)—they aimed to *provoke a civil war situation in China* with the ultimate aim of installing a government more amenable to foreign imperialists, and in particular, to American interests.

The Chinese government, by taking military steps, proved that it was more than capable of meeting the threats and violence of the 'students' and brought this counter-revolution within the counter-revolution to an end. The cutthroats of the ruling faction will now exact a bloody revenge on the cutthroats who dared oppose them, and this factional struggle will also bring more tragedies for the Chinese people, as many innocent people and genuinely progressive elements will also undoubtedly be identified and annihilated. The capitalist economy of China will remain untouched and the process of 'reform' is bound to deepen, causing great problems for the Chinese working people.

The stage has thus been set for the Chinese working class and peasantry to make their appearance, united, and with a genuinely revolutionary party of their own. The recent events in China, far from confirming the demise of communism, are merely an urgent confirmation of the necessity of ending the rule of the anti-people factions of the Communist Party of China, of the necessity of smashing the capitalist system existing in that country, of the necessity of building a genuine Marxist-Leninist Party, of the necessity for genuine communism. History will prove that only communism can save China.

MALAYSIA

Towards a Two-Party System?

M G G Pillai

At last Malaysia faces the possibility of a two-party system, but whether this would be accepted by the dominant Malays remains to be seen.

THE Malaysian prime minister, Seri Mahathir Mohamed, in control of the federal and state governments as ever, continues to look over his shoulders as he attempts to wean those in the Malay community that reject his leadership. The near unanimity with which he was accepted as prime minister in 1981 has all but disappeared. The six by-elections since the split within the United Malays National Organisation (UMNO), which dominates the ruling National Front coalition, showed that support is still wanting. His party won the by-election in the state assembly constituency of Tambatan, in Johore state, on August 5, but not as decisively as it thought it would.

The National Front has won elections, almost always, with non-Malay support; some credit Tengku Razaleigh's group with taking more than 50 per cent of the Malay votes so far. This is what makes UMNO Baru's position more precarious than it is thought to be. Without Malay support, Mahathir remains a lame duck, even with his huge majorities in parliament and the states. But his problem is that his own UMNO Baru is divided hopelessly, with factions reserving their venom for their opponents in the party rather than for Tengku Razaleigh and his supporters.

Now, Tengku Razaleigh has formed a political party, Semangat '46 (Spirit of '46), and a coalition of opposition political parties. Called the Angkatan Perpaduan Ummah (People's Unity Front), the coalition would forge links with opposition political parties like the Democratic Action Party (DAP) and displace the National Front as the government. The problems within UMNO Baru overshadowed the by-election in Tambatan. Johore remains divided on its support for UMNO Baru; the refusal of UMNO Baru in Johore to admit as members several men and women, including Shahrir Samad, the former cabinet minister, has not helped. The decision was reversed by the UMNO supreme council in the midst of the campaigning, but it did not have the impact it thought it would.

The differences between the UMNO Baru secretary-general, Mohamed Rahmat, and the chief minister of Johore, Tan Sri Muhyuiddin Yasin, did not help. Muhyuiddin Yasin had to be ordered by federal UMNO Baru to take charge of the by-elections, but he proved himself to be a much more capable politician and campaign director than his opponents gave him credit for. It would be more difficult now for Mohamed Rahmat to displace him as chief minister, much as he wants to.

What the six by-elections have shown so far is that both UMNO Baru and Semangat '46 have become more confident about their respective positions. In the early by-elections, the challenger always had the advantage, but that has been narrowed by UMNO Baru's bigger resources and its intuitive selecting of capable people to run its campaigns. The one common thread in all the by-elections has been that the winner always had a better organisation. If anything, UMNO Baru has pushed Semangat '46 and its allies on the defensive.

UMNO Baru campaigned in each by-election on local issues and gave them a national perspective, while Semangat '46 did the opposite. In Tambatan, Semangat '46 was hampered by the aggressive campaigning by PAS workers, most of whom came from out of the state, and by the DAP. What has happened is that the series of by-elections, instead of damaging UMNO Baru as many had thought they would, have strengthened its organisation. Semangat '46, on the other hand, finds the internal problems surfacing embarrassingly in the face of a determined challenge from UMNO Baru.

Tambatan had its local difficulties for UMNO Baru. The member of Parliament for Pulai, Mohamed Rahmat, is not only disliked but is also determined to reduce what support both the former deputy prime minister, Musa Hitam, and Shahrir Samad have in the party. But without them the Johore UMNO Baru would continue to be split. It is widely believed that it is Rahmat who campaigned hard to prevent Musa's and Shahrir's supporters from being admitted into UMNO. On top of that, Rahmat has been wanting to end his political career by being chief minister. But Muhyuiddin Yasin is not about to give up easily.

Much money, more than is legally allowed, was spent by both UMNO and Semangat '46. Of the four candidates, the two independents were at best spoilers. UMNO Baru won because of its better organisation and because the opposition had too many outsiders campaigning on its behalf. But again it was the non-Malay voters who ensured the party's victory. It is this absence of a clear support from the Malay community that is UMNO Baru's Achilles heel.

That is the contradiction. You cannot hope to have legitimacy without majority support among the Malay community, but you cannot hope to form a government without non-Malay support. UMNO clearly has the latter, but of the former it is uncertain; Semangat '46 has about the same support among the Malays as UMNO has, but of non-Malay support it is uncertain. Which is why the battle is evenly matched, although by being in power, UMNO Baru has a clear edge.

Ultimately victory depends on how effectively each group can get all the three races to the polling booths. But who has the mandate to govern would have to wait the general elections; perhaps it would not be clear even then. Which is why Semangat '46 is building a coalition of opposition Malay and non-Malay parties. At last Malaysia faces the possibility of a two-party system; but whether it would be accepted by the Malays, who wield political power, remains to be seen.

ZUARI AGRO CHEMICALS LIMITED

JAI KISAAN

STATEMENT OF THE CHAIRMAN SHRI K.K. BIRLA DELIVERED AT THE 21ST ANNUAL GENERAL MEETING OF THE COMPANY ON 30TH AUGUST 1989

Shri K.K. Birla

I have great pleasure in welcoming you to the 21st Annual General Meeting of our Company. You have already received the annual report with the audited accounts and the Directors' Report for the 15-month period ending March 31, 1989. I seek your permission to take them as read.

The Economy

The year 1988-89 was a significant period for our economy as it was marked by remarkable growth both in agricultural and industrial sectors. With this growth trend, the economy is poised for further substantial gains. Viewed in the background of successive droughts, the performance of the economy speaks for its inherent strength and resilience.

We owe this performance mainly to the improved utilisation of capacities built up over four decades of planned development, higher efficiency and judicious management of the food economy. Of course we must hail our farmers for their hard work and pragmatism to adopt the new scientific methods in their agricultural practices. The economic policies initiated by our Prime Minister, Shri Rajiv Gandhi, based on growth, liberalisation, self-reliance and social justice have provided a new impetus to growth.

In the agricultural sector, the year 1988-89 witnessed a smart recovery from the depressing spell cast by frequent droughts. During the year, the output of foodgrains rose by about 23% from 138 million tonnes to over 170 million tonnes. The excellent performance of agriculture in the fourth year of the Seventh Plan augurs well for the years to come, particularly in view of indications of another good monsoon in 1989.

Whilst on the subject of agriculture, special mention needs to be made of the successful work carried out by the Technology Mission on Oilseeds appointed by the Government of India in May 1986. This Mission has brought to the fore the best of production, processing and management technologies available to accelerate self reliance. It is now expected that the objective to produce 16 to 18 million tonnes of oilseeds in 1989-90 will be met thereby cutting imports by half.

The industrial sector has also acquitted itself creditably. As per Government of India's provisional estimates for 1988-89 the industrial sector achieved a growth rate of around nine per cent. Most industries recorded significant increases in production. The manufacturing sector, which accounts for four-fifths of our industrial production, has done particularly well.

However, in spite of excellent economic fundamentals, the economy continues to face major challenges on the balance of payment front. The surge in imports partly necessitated by the previous year's drought together with the rise in the international commodity prices has aggravated an already difficult situation. In this context, one of the bright spots is the reduction in fertiliser imports from around Rs. 1400 crores in 1985-86 to less than Rs. 500 crores in 1987-88. Credit to a large extent goes to the indigenous fertiliser industry which, by increasing production, has helped mitigate the balance of payments problem.

Fertiliser Scene

After four years of low growth in consumption on account of droughts, 1988-89 witnessed a jump in consumption by over 23% to 111 million tonnes of nutrients. Fertiliser is a key input in the growth of our agriculture. In view of the need to provide food for a growing population, it would be necessary to increase fertiliser production capacity both by building new plants and by removing the bottlenecks in the case of existing ones. You are aware that some of the plants which were to be completed during the Seventh Plan period will now have to be phased for completion in the Eighth Plan. Although we may not feel the crunch immediately, it is estimated that by the mid-nineties, with a higher rate of consumption coupled with an inadequate production capability, the country would again face a substantial import gap as far as fertilisers are concerned. I am aware that the government and the industry are genuinely concerned about this problem and will take timely action to forestall the situation.

Financial Results

I am glad to say that during the 15-month period under review, our good track record has shown further improvement. The financial results of

the company during the period show a gross profit of Rs. 2619.23 lakhs as against Rs. 1601.97 lakhs for the 12-month period in 1987. The profit before tax was Rs. 2121.15 lakhs as compared to Rs. 854.09 lakhs in the previous year. Similarly, the net profit was higher at Rs. 1206.15 lakhs as against Rs. 434.90 lakhs last year. This excellent financial performance is indicative of the strength and vitality of our company.

Our plant is the heart of our operations, and I am happy to say that it continues, to live up to its reputation as one of the most efficient plants in the country. In fact we won for the second successive year the Fertiliser Association of India's award for the best production performance in nitrogenous fertilisers. We continued to maintain our record of high capacity utilisation of all the plants. During the period under review, we manufactured 454355 MT of urea, 232509 MT of DAP and 215896 MT of NPK respectively. The principal constraint in the case of NPK and DAP was disruption in supplies of phosphoric acid, resulting in the shutdown of our phosphatic plants from February-March 1989 for reasons beyond our control. We have made representations to the Government of India for reimbursement of standing charges during periods of plant shutdown due to unavailability of phosphoric acid. Considering the circumstances leading to this industry wide shutdown, we are confident that this issue which from industry standpoint is very curcial, will be favourably considered by the Government.

Coming to our performance in sales, I am happy to say that thanks to a good monsoon and greater sales efforts, our turnover in 1988-89 was higher at 918227 tonnes as compared with 639286 tonnes in the previous twelve months. We are grateful to the Government for taking prompt measures to combat the glut conditions which plagued the industry in the previous two years by withholding urea imports and by resorting to a judicious use of ECA allocation. These measures have had, undoubtedly, a salutary effect in stabilising the market.

New Projects

From this forum I have talked about our new projects from time to time. The giant gas-based fertiliser plant, which we had promoted for setting up near Sawai Madhopur has now been assigned a new location, near Gadepan in district Kota. The name of the company promoted by Zuari to implement the project has been changed from Aravali Fertilisers Ltd. to Chambal Fertilisers & Chemicals Limited in view of the change in site. You are aware that the earlier site had to be changed because of revised guidelines prescribed by the Ministry of Environment and Forests.

You will be glad to know that the work on Chambal gas-based plant has commenced. We have already taken possession of land admeasuring 644 acres at Gadepan and the tempo of work will now gain considerable momentum.

I must mention here that doubts have been raised in some quarters regarding the viability of new gas-based projects in the light of the changes in the retention price norms. After careful thought, we feel that the basic economic justification of the Chambal project having been well recognised, the representation made to Government of India to review favourably the new parameters of the fertiliser retention price formula is bound to be heeded, as fertiliser is so vital for the progress of our agriculture.

Food processing is a fast growing industry in the country. Its importance is demonstrated by the fact that the government has set up a new ministry to promote this industry. To participate in this growth sector, we had put up a proposal to set up a hundred per cent export-oriented food processing project in Himachal Pradesh. This proposal has now been cleared by the Government.

The company's search for new opportunities for diversification continues. We have the resources and the skills to undertake such new projects. Presently, the company is actively pursuing various new projects including manufacture of cement, telecommunication equipment, and optical fibre cables.

Environment

It is a matter of pride that we have continued to maintain high standards of environmental protection. Our effort is not just to control pollution in accordance with rules, but we have also a commitment to protect and improve the living landscape around us. You will be glad to know that the Zuari plant was shortlisted by the Fertiliser Association of India Awards Committee for the 1987 Best Environmental Protection Award.

Our plant is also reputed for its excellent safety performance. Over the years, owing to stringent practices followed in the plant and the full cooperation of the employees and their participation in the effort to keep our operations safe all the time we have maintained an excellent safety record.

You are aware that your company has a comprehensive programme for rural action and community development. We continue to play a larger role than just manufacturing and selling of fertilisers. We are closely associated with national programmes such as dryland farming and intensive district development. We continue to bring to the farmers the latest in agronomic technology by conducting training programmes for farmers, visits of farmers to agricultural research centres and extended block demonstrations. Our award of scholarships to deserving students, and aid to cultural and educational institutions, are other examples of our commitment to community welfare.

Our industrial relations have continued to be cordial. This is largely due to the dedication and unstinted support of our employees and others. On your behalf and on may own behalf, I take this opportunity to express our appreciation for their cooperation. I am sure that they will continue to maintain the high standards for which our company is known.

I would also like to take this opportunity to express our gratitude to the Goverment of India and the Government of Goa for their unfailing guidance and support. I also thank our collaborators M/s USX Corporation of Pittsburgh, USA for their continuing cooperation.

Thank you.

This does not purport to be a record of the proceedings of the Annual General Meeting.

Mobilising Scheduled Castes and Scheduled Tribes

Sharad Patil

The victory of the total Indian revolution that will abolish caste, sexual and class inequalities inextricably linked to the revolutionary mobilisation of the SC and ST masses.

AS is well known the scheduled castes constitute 15 per cent of the Indian population and the scheduled tribes 7.5 per cent, and together they make up 22.5 per cent of the Indian people. But the implications of this post-independence fact are usually missed by sociologists and political activists of the opposition. The ruling party, the Congress(I), is instinctively conscious of not only the fact, but of the pluralist advantage flowing from it. The greatest failure of the left lies in not realising this advantage of the ruling party.

In the pre-independence period Muslims were the biggest minority in India which is why the British assigned the most important place to this minority as part of their strategy of counteracting the freedom movement. In post-independence India the SCs and STs have become the biggest minority and hence they have assumed the most pivotal place in the strategy of the ruling Congress Party in counteracting the left movement.

But here the similarity ends and dissimilarity begins. Muslims are a religious minority and not second class citizens in this country. Like every non-Hindu Indian religion, Islam has also been affected by the caste system. But not being an inseparable part of the system, the Muslims are not one of the basic forces interested in abolishing it. Hence they are not a motive force of the Indian democratic revolution, though they are an important ally of the democratic forces.

As against this the SCs and STs both are broadly inseparable parts of the caste system —its mainstay and foundation. Why broadly? Because except for the proletarianised STs incorporated in Sahu[1] *(Diku)* areas, the scheduled tribes still living in contiguous scheduled areas as peasant proprietors are not integrated into the caste system but are on its fringe. Nevertheless, these tribes are also treated as Ati-Sudras by the Sahus as is evident from the relations between them in states like Tripura. As for the proletarianised STs incorporated in Sahu areas, the Dharmasastra includes them in the Ati-Sudra category, but does not consider them as untouchables.[2] These two stages denote the process of how backward tribes were incorporated into the caste system as communities. There are numerous examples of how such communities later sank to untouchability. A classic example is of the Mahar untouchable caste. Excavations at Sanjan reveal that the tribes of Kolis and Mahars formed a tribal confederation (*sangha-gana*) which ruled the country thereabouts (*janapada*) at least up to AD 500.[3] The once sovereign tribe of Mahars later, i e, after the break up of the *sangha-gana*, sank to untouchability, though the Koli caste has remained *niravasita* or non-untouchable Sudras according to the Paninian, grammatical rule II 4.10.[4] It should be noted that the STs still consider the Mahars to be untouchables!

It is thus that the SCs and STs form the base of the caste pyramid which is devoid of any staircase as aptly described by Ambedkar.

What this means in the present social revolutionary context is that the SCs/STs together constitute the motive force of the anti-caste democratic revolution. Their unity of contradictions should not be seen as insurmountable impediments but as assets. Unless we understand the meaning of the motive force of the anti-caste democratic revolution we will not be able to know the historical task or mission of this most hapless section of the Indian people who, as averred by all historians—Dalit and non-Dalit alike—never revolted in Indian history.

Motive Force of Indian Democratic Revolution

The third estate of pre-revolutionary western European societies was denied democracy by their feudal rulers. That is why the French Revolution raised the slogan of 'Liberty, Equality and Fraternity'. The western bourgeois democratic revolutions liquidated feudalism and thereby gave democracy along with land to their respective third estates. In India not only the social reformers of the last century but even Tilak said that India lost her freedom due to the caste system and that unless the caste system is abolished she would not regain her freedom.[5] The non-Brahmin movement was in full swing during the Tilak era in Maharashtra and south India. According to the Mandal Commission's Report Ati-Sudras (22.5 per cent) and Sudras or OBCs (52 per cent) together constitute 74.5 per cent of the Indian population and are victims of the caste system. Only abolition of the caste system can give them true democracy. In the initial period of the National Congress the Social Reform Conference was held in a common pandal. Though freedom and social reform in those days were meant for the high castes/classes, nevertheless freedom and social democracy were thought to be inseparable. This was the original conception of Indian democratic revolution. But when the social reformers were driven out of Congress, this original conception fell into disuse and disrepute. Why?

All sorts of reasons are given except the basic one. According to Communist International the bourgeoisie of every country that was to make its democratic revolution became funky after the Russian socialist revolution and thereafter it became its nature to betray its own democratic revolution. But that was not the case in pre-1917 India. In that period the bourgeoisie was the motive force of every bourgeois democratic revolution. Why then did the Indian capitalist class, whose intelligentsia led the Congress, allow this to happen? Was it because it was compradore? Such a bourgeoisie does not establish its freedom organisation. Was it because it was weak? Why did it then not become strong by accepting co-operation, preferred by leaders of the Sudra peasantry like Phule and others? This question asked during the closing decades of the last century is itself the answer.

Indian capitalists are still not a class according to D R Gadgil.[6] He calls them a community, not a class. Its members are drawn exclusively from Bania castes and communities. The greatest leader of the Indian national movement was a Bania. His most powerful lieutenant was a Patel, leader of the dominant peasant caste of Gujarat, and his most popular lieutenant was a Kashmiri Brahman. Such a pseudo-class of capitalists and its intelligentsia has its interest only in political and economic emancipation and not the social one. Indian freedom movement did not usher its age of enlightenment as experienced in the west. No onslaught was launched on Indian religions, the reason being that official philosophy of the Indian National Congress was not materialism, but, from the beginning was the caste-defending monist *Vedanta*.

Bourgeois economists of India have adopted the class economy of the west. Behaviourists and stray Marxist sociologists and political scientists now feel the need for building up a caste political economy.[7] An all-sided onslaught on the caste religion of India was and is the pre-condition of Indian enlightenment not only for humanist or socialist purposes, but for bourgeois economics as well. The caste religion is based on

ownership of land by *zamindar* and peasant castes and non-ownership by the Ati-Sudra castes and communities. Hence, the abolition of feudal landholdings enacted by the central and state Congress governments and lands distributed under the various ceiling acts benefited not only affluent tenants but solely the peasant castes. SC and ST rural poor were deprived of this benefit.[8]

Class societies have one poverty line. Indian economists ape western class economics and use one poverty line for the whole country. In providing constitutional reservations for the SCs and STs it has been admitted by the rulers that the SCs and STs are the poorest and the most backward of the Indian poor. Vijay Nayak and Shailaja Prasad had to write a paper entitled 'On Levels of Living of Scheduled Castes and Scheduled Tribes'.[9] The Mandal Commission had to recommend reservation for the OBCs. The poor of the OBCs live on the second poverty line of India. And then there is the third poverty line of the poor of the forward castes. So whenever bourgeois class economists say that the poverty line has gone up to 48.13 per cent for the whole country and 50.82 per cent for its rural areas, we have to imagine—we can only do that at present—the poverty lines of the SCs/STs and the OBCs. When these class economists say that the per capita consumption of fabrics has fallen from 17 metres in the pre-independence period to 13.63 metres at present, and will go down more after the enactment of the new textile policy of the Rajiv government, we are left to imagine the clothing of the SC/ST and the OBC masses. This three-tiered depth of Indian poverty can scarcely be revealed by class statistics.

This is how the home market is developing. India has become self-sufficient in foodgrains and can now build up its reserve stocks. But there is no corresponding increase in industrial production.This crisis in industrial production is attributed by Kartik Rai, an economist of the CPI(M), to the decreasing purchasing capacity of the class of consumers.[10]

When India has the largest number of illiterates (44 crores) in the world, her live registers of employment exchanges show that in 15 years her educated unemployed has gone up from 40 lakhs to 2.5 crores. Her literacy has again to be understood in caste terms. Though the literacy rate for the whole country is 36 per cent, it is 21 per cent for the SCs and 16 per cent for the STs. The greatest sufferers are, of course, women of the SCs/STs. If the literacy rate for all Indian women is 24 per cent, it is 48 per cent for urban women and 10 per cent for rural women. Out of 281 lakh rural literate women only 17 lakh are SC literate women and 7 lakh ST literate women. SC and ST illiteracy is going to increase in the Seventh Plan period. India spends only 3 per cent of national income on education in comparison with the 6 per cent by many developing countries. Out of her total allocation for education the share of primary education is declining while the share of higher education is increasing. During the period 1950-83 primary schools increased by 2.8 per cent per year while colleges and universities increased by 6 per cent. Indian education is not only an elitist class education but also elitist caste education.

India's bonded labourers are exclusively drawn from the SC and ST. The slave market of Dholpur in Rajasthan, where SC and ST women from all over northern India are sold, flourishes right under Delhi's nose. The majority of women prostitutes belong to the SCs and STs.

The poverty, illiteracy, destitution, oppression and bondage of the SCs and STs, which constitute the base of the caste tower, remains intact; rather has been increasing in independent India. That is why the SC and ST masses are the motive force of the Indian democratic revolution.

What is the meaning of motive force in the context of Marxist terminology?

Meaning of 'Motive-Force' in Dialectical Movement

The Oxford dictionary defines 'motive' as 'a mover, instigator, promoter'. The mover of a social revolution is that section of a society that needs social revolution the most. There can be no social revolution unless the common people feel the need for it. Every social revolution is made by the common people. But this formulation leads us nowhere. The *Dasa* or slave *varna* rose in revolt against the oligarchic (*sangha-gana*) society in the 6th century BC and overthrowing *varna* society ushered the feudal *jati* society. But who promoted the social revolution? A section of the Indian people who wanted agricultural production to increase enabling thereby a spurt in handicrafts production which in turn would give a fillip to inland and overseas trade. The *Tipitaka kassaka* calls them *gahapatis* (agriculturist traders) who pay taxes to the new feudal king.[11] They and the oligarchic and feudal nobility supported Buddha and his *sangha*, who provided intellectual leadership to the social revolution. Leading *kassaka-gahapatis* like Mendaka manumitted their own predial slaves and transformed them into agricultural labourers.[12] As all revolutions preceding the socialist revolution were led by exploiters who represented the new forces of production, there was bound to be a duality of unconscious and conscious motive forces and their contradictory unity. This contradictory duality existed up to the Russian socialist revolution. After it Marxist-Leninist political economy enabled the unconscious motive force of the peasantry to be transformed into a conscious and hegemonic force in alliance with the working class in a democratic revolution. In the Chinese New Democratic Revolution, as noted by the history of the CPC, the Chinese compradore bourgeoisie was a counter-revolutionary force and the Chinese working class could have no links with it and hence the role of the conscious and hegemonic motive force was played solely by the poor peasantry.

Not only the international communist movement but even the CPC has tried to explain away this sharp departure with the jargon of the Marxist-Leninist theory of democratic revolution. It is argued that Marxism-Leninism being the ideology of the working class the peasant revolutionaries of China were acting as the representatives of the Chinese working class!

A new revolutionary reality confronts us in a sharp divergence from the revolutionary theory. An exploited section of a people, which is the greatest victim of the semi-feudal order and needs the democratic revolution the most, need not be fatalistically led by their working class but can itself become the conscious and hegemonically motive force of its democratic revolution. *Revolutionary realities far removed from each other in time, space and character need not and do not strictly follow the lines laid down by a revolutionary theory.*

In spite of its unique peculiarities the Indian democratic revolution has some similarities with the Chinese New Democratic Revolution: (1) The Chinese bourgeoisie being a compradore one, opposed the Chinese democratic revolution. The Indian bourgeoisie, being a high caste one, opposed the Indian anti-caste democratic revolution. (2) The Indian working class, as noted by Ambedkar,[13] itself being caste-ridden has not been able to discharge its historic task of becoming the conscious and hegemonically motive force of the Indian democratic revolution. (3) The SC and ST masses, being the greatest victims of the caste system, are bound to become the conscious and hegemonically motive force of the Indian democratic revolution.

But according to formal logic the caste system can be abolished only through anti-caste struggles, i e, struggles, broadly, between the SCs/STs on the one hand and all the rest of the castes and communities on the other. That is how traditional communist parties twist the meaning of anti-caste struggle and that is also how S D Mahajan, a socialist and a member of the Anti-Namantar Committee, wrote in his article opposing the demand for renaming the Marathawada University after Ambedkar.[14]

So the question naturally arises: what is the relation of anti-caste struggle to class struggle?

Relation of Anti-Caste Struggle to Class Struggle

In order to understand the modern character of anti-caste struggle, it will have to be compared with pre-British anti-caste struggles. Marxist historians like D D Kosambi, Dev Raj Chanana, R S Sharma and Romila Thapar characterise social strug-

gles in the pre-British Indian society as class struggles that took the form of caste and community struggles. I have challenged all Indologists to prove the existence of class in pre-British India. Marx did not know any other institution of exploitation and administration except class. Tremendous advance has been made in the post-Marx period by anthropology, sociology, historiography, archaeology and linguistics. Angela Davis says in *Women, Race and Class* that race is as much an institution of exploitation and administration as class. The newly independent countries of Africa are federations of tribes and tribe itself is an institution of exploitation and administration. In the pre-Buddha period *varna* was the institution of exploitation and administration, while in the post-Buddha period *jati* became the institution of exploitation and administration. The history of Vedic (pre-Buddha) Indian society since the rise of the exploitative *varna* system is the history of *varna* struggles, while the history of the post-Buddha Indian society right up to the advent of the British is the history of *jati* and community struggles.

The religion of *varna* society was *Srauta* (Vedic) *varnaasrama*, while that of *jati* society has been *Smarta* (of *Smriti*). The Srauta-Smarta religions together constitute the Brahmanical religion. Philosophies upholding this religion were called Brahmanical philosophies by Indian tradition, while philosophies opposing this religion were called non-Brahmanical ones by the same tradition. Vedanta, Purva-mimamsa, Nyaya and Vaiseshika were Brahmanical philosophies, while Sankhya, Lokayata, Jaina and Baud-dha were non-Brahmanical ones. The struggle between these two philosophical camps was basically a projection of the anti-caste struggles that were fought out in the society right since the time when the exploitative varna system came into existence in the Indus civilisation. My papers: 'Two Marxist Methodologies of Understanding Ideological and Social Conflicts in Indian Philosophy'[15] and '*Dharmakirti* and Our Times'[16] which have not been published in English so far, deal with this subject. Anti-caste struggles were waged even in the Brahmanical camp. The Bhakti movement is an example of it. In the absence of any notion of class and though fought out under a religious garb, these anti-caste struggles were secular and not casteist or communal. *Traditional communists are still victims of the misconception that only class struggles are secular, non-casteist and non-communal.*

The British rulers transplanted their class system on the Indian caste system. They modified the caste system in their class interests, but preserved it also in their class interests. That is why economic, social and political struggles were imbued with caste consciousness and conducted through caste organisations. Even the working class struggle in Bombay was waged, up to the close of the first world war, by leaders of the non-Brahman movement like Lokhande. The non-Brahman movement in Maharashtra waged its anti-caste, anti-religion, anti-priesthood and anti-usurer-landlord struggles against the castes of bhatjis (Brahmans) and shetjis (Bania) with a caste consciousness and caste organisations. Even in the national movement its high caste leaders steered their own caste and sub-caste organisations outside the National Congress. Sardar Patel led his Patidars' caste organisation. He was in the forefront in opposing and scuttling the Hindu Code Bill drafted by Ambedkar. If the pre-first-world-war working class movement and the national movement as a whole are characterised as secular, then the non-Brahman movement led by Phule, Shahu, Jadhav, Jedhe, Javalkar and Periyar also must be characterised as secular. It was not the fault of the non-Brahman agitations that religion, land, trade and usury were vested exclusively in the hands of particular castes. The caste religion itself was responsible for that.

Though Ambedkar was steeped in western class democratic traditions, when he unfurled the banner of caste annihilation on behalf of the untouchables in a completely uncasteist spirit, he found all the caste Hindus ranged against it. A sprinkling of high caste individuals who supported him makes no difference. Even the Namantar struggle of the period 1978-82 saw the overwhelming participation of Dalits and Adivasis, while caste Hindus were in an insignificant minority. This happened in the heyday of communist class struggle.

It is against this background that we must see the relation between caste struggle and class struggle. For unilinear historical materialism there is no relation between the two. For it the two are one! According to Dipankar Gupta, whose elucidation of traditional Marxism is acceptable to all communist parties ranging from CPI(M) to CPI(ML), caste is a myth and class is the only reality,[17] in the spirit of Sankara monist Vedanta—*Brahma satyam, jagat mithya* (only *Brahma* is real, the world is false). Gail Omvedt does not take such a crude position. According to her class inhered in caste in an unmanifested form in the pre-British Indian society, it became manifest in it in the colonial society and since independence the two have become separate.[18] But this was her position in 1982. In her most recent position in 1983 she repeats Marx's dictum: "Wherever there are exploitative relations of production, wherever one section of society toils and produces but is deprived of the fruits of their production while another section of society does not labour but exercises control over the means of production and appropriates what is produced—there are classes".[19] Hence, class is the only reality!

Ambedkar, influenced on the one hand by S V Ketkar[20] and on the other by Marx's unilinear historical materialism, defines caste as 'an enclosed class', and prefaces it by saying that every exploitative society is bound to be a class society and Hindu society is no exception to it.[21] It should be noted that this is still an inviolable dogma not only with Ambedkarites but even with the distinguished Dalit thinker Raosaheb Kasbe who fervently and ably espouses a combination of Ambedkarism and Marxism in his book *Ambedkar and Marx*.[22]

In contradiction to these Marxist and Ambedkarist unilinear viewpoints, multi-linear historical materialism expounded by 'Marxism-Phule-Ambedkarism' demonstrates that race,[23] *tribe,*[24] *varna and jati are pre-class institutions of exploitation and administration. It not only enables separate, comparative and objective studies of societies that had or have these institutions of exploitation and administration, but also shows the present relation of caste and class struggles in their real concatenations.*

Class is the highest and the last institution of exploitation and administration. Though the British imperialist rulers preserved caste in order to perpetuate their class, abolition of caste is unimaginable without the growth of class in it. In the post-independence period even those backward castes and communities, including SCs and STs which were homogeneous, have *differentiated* into classes. This has made class struggle within SCs and STs possible. The rise of Dalit Panther, Dalit Yuvak Aghadi, etc, through revolt of the Dalit youth against the elite leadership of various republican parties, is the first manifestation of class struggle within Dalit castes. Though the movement of the Adivasi landless in Dhule district for cultivable forest lands, organised by the Satyashodhak Communist Party since 1970, is directed against the Maharashtra state government, its forest minister Surupsingh Naik and the M P Reshma Bhoge being the leaders of the ST elite from the same area, the movement had to wage class stuggle within the scheduled tribes involved in the movement.

Except the SCP all the other constituents of the Namantar Kriti Samiti were Dalit and non-Dalit non-parliamentary action groups. The agreed strategy was to unite the democratic and toiling classes of all castes and communities against the Congress(I), whose state government was refusing to concede the demand, and the BJP, premier party of the caste system. It was an anti-caste struggle that was waged on the basis of class unity of democratic and toiling masses of all castes and communities. This is a model meant for all future anti-caste struggles.

Satyashodhak Gramin Kashtakari Sabha is the class organisation of the toiling peasantry led by the SCP. It is waging various economic and class struggles of the Adivasi and Sahu toiling peasantry. While waging these class struggles it has participated in the great Namantar Satyagrahas of 1979 and 1982 with full force. It resulted in mutual strengthening of both struggles and helped in developing the anti-caste, class democratic and socialist consciousness of the Adivasi

and Sahu masses following the class organisation.

This was one of the main points of dispute in the CPI(M) when the founders of the SCP were in that party. Godavari Parulekar, the president of the Maharashtra Kisan Sabha, justified the holding of a Maharashtra Adivasi Conference at Talasari, Thane District, between February 1-4, 1974, on the plea that there should be a separate organisation for waging caste struggles as there is a Kisan Sabha to wage class struggles. We opposed the move by arguing that class organisations of workers, peasants, middle class, students and women should themselves be simultaneously oriented towards caste struggles. This dichotomy of separate class and caste organisations by the Maharashtra CPI(M) leadership proved to be impracticable and fell through.

A corollary to the dispute was: what about the existing caste and community organisations respectively of the Dalits and Adivasis? We argued that the SC/ST masses had to form organisations for their anti-caste demands and hence communists should forge an alliance with them for waging not only anti-caste struggles but also class struggles. History has proved us right. CPI and CPI(M) had to participate in the Namantar Satyagrahas of 1979 and 1982, though in a token manner, i e, without their class organisations, and became constituents of the Maharashtra State Committee for Defence of Reservation (for the OBC) right since its inception. Popular pressure has forced these traditional communist parties to establish a relation between their class struggle and these caste struggles.

But the hitch is that they continue to consider these anti-caste movements as 'necessary evils', as challenges to the class unity of toilers.[25] Hence, their token participation in these anti-caste movements. That sets a limit on the mobilisation of their party and non-party SC/ST masses for these movements. No battle can be won by an army whose important contingents are ideologically unconvinced and hence offer a token fight.

What is the relation of caste and class struggles with women's struggle—especially of SC/ST—against sexual inequality and oppression? Women's emancipation movement in India is no longer limited to Hindu urban middle class women. It is spreading to women of all religions and going down to rural grassroots. Advocate Indira Jaisingh argues "No community, religious group, caste or sect can claim that their own sectarian law must be protected against the constitutional guarantee of equality between the sexes . . .". Today there are no less than five petitions pending in the Supreme Court from women belonging to five different religions and ethnic groups. Mary Roy from Kerala has challenged the Travancore Christian Succession Act, 1916, as it disentitles Christian women from inheriting any property from their fathers. A Hindu woman has challenged the Hindu Succession Act as it excludes women from succession to ancestral or co-parcenary property and the family home. Shehnaaz Sheikh has challenged several aspects of Muslim Personal Law, including the arbitrary nature of *talak*, as it denies Muslim women sexual equality. Another Chirstian woman has challenged the limited grounds on which a Christian woman can seek her divorce under the Indian Divorce Act. There is a petition pending on behalf of tribal women challenging the custom that disentitles them from inheriting property belonging to the father or the husband. Adivasi women from Maharashtra, through the Satyashodhak Kashtakari Mahila Sabha will be shortly filing a petition in the high court challenging the tribal customs and the Hindu Succession and Indian Succession Acts, both of which exclude scheduled tribes from their purview'.[26]

It should be noted that out of all these petitions only the last is being filed on behalf of a grassroots women's organisation, while all the rest are by individual women, though there might be some urban middle class women's organisations helping the petitioners. The founders of SKMS faced stiff opposition from Godavari Parulekar in their efforts to persuade CPI(M) leadership to build an all-India tribal women's movement against various customary laws which permit polygamy for tribal men, disentitle tribal women to maintenance after divorce due to the custom of bride price, disqualify them from inheriting father's property, etc. Says the policy statement of the SCP:

> The Hindu code is still not applicable to the Adivasis even in the truncated form in which it was passed by the parliament. Hence, Adivasi women have been deprived of the legal benefits of the act of marriage which prohibits a man to take a second wife when his first wife is living, and the act of succession which entitles a woman to an equal share in her father's property, etc. The resolution of the 'Dhule Zilla Shramik Mahila Sangh' demanding the application of the Hindu code to Adivasi women was turned down by the CPI(M) leader of women Ahilya Ranganekar, MP and the CPI(M) Adivasi leader Godavari Parulekar under the plea—"Adivasi women are more free than Sahu women and hence their rights will be marred if Hindu code is applied to them!"[27]

The task of filing the above-mentioned petition has been entrusted to advocate Indira Jaisingh by the SKMS.

Again the question props up: Who are the motive force of Indian women's emancipation movement? The Tebhaga (⅓ share of the crop as rent instead of ½) movement of 1946-50 in Bengal was as great an anti-feudal peasant uprising as the Telengana. A participant in that movement, Amit Kumar Gupta, writing in his 'Mobilising Women for Change' notes that women were more militant than men and one of the reasons of their greater militancy was that they hailed mostly from the SC and ST. The second reasons he gives is that "they were doubly oppressed; they were exploited not only on a class basis but also on a sex basis".[28] He is careful to note that "Higher caste Hindu and Muslim women did not participate to the same extent", though he excludes caste oppression. The constitution of the Satyashodhak Kashtakari Mahila Sabha says that Indian women are bound by the triple bonds of sexual, caste and class inequalities. The greatest victims of this triple bondage are of course the SC and ST women and hence they are the motive force of Indian women's emancipation movement.

Refusal by the CPI and CPI(M) to give due importance to caste in women's emancipation imposes limits on their mobilisation of the SC and ST women.

Primitive communism sketched by Morgan and Engels is based on total—including sexual—equality. They stop therein at mother-right which is exercised by men in mother's line. Actually it is a matrilineal society. Bachofen, who was the first to detect gynocracy in ancient European society, considered it an abnormal and distorted development of primitive matrilineal society and Morgan and Engels concurred with him. Briffault and George Thomson have proved that matrilineality was a product of gynocracy. In my book *Dasaudra Slavery* (p 1) I have adduced Indian illustrations to prove the existence of gynocracies in India right from the Indus civilisation to modern times.[29] But, nevertheless, Indian traditional communists and Marxist scholars continue to cling to the non-existent and romantic conception of primitive communism in ancient India. This has made even women communist leaders of India patriarchal! As a result, women's emancipation movement in India has become subordinate to men's emancipation movement in spite of tall and extreme talk of feminism.

Revolutionary Mobilisation of the SC/ST?

The last question that remains to be answered is: Will the SC/ST masses have to be mobilised for a revolutionary abolition of the caste system? For traditional communists the task is not abolition of the caste *system* but *vestiges of caste* which belong to the superstructure, i e, in the minds of the Indian people. Hence the task has been relegated to the post-socialist revolutionary period by the programmes of all traditional Indian communist parties, including CPI(ML). The final phase of the anti-caste movement raised a challenge to this understanding and a debate I initiated in the 1970s on all the aspects and concatenations of the unique Indian democratic revolution compelled the foremost theoretician of the CPI(M), M Basavapunnaiah, to raise the traditional understanding to the level of a philosophical debate in his paper 'On Contradictions, Antagonistic and Non-

Antagonistic' in the Marx centenary issue of the *Social Scientist* (March 1983). My rejoinder to him entitled 'Lenin, Mao and Basavapunnaiah on Contradictions: Antagonistic and Non-Antagonistic' was not published by the theoretical monthly of the CPI(M) though the editor had called for a debate in the journal. Hence, my rejoinder had to be translated in Marathi and published in *Satyashodhak Marx-Vadi* (December 1983).

Basavapunnaiah's paper was a rebuttal of the departure taken by Mao—without being conscious of it—in interpreting the law of contradiction in order to apply it to the contradictions posed for solution by various movements in the Chinese society.[30] What is the position taken by classical Marxism, which ends with the so-called Marxism-Leninism, on the basic law of dialectics according to Basavapunnaiah? (Though Lenin interpreted the law dogmatically, I have shown in my rejoinder that Marx had left the options open.) (1) There were only non-antagonistic contradictions in human society till the disintegration of the primitive communist society. (2) With the disintegration of the primitive communist society there came into existence two types of contradictions—antagonistic and non-antagonistic. He stressed that there were no antagonistic contradictions in this ideal society. (3) Only the class contradiction is an antagonistic one, while the rest of the social contradictions are non-antagonistic. (4) Both these types of social contradictions are untransformable into each other and they exist in watertight compartments. (5) Only the class contradiction can be resolved in a revolutionary manner.

The main departure taken by Mao was that antagonistic and non-antagonistic contradictions do not exist in watertight compartments and can get transformed into each other and class contradiction in its initial stage exists in a non-antagonistic form.[31] This meant in the Indian context that caste contradiction also is and can be an antagonistic contradiction and hence its revolutionary resolution becomes necessary.

Elite nationalists like N V Gadgil had convinced leaders of the non-Brahman movement like Jedhe that as caste contradiction would be resolved only after attainment of freedom the non-Brahman movement should enter the Congress and give priority to the struggle against the British.[32] In the same manner traditional communist parties argue that *caste* being a superstructural or non-antagonistic contradiction it will be automatically resolved after the resolution of the antagonistic class contradiction through the socialist revolution. (Sharad Joshi argues in the same vein: the main contradiction in Indian society being Indian government's refusal to give remunerative prices for agricultural produce to the peasantry, all other contradictions in Indian society will be automatically resolved with the resolution of the main contradiction.) The various brands of democratic revolutions propagated by traditional Indian communist parties (except parties and organisations like Lal Nishan Party and Shramik Mukti Dal who want to go over immediately to the socialist revolution) being exclusively class ones and their underlying philosophical understanding being as described above, they are against mobilising the ST/SC masses for a programmatic revolutionary strategy of the Indian democratic revolution that would abolish the caste system simultaneously with the implementation of agrarian reforms and switch over to the socialist revolution.

Thus, on the revolutionary mobilisation of the SC/ST masses depends the success of the total Indian revolution that would abolish caste, sexual and class inequalities.

Notes

1 Sahu is a *Prakrit word. The executioner Candalas tell Rohasena, the child of Carudatta, in the Sanskrit drama Mrcchakatika*, that it was not they but the Sahus (well born) who were executing Carudatta. *Mrcchakatika*, Act X.

2 P V Kane, *History of Dharmasastra*, Vol II, Part i, pp 70-71, 163-164.

3 H D Sankalia, 'When the Adivasi Was King', *Times of India*, 19-9-82.

4 The rule is *Sudranam aniravasitanam*, Kane explains the rule thus: '...Sudras were divided into numerous sub-castes. But there were two sub-divisions. One was *aniravasita sudras* (such as carpenters and blacksmiths) and the other *niravasita sudras* (like candalas); ...Another division of sudras was into those who were bhojyayana (i e, food prepared by whom could be partaken by *bramanas*) and *abhojyayana*. In the first two were included one's slave, one's cowherd, barber, family friend and one who shared with one the crop reared on one's land (*vide Yaj* I, 166)...' *History of Dharmasastra*, Vol II, pi, pp 121-122.

5 Dhananjay Keer, *Rajarshi Shahu Chatrapati*, p 313.

6 Amalendu Guha, 'More about the Parsi Seths', *Economic and Political Weekly*, January 21, 1984.

7 Manoranjan Mohanty, *Land, Caste and Politics in Indian States*, 1982, pp 6-7.

8 Rajendra Singh, *Land, Caste and Politics in Indian States*, p 79.

9 Vijay Nayak and Shailaja Prasad, *Economic and Political Weekly*, July 28, 1984.

10 Kartik Ray, *People's Democracy*, 7-4-85.

11 Jagdish Kashyap (ed), *Suttapitake Dighanikayapali Silakkhandhavaggo*, p 53.

12 Vinaya Texts, *The Sacred Books of the East*, Vol XVII, pp 121-124.

13 B R Ambedkar, *Writings and Speeches*, Vol I, pp 46-47.

14 S D Mahajan, *Mumbai Sakal*, October 26, 27, 28, 1978.

15 For its Marathi version see *Satyashodhak Marx-Vadi*, February-March-April, 1984. My three lectures on the subject in Shivaji University in 1979 have been published by it in the form of a booklet entitled *Bharatiya Tattvajnanatila Vyaktigata va Samajika Sangharsha ani Tyance Nave Akalana*.

16 For its Marathi version see *Navbharat*, December 1981.

17 Dipankar Gupta, *Social Scientist*, May 1979.

18 Gail Omvedt (ed), *Land, Caste and Politics in Indian States*, p 85.

19 Gail Omvedt, 'Caste and Class' (p II), *Samata*, 2/1983. In her 'Marathawade: Reply to Dipankar Gupta' in *Social Scientist* (September 1979) she says on the one hand that 'caste' is a *material fact of the relations of production* and does not exist simply as an ideological and superstructural feature, while on the other she returns to the Marxist dogma by concluding that 'caste' does not contrast with 'class' but rather is the *form* that class takes in feudal society.

20 S V Ketkar, *The History of Caste in India*, Vol I, p 28.

21 B R Ambedkar, op cit, p 15.

22 Raosaheb Kasbe, *Ambedkar ani Marx*, 1985, p 9.

23 Angela V Davis, *Women, Race and Class*.

24 Varna itself is a tribal institution. But tribe as a whole became an institution of exploitation and administration in the newly independent African countries which are confederations of tribes. See K S Singh's 'Transformation of Tribal Society, Integration and Assimilation', *Economic and Political Weekly*, April 14, 1982.

25 Draft Political Resolution for the Twelfth Congress of the CPI(M), *Peoples Democracy*, 20-10-85.

26 *Indian Express*, 24-11-85.

27 The Policy Statement and Constitution of the Satyashodhak Communist Party, pp 19-20.

28 Amit Kumar Gupta, *Social Scientist*, November 1979.

29 Sharad Patil, *Dasa-Sudra Slavery*, Pi, 1982, *Matriarchy*, pp 95-125.

30 Selected Works of Mao Zedong, Vol I, 1955, pp 298-338, 377-378.

31 Ibid, pp 321, 335-336.

32 Gail Omvedt, *A Cultural Revolt in a Colonial Society, The Non-Brahman Movement in Western India: 1873 to 1930*, pp 245-246.

Oilseeds: Is Higher Price the Answer?

Ashok Gulati

Edible Oilseeds: Growth, Area Responses and Prospects in India by K N Ninan; Oxford and IBH Publishing Co, New Delhi, 1989; pp xvi + 301, Rs 150.

IMPORTS of edible oils being one-third of domestic production and the annual import bill on this account having crossed Rs 1,000 crore during 1980s have caused anxiety in policy-making circles. The concern is three-fold: (1) need for self-reliance; (2) need for conserving scarce foreign exchange; and (3) need for a balanced cropping pattern. Accordingly, the oilseeds sector has lately received a high priority with the setting up of the Technology Mission on Oilseeds in May 1986. Efforts are being made to boost oilseeds production by all possible means ranging from evolving high yielding varieties to more remunerative prices. The National Dairy Development Board (NDDB) has been assigned an important role in restructuring the edible oil economy on the 'Anand pattern' as well as to keep the oil prices within a specified 'price band'. Recently emphasis seems to have shifted more towards the price instrument with a view to providing higher incentives to oilseed cultivators.

It is against this policy environment that Ninan's book on edible oilseeds is a timely contribution. The book carries a detailed examination of the growth behaviour of major edible oilseeds—groundnut, sesamum, rapeseed-mustard, safflower, niger, sunflower and soybean—over the period 1954-55 to early 1980s with sub-groupings for the pre- and post-green revolution period. Regionally, it covers all the major oilseed growing states separately for each oilseed under study. Spread over 150 pages (chapters 2 and 3), this analysis is quite comprehensive but at the same time suffers from a lot of repetition. This happens as a result of several time-period groupings that the author experiments with for finding out the growth behaviour. For example, even for the post-green revolution period, he estimates state and oilseed specific growth rates for 1967-68 to 1981-82, 1967-68 to 1983-84, 1973-74 to 1981-82 and 1973-74 to 1983-84. While this type of sensitivity analysis of growth behaviour may have its utility for the scholar undertaking research, presenting all these results in the book and then commenting on each one comes in the way of readability.

The upshot of this exercise on growth behaviour, however, is that in case of most oilseeds, the primary source of growth has been area expansion. Yields have stagnated over a long period, except in the case of rapeseed-mustard where it showed a growth rate of 1.43 per cent per annum over 1954-55 to 1983-84 and safflower which experienced a yield growth rate of 7.17 per cent per annum over 1967-68 to 1983-84. With the finding that area has been the dominant source of growth in edible oilseed production, the author proceeds further to explore the factors that influence the area response of three major oilseeds—groundnut, sesamum and rapeseed-mustard (chapters 4 to 6). The Nerlovian model of partial area adjustment with static price expectations is adopted for this part of the enquiry. As per the reduced form of Nerlovian model area under specific oilseed crop in period t depends upon the lagged relative prices and yields of that oilseed to its competing crop, relative price and yield risks, rainfall, gross irrigated area under all crops and the lagged (t- 1) area under that oilseed itself. This reduced form is estimated through OLS technique over three periods: (a) 1955-56 to 1981-82, (b) 1955-56 to 1964-65, and (c) 1967-68 to 1981-82. This exercise is carried out at state level experimenting with different competing crops of the main oilseed and also with relative revenue (price multiplied by yield) variable in place of relative price and yield variables separately. States were grouped into three categories depending upon their experience in area growth, i e, area increasing states, area decreasing states and area stagnant states.

The results of this econometric exercise are not very encouraging. Most of the estimated coefficients are either statistically insignificant at 10 per cent level or many of them have wrong signs. This is particularly true of those states that experienced area declines or area stagnation. Irrigation seemed to work to the detriment of oilseeds in these states indicating that with the spread of irrigation, these states lost oilseed area to their competing crops. It was only in area increasing states that relative yields or relative revenues turned out to be somewhat statistically significant. The relative price variable does not turn out to be very important in major oilseed producing states. For example, in case of groundnut in Gujarat—an area increasing state—out of nine equations estimated with relative price variable taking jowar, bajra and cotton as competing crops, none of the relative price coefficient is statistically significant at 10 per cent level (pp 179-180). Andhra Pradesh, the second largest groundnut producing state, is omitted from this analysis. One wonders why. In Tamil Nadu, the next important groundnut producing state, relative price coefficient provides a wrong sign when either bajra or cotton is taken as the competing crop (p 204). Five out of six of these coefficients are statistically insignificant at 10 per cent level. Similarly in case of rapeseed-mustard in Uttar Pradesh, relative price is not important in any of the equations when barley is taken as the competing crop. But when wheat is treated as the competing crop, it is only in pre-green revolution period (1955-56 to 1964-65) that this coefficient is statistically significant at 10 per cent (p 260). In Rajasthan, the next important rapeseed-mustard growing state, results are no better. With barley taken as competing crop, none of the three equations provides a statistically significant coefficient (at 10 per cent) of relative price variable. When wheat is treated as the competing crop, coefficient is significant at 5 per cent for the period 1955-56 to 1982, but not so even at 10 per cent for either of the two sub-periods 1955-56 to 1964-65 or 1967-68 to 1981-82 (p 245). In case of sesamum in Uttar Pradesh, for the post-green revolution period, relative price is unimportant when either jowar or bajra is taken as the competing crop (p 217). For the pre-green revolution period, it gives a negative sign, while for the overall period 1954-55 to 1981-82, it gives positive and statistically significant coefficients. In Rajasthan, the next important sesamum producing state, the relative price coefficient remains statistically insignificant at 10 per cent when maize is taken as the competing crop, for any of the three period groupings. If cotton is taken as the competing crop, the results remain insignificant for the pre- and post-green revolution periods (separately) but become statistically significant at 10 per cent for the overall period from 1954-55 to 1981-82. Thus, the overall thrust of these findings obtained through the Nerlovian model remains that relative prices do not play an important role in influencing area shifts in favour of oilseeds. Does this imply that any increase in oilseed prices, especially when it is almost assured by the government as in its January 1989 policy announcement of 'price band', will have no effect on area under oilseeds? Perhaps, the author too would not agree to this. It is here that one has to realise the limitations of analysis carried out through the Nerlovian frame-

work and its implications for policy. Given the rationality of Indian farmers, what is perhaps required for policy analysis would be the estimation of 'switch points', i e, the levels of prices or yields at which farmers would switch to oilseeds from their competing crops. This analysis would be of even greater use if it is carried out at the district level because state-level analysis often hides the emerging trends in switches that are often quite strong in some districts but get diluted due to opposite switches in some other. In this context, it is worth noting the analysis carried out by the Study Group on Agricultural Price Policy for Balanced Development of Agriculture headed by C H Hanumantha Rao (Government of India, 1986). The study group found that "with the fixation of administered price of wheat at Rs 162 per quintal and that of rapeseed/mustard at Rs 400 per quintal, the cultivation of rapeseed/mustard would give the same amount of income to the farmer as he can obtain from cultivation of wheat in areas where the wheat yields are less than or equal to around 2.5 times that of rapeseed/mustard" (pp 8-9). The group found that there were a large number of districts in Assam, Gujarat, Rajasthan and Uttar Pradesh where, on an average, wheat yields were less than 2.5 times the mustard yields. These are the districts where higher relative prices of rapeseed-mustard would induce a switch in area in favour of oilseeds. A similar exercise was done by the group for rabi groundnut versus summer paddy where it found that given the relative prices and yield levels, area would switch in favour of rabi groundnut in those districts where summer rice yields were less than 1.72 times the groundnut (rabi) yields. The group also opined that it would be necessary from time to time to identify the regions at a disaggregated level where such substitution between crops would become possible either through the better extension of profitable technologies or through the changes in relative prices that are considered desirable in the light of changes in international prices of the commodities concerned.

Almost a similar work has been done by S S Johl, the present chairman of the Commission for Agricultural Costs and Prices, in his study on Pricing Policy for Oilseed Crops in India (1988) where he estimates the degree of comparative disadvantage of different oilseeds *vis-a-vis* their competing crops in various states. It is this type of analysis which is required to evaluate the policy options of raising relative prices or yields so that oilseeds production is raised to desired levels with cost effectiveness.

But the author instead opts for a Nerlovian type analysis and then digresses on policy options of prices and technology. Obviously his prescription in favour of technology, though correct, remains more of a qualitative nature with limited use for policy analysis. However, I must say, the author has done sufficiently detailed work on the growth behaviour which anyone concerned with Indian oilseeds sector today must take advantage of.

In Search of Holistic Medicine

Abusaleh Shariff

Strategies for Public Health: Promoting Health and Preventing Disease, edited by Lorenz K Y Ng and Devra Lee Davis; Van Nostrand Reinhold Co, New York, 1981; pp viii-416, $ 8.95.

HUMAN health is a vital component of life especially in the context of new developments and advances in modern health care. Health is a 'positive' concept emerging out of a 'negative' definition of a logical reasoning—a state in which an individual is *not suffering* from sickness.

The growth of modern medicine especially since the early 20th century is believed to have contributed to a decline in morbidity and mortality leading to good health. Ordinarily the episodic view of disease has been widely prevalent in approaches to achieve health. But there appears to be a paradox when one views the issues through the traditional understanding of life and death, the incidence of sickness and schemes of healing. The traditionaly emphasis is on the integration of body and soul on the one hand, and elimination of a particular type of sickness from its base on the other. Is this contradiction only an artefact of the blending of tradition with modern medicine? Or is it that we have wrongly understood the very competence of medicine? Or is it that the limits to modern medicine are fixed a bit too far in terms of what it can achieve?

This book, which is a collection of 26 articles explores various conceptual, practical and organisational dimensions of health, which helps in addressing the above questions. The phrase 'public health' has been used in a much wider context than is normally understood in modern day India. This monograph should interest all who are concerned with public health. More specifically it is invaluable to those who are interested in public health, environmental health, occupational health and economics of health care. Health economists, sociologists, demographers, health planners, medical and paramedical professionals and trade unionists will also benefit from this volume. The 26 essays are placed in five sections. The editors have presented an overview in Section 1, followed by Section 2—Health Enhancement, stress and wellness; Section 3—Risks and Prevention; Section 4—Insurance Issues and Section 5—Health Promotion: Action and Strategies.

The framework in which this book discusses issues, draws support, and provides conclusions, falls within the present day health regime of the western world. Nonetheless, the amazing fact is that the issues and conclusions are relevant even within the context of present day India—an India in which the structure, nature and distribution of both morbidity and mortality are very different from the west, besides being too high.

The one conclusion which runs through the various articles in this volume is that, modern (beginning 20th century) inventions in medicine and the breakthrough in health care technology has neither a history in reducing nor has an ability to reduce morbidity and mortality on its own. Even preventive intervention in the form of immunisations do not have historical support of its success. Rather practically all immunisable diseases in the west were reduced to a very low level purely by the positive forces of social change through improvements in hygiene and sanitation. For example, only an estimated 3.5 per cent of the decline in mortality in influenza, pneumonia, diphtheria, whooping cough and poliomyelitis in the US since 1900 has been attributed to specific medical measures (p 6). Thus, the incidence of, and death rates from, these diseases had declined before medical interventions become widespread (p 7). One purpose of this volume is to emphasise the environmental factors, which have become so very important in the present day industrial conditions. The introductory discussion also highlights a contradiction leading to an approach which is partial towards an over emphasis on investments in health care delivery (over 80 per cent of public health funds in US), whereas this sector is found to be just about 20 per cent responsible to guarantee success in improving health. A strong plea has been made to reconsider the whole question of strategies for health in a holistic and systemic framework.

Great Equation, Holistic Medicine and Self-Help

Of the eight papers in Section 2, the editors L K Y Ng and D L Davis along with Manderscheid and Elkes have presented a very useful framework in their article—Toward a conceptual formulation of health and well-being. Besides, a discussion on the definition of health as absence of illness, they have laid the limits to the bio-medical model of health. They write,

> It is an irony of history that at the very time that we are witnessing major strides in molecular biology and genetic research, we are simultaneously experiencing a crisis of confidence in the ability of medical science to improve the health status of our post-industrialised society.

They quote Wildavsky who has said that the 'Great Equation' medical care equals health is wrong.

> More available medical care does not equal better health. The best estimates are that the medical system (doctors, drugs, hospitals) affects about ten per cent of the usual indices of measuring health: whether you live at all (infant mortality), how well you live (days lost due to sickness), how long you live (adult mortality). The remaining 90 per cent are determined by factors over which doctors have little or no control, . . .

They emphasise that the critical factors contributing to morbidity and mortality relate as much, if not more, to behavioural, social and environmental factors, as they do to the quality of medical care system (p 47). The subsequent part of the paper has dealt with the formulation of the 'wellness model of health'.

P J Rosch's paper extends the arguments as found in the Ng et al to what he calls the 'Holistic Medicine' which focuses on 'wellness' rather than only to absence of disease. While doing so the author presents a lack of health in five levels, viz, dissatisfaction, discomfort, disability, overt disease and death or dying. In the evolution of medicine it is said, healing has become only an expertise (business) from what it was, an art. There is also a discussion on the impersonalisation process in the approach of health practitioners. K W Sehnert argues that there is a need for the re-emergence of the medical self-care movement, and suggests a 'Dual System' as it used to be during middle ages. The emphasis, however, is on the individual's reliance on self-medication through popular books on lay, but useful, concepts of health and medical care. He advocates elimination of doctor-dependency. This is a very important dimension as far as the future growth of health care in India is concerned. The question is can we in India evolve a conceptual regime from those indigenous and traditional practices which are consistent with the factual and scientific concepts of cause and effect in disease and health. The author, however, emphasises the usefulness of public courses on topics such as 'your medicine chest: friend or foe', 'listening to your body' 'talking with your doctor' 'yoga and you', and 'here's hoping your are coping'. The useful tips offered are—the acceptance of more individual responsibility for self care and care of the family; acquisition of the skills of observation, description, and handling common illness; increasing basic knowledge about health problems; learning economic use of health care resources (p 91).

The other papers in this section deal with issues such as stress, behavioural medicine and environmental hazards to health. The highlight of the articles is the recognition that the influences of biological stress on the lives of individuals as well as entire societies are enormous, in the current regime of morbidity in the west. But an important dimension which emerges is related to what is termed as 'general adaptation syndrome' in which the human body gears itself to withstand stress through adaptation process (p 38). This is an important bio-medical dimension in the management of illness. But there is a different psychological dimension of illness worth branding a similar title—'adaptation syndrome'—which prevails in a tradition bound society such as India. If the illness is chronic and persists with all its capacity to cause pain and inconvenience, the patient will, over a period of time, resign himself to a situation in which he views the

disease as given and becomes mentally adapted to bear and live with the suffering. Such a dimension of illness has not been conceived of at least in the western model of health. Yet a similar process of internalised behaviour is suggested to be useful in health care, which may take place even before the onset of illness as suggested by Elkes (p 74).

HEALTH HAZARDS—KNOWLEDGE A CIVIL RIGHT

There are five articles in Section 3 which discuss issues relating to risks and prevention of sickness. In their article D L Davis and D P Rall extensively review the possible risks of various sickness on the one hand and the risks due to certain chemicals which have hazardous effects on human health on the other. A good discussion is presented on the risk factors emerging from various types of work place-associated chemical-based hazards. Stephanie Harris, while presenting positive benefits on breast-feeding warns against the increasing threat of human milk contamination due to organochlorines, making infants susceptible to disease. This is a timely warning especially when pesticides are increasingly used in agriculture. The artificial feeds given to meat and milk producing ruminants, it has been found, leads to the transfer of organochlorines into the human body which finally reach infants through human milk. This matter is a timely warning demanding definite policy interventions in India. The author has suggested that reduction in fat-soluble chemicals can be achieved by dietary control, mostly avoiding eating foods which are most likely to contain traces of detrimental chemicals. It has been suggested that the consumption of a certain type of fresh water fish be avoided to minimise intake of harmful polychlorinated biphenyls. Likewise abstinence from highfat meats and chickens is advised so as to reduce organochlorines. There has been some support (not yet conclusive) for the hypothesis that vegetarians in the US have lower levels of pesticides in their breast-milk.

An important paper by Vilma Hunt which will enlighten both trade unionists and industrialists deals with 'the emergence of the workers' rights to know health risks'. The right to know of hazards in the environment—whether the work environment or otherwise—is a fundamental civil right. But in the context of industrialisation what is relevant is, '...offering to the poor who need it most the knowledge and the power which have long been the possession of those who need it least' (p 179). Emphasis is placed on the need for a regulatory regime of control over the hazards due to use/production of goods with lead, phosphorus and toxic substances emanating from radio-active elements. Nevertheless, in the Indian set-up we are aware that there is no responsibility (which has legal implications) as yet fixed on the employer to publicise the health and safety risk of workplace, thus infringing on the civil rights of the employees. In the context of accelerated industrialisation, India should consider the legal and ethical issues relating to occupational hazards.

Although this book is located in the context of the US, what is revealing is the suggestion by various authors for public intervention in order to highlight or even regulate the various aspects of health hazards. This clearly indicates the possible failure of the market forces to deal with situations which have clear social welfare implications. In fact, E C Nelson, A M Keller and Michael Zubkoff go so far as to suggest incentives for health promotion by governments even in the context of the industrialised world, which is largely dependent on market forces in the other sectors of economy.

CO-OPERATIVE EFFORTS IN HEALTH CARE

Section 4 deals with 'insurance issues'. Of the five articles in this section four are specific to national health insurance schemes and health promotion. The discussions in these papers are more relevant to those countries which already have definite health insurance plans for the general public, a situation which does not exist in India. The other article on 'health promotion strategies for unionised workers, by Joann Grozuczak, emphasises the fact that health promotion is not fully efficient at the individual level and that there is much in the realm of preventive health care that groups might accomplish (p 235). A clearly defined and homogeneous group of industrial workers under an umbrella of trade unions can accomplish good results. Efforts at prevention of disease in the workplace have been in vogue since the great depression in the US, and lately the WHO has been more vocal in propagating this dimension of health care in other countries. Occupational health strategies are becoming more up to date to bring under its purview hazards caused by such things as X-rays, toxic substances and asbestos. But it is disheartening to note that development in this direction in India is limited to the Employees State Insurance Scheme, which does not consider relief related to specific type of industry or hazardous substances causing disease. An important feature, with reference to occupational health is that occupation-related diseases do not occur randomly, rather it will affect all who work with a particular industry or who work closer to the hazardous material.

The fifth and final section of this book is titled 'Health Promotion: Action and Strategies'. Seven of the eight papers are in the form of case studies on issues such as obesity, control of cardiovascular disesase through an action programme, employees' fitness in workplace, health education, mental health programmes and preventive health campaign. J H Proctor's paper which introduces an useful concept of information co-operatives in primary health care suggests 'linking people together so that they can take more active informed roles in preventing illness and injury' (p 379) through the formation of information co-operatives. The emphasis is to be on planning and local level organised interaction between the different types of health providers on the one side, and between the providers and general public on the other, through participative contacts. Three shifts in attitudes are suggested: (1) Individual accountability—a 'shift away from the passive, reactive consumption of health services towards an active, involved self-help perspective...'; (2) Institutional objectives—a 'shift away from the health care delivery institutions' efforts to preserve their identities' or concealment of information and concentration of power; and (3) Information sharing—a 'shift away from episodic and haphazard access to health information towards one which shares health information among citizens and health care providers'. The author calls for a 'hype' to inject a bit of earnestness into action. Hype covers a type of modern one-way (aggressive) communication designed to persuade, sell, or cause action 'prevention as the 'what' of our goal. An energetic, multi-levelled, participative promotion campaign is the initial 'how', and healthier citizens at lower costs is the 'why'. The big questions are 'who' and 'when'.

Aspects of the World Capitalist Economy in the 1980s

Prabhat Patnaik

Economic booms, characterised by rapid capital accumulation and a plethora of new processes and new products, are founded on crises, which periodically purge the economy of obsolescence. Artificially arresting the crises, through budgetary deficits, as is being done today in the US, can only lead to the 'crisis of postponed crisis'. The capitalist world may well attempt solutions to its current crisis which augur ill for the third world.

I

SO much has been happening in the world economy in the 1980s, so many new and totally unpredictable developments have been taking place, that making proper sense of even one of them will take us beyond the scope of a single paper. Who would have thought for instance that in the 1980s the United States, the most powerful capitalist country in the world, would also emerge as the world's largest debtor, thus, superficially at any rate, contradicting Lenin's celebrated theory of imperialism which talked of capital exports from the advanced capitalist nations? Who would have thought that the oil prices which had skyrocketed in the seventies, a fact that many including the Nobel Prize-winning English economist John Hicks held responsible for the end of the long post-war boom, would come down so sharply in the eighties as to obliterate almost the memory of the two oil-shocks? And yet, this collapse of oil prices has not put the world capitalist economy back on the rails where it was in the sixties. On the other side, the slump which had been predicted by many for the eighties has also failed to materialise. Unemployment rates, especially in Europe, continue to be very high, but there is no slump in the advanced capitalist countries. It may yet materialise in the nineties as some believe, but that is another matter. In short, the economic landscape in the 80s has been vastly different from that in the 70s, and also vastly different from what anybody had imagined it would be.

Instead of starting from specific features of this landscape, what I propose to do in this paper is something altogether different. I propose to start from certain general observations about the characteristics of capitalist development, and on the basis of these arrive eventually at some of the specific features of the world capitalist economy in the seventies and the eighties, the continuities as well as the discontinuities between which would, I hope, become somewhat more intelligible on the basis of these general observations. For making these general observations, I turn to the writings of Marx.

Three specific remarks of Marx in this context deserve attention.[1] First, given the anarchic nature of capitalist development, this development occurs not smoothly but in a series of jerks, episodes of furious accumulation in a boom, being followed by episodes of crisis during which not only is there much unemployment but even a good part of the capital accumulated in the boom is destroyed. Secondly, the crisis, involving the destruction of some capital creates the conditions for the next boom. The crisis according to Marx was a forcible resolution of the contradictions of a capitalist economy, i e, was capitalism's own immanent device for transcending, partially at any rate, the contradictions which impede its further advance. And thirdly, this entire process of uneven, jerky and episodic growth is characterised by technological advance, since the process of capital accumulation is ultimately inseparable from technological change and the introduction of new processes and products which, in a given situation, are more profitable from the capitalist's point of view.

These propositions of Marx are well known. Each one of them also figures later in Schumpeter's theory of business cycles where it is incorporated of course, in a theoretical schema with an altogether different ideological and sociological perspective. But whether or not Marx's theory of crisis should be legitimately interpreted as a theory of cyclical fluctuations alone,[2] and I personally think that this would be unfair to Marx's theory, it clearly provides a valuable insight into the dynamics of the capitalist system. Basic to Marx's understanding is his second remark quoted above, namely that capitalist development surges forward only upon the destruction of a part of capital itself. One can then draw a picture of capitalist dynamics as follows: capital accumulation proceeds rapidly in a boom, and together with it a number of new processes and new products are introduced. But precisely because we are in the midst of a boom where demand is increasing rapidly, markets are expanding fast, these new processes and products do not replace old processes and products. The conditions of the boom are such that there is room for both old as well as new processes to co-exist. What is more, the rapid growth of the market means that even while new processes and products are being introduced to an ever-increasing extent, the old processes and products also continue to expand. If however, for some reason, which we shall come to later, the boom comes to an end, the pace of capital accumulation slows down, and together with it the pace of expansion of the market, then it becomes impossible for both old and new processes to co-exist any longer. There is no longer room for both in the market, and a more or less prolonged period of unemployment and capital destruction must result, in which the means of production employed in old processes and products have to be systematically scrapped. Only after the scrapping has gone on for some time that capitalists' interest in speeding up the pace of accumulation will revive once again, and a new boom will be initiated. Much of course happens in this process of struggle between capitals when the boom has come to an end, which has political ramifications, apart from economic ones. This is one reason why to present Marx's crisis theory as merely a theory of business cycles is to give it a mechanical character which it does not have.

There are two questions one can ask for Marx's theory. One, why does the boom come to an end? To this Marx did not give one but several answers, e g, constraints of demand, shortage of raw materials, progressive using up of the reserve army of labour which tends to raise the workers' share, etc. The reason he gave several answers lies, in my view, in the fact that he was more interested in sketching all the contradictions that emerge in a boom, than in outlining a particular theory of business cycles. His concern, as has been often noted, was with the qualitative and relational aspects of capitalism, than with the more specific and quantitative questions of constraints upon capital accumulation in a particular situation. Likewise it is the texture of the crisis that interested him more, as the philosopher Karl Korsch was to note later.[3] Which particular one of the contradictions of a boom acts as the constraint upon it is something which depends upon the specific situation, and Marx, in this context, was not discussing specific situations.

Schumpeter in his theory of business cycles, where he did have a long empirical discussion as well, tried to answer the ques-

tion, but in a manner which is patently unsatisfactory. In his schema 'entrepreneurial' ability, which was responsible for the act of 'innovation' existed only in limited quantities over any given stretch of time, though each 'innovation' had large numbers of imitators. Once a 'cluster' of innovations was used up, the boom came to an end.[4] Postulating that entrepreneurial talent exists only in limited quantities may have suited Schumpeter's own sociological view of capitalism and hence his ideology, but is difficult to accept in conditions, at any rate, of modern capitalism,[5] where, by Schumpeter's own admission, the entrepreneurial role ceases to be person-specific.[6] An idea, mentioned in passing by Schumpeter, but given greater emphasis by Oskar Lange, appears more promising. According to Lange, the very conditions of a boom create money-wage and price-rises because labour and other inputs have to be taken away from their existing uses and put to new uses; this price and wage-rise increases the riskiness of investment and hence brings the boom to an end.[7]

While the argument that inflation acts as a constraint upon the boom, as Lange had recognised, appears altogether plausible, the reason behind this inflation is not so much the absolute shortage of labour and other inputs which have to be diverted from one kind of use to another. Even at the peak of the boom, capitalist economies carry substantial amounts of unemployment and unutilised productive capacity, so that we cannot talk really of any absolute shortages. Rather, we have to see inflation, which a boom engenders and which ultimately brings the boom to an end, as a reflection of accentuating social conflicts of an aggravation of social contradictions on account of a prolonged boom itself.

Let me elaborate upon this. For its smooth functioning, capitalism requires a degree of discipline upon workers as well as on primary producers. The reserve army of labour, as Marx was the first to point out, is a 'disciplining' device for the workers. It not only keeps wage-claims in check, but also forces the workers to work hard by holding over their heads the threat of the 'sack'. In boom conditions, when the employment rate is high, the threat of the 'sack' loses much of its force. Workers feel emboldened to put forward higher wage-claims, and work-discipline itself tends to get undermined.

This last point was emphasised by Michael Kalecki who, in an extremely insightful article in 1943, had predicted that, notwithstanding the possibility of Keynesian demand-management, capitalist economies would never succeed in maintaining full-employment.[8] Kalecki observed that:

> ...the *maintenance* of full employment would cause social and political changes which would give a new impetus to the opposition of business leaders. Indeed, under a regime of permanent full employment, 'the sack' would cease to play its role as a disciplinary measure. The social position of the boss would be undermined and the self-assurance and class-consciousness of the working class would grow. Strikes for wage increases and improvements in conditions of work would create political tension.

These wage increases clearly would not be allowed by the capitalists to impinge upon profits, but would be passed over in the form of higher prices, i e, inflation. Likewise, the maintenance of boom conditions would also embolden primary commodity producers to combine for higher prices.

To be sure, such inflation does not emerge immediately when the level of employment or activity is stepped up. It is the persistence of high levels of employment and activity, i e, the maintenance of prolonged boom conditions, that gradually results in the creation of a situation where the coercive discipline so necessary for sustaining an antagonistic social system like capitalism tends to get undermined. And a reflection of this undermining is inflation. Inflationary pressures thus build up slowly during the boom and exacerbated by happenstances eventually reach proportions where they adversely affect capitalists' inducement to invest, and, force the state to engineer a contraction in economic activity. And this heralds, as we discussed above, the onset of a crisis where unemployment must grow, and much capital must be scrapped.

The second question one can ask in the context of the theory of crisis is: what happens if for various social reasons, which we shall come to later, capital destruction is kept in check? Clearly, this can happen only if room is artificially created not by the pace of capital accumulation itself, but, as I have just said, artificially, which in today's context means a budget deficit. This would mean that the rate of growth of the system would be slower than before, i e, that the boom conditions would distinctly come to an end; but at the same time a serious slump, which is the mechanism of capital destruction, would be artificially averted. The system would be deliberately kept 'hanging in mid-air', as it were, through the stimulus of budget deficit. Such a 'frozen' system has its own contradictions which I shall examine in the next section. But my point here is to emphasise that the world capitalist economy today represents such a 'frozen' system, which is prevented from entering into a slump by the US budget deficit.

II

The post-war years, as is well known, saw one of the most pronounced long booms in the history of capitalism. Contrary to what many radicals had thought, the developed capitalist economies experienced growth rates which were higher perhaps than they had ever been in the past. Between 1960 and 1973 for instance, the OECD countries as a whole had a 5.1 per cent annual growth rate in real GDP, and even the slowest among them, the UK, witnessed a 3.1 per cent growth rate. At the same time, the inflation rate was extremely moderate; over this period it was only around 4.0 per cent per annum. Starting from the mid-sixties, however, inflationary pressures had begun to build up. What is remarkable about it is that prior to the mid-sixties, notwithstanding a decade of high growth, inflationary pressures had been contained. The key to the puzzle lies, in my view, in the fact that even though the terms of trade between primary products and manufactures declined by a third between 1950 and 1972, the price rise in nominal terms was extremely small. In other words, notwithstanding decolonisation, or perhaps because of it when newly independent countries were keen to push out as much of primary commodity exports as possible in order to obtain foreign exchange for industrialisation, advanced capitalist countries could still make use of third world primary producers as a cushion against possible domestic inflation, and thus could maintain an impressive long boom.

In fact it was the domestic working-class which was the first to rebel. The inflation-acceleration all over the capitalist world owing to the 'hotting up' of the Vietnam war in the mid-sixties, combined with the fact that in the earlier boom years the relative share of post-tax wages in GDP had fallen on account of the so-called 'welfare state' measures which meant in effect a transfer from the employed to the unemployed and the poor, brought about a worldwide wage explosion in 1968; the context of the boom, entailing high levels of employment, clearly helped the process. And then in 1972-73 there was an upsurge in primary product prices which was aided, among other things by speculation resulting from the delinking of the dollar from gold, which removed a 'safe' form of holding wealth. While other primary product prices fell back soon enough, oil prices were kept up and pushed up through the two oil shocks. The resulting inflationary explosion forced a contraction in output, as a means of checking inflation.

All this is well known, as is the fact that the inflation rate in the advanced capitalist countries has come down sharply in the eighties and is now just about 4-5 per cent per annum. The limited recovery since 1983, spurred mainly by the US budget deficit, and more pronounced in the US and Japan than in Europe, did not lead to any acceleration in inflation, mainly because the terms of trade for primary commodities now are around the lowest level since the great depression of the 30s; and even the nominal prices of non-fuel primary commodities have declined sharply since 1980s. In short, the third world countries have once again provided the cushion which has been used by the advanced capitalist countries to bring down their rates of inflation to the sixties level.

But the crucial question which arises is the following: if the inflationary upsurge had provided the reason for the collapse of the long boom, now that inflation has subsided why should not the advanced capitalist

countries get back to the boom conditions of the sixties? It is this key question to which I shall devote myself for the rest of the paper. A distinction must be drawn here between the Japanese style state monopoly capitalism on the one hand, and the US-European style state monopoly capitalism on the other. To be sure, the relationship between the state and monopoly capital is not necessarily the same in Europe and the US, or even within Europe itself. Even so, the closeness of the relationship between the state and monopoly capital which exists in Japan is matched nowhere else in the advanced capitalist world. A consequence of this is that the influence of the state upon investment decision-making by the capitalist class is still of a low order in the rest of the advanced capitalist world outside Japan. As Offe rightly remarks, investment decisions in western capitalism are still largely dependent upon the perceptions of the capitalists themselves.[9] This being so, the resumption of boom conditions depends upon the outlook of the capitalists in Europe and the US, the extent to which they are prepared to step up investment; it cannot be engineered through mere state intervention which can at best achieve a high level of activity through its own expenditures financed in a large measure by budget deficits, but cannot ensure that the composition of aggregate demand shifts in favour of investment.

Herein, however, lies a contradiction which can best be understood by recalling Marx's second remark mentioned in the previous section. One of the consequences of the long post-war boom was that in a large number of spheres, Japan forged technologically ahead of the US. And in others, even where there was no significant technological superiority of Japanese commodities, the comparatively low Japanese wage levels made her commodities more competitive. This is not to say that the US does not possess or employ the most advanced technologies available in the capitalist world; what is being said is that 'the technological spread' within the US production structure is wider than in the case of Japan. Consequently, a crisis leading to a 'free-for-all' and capital destruction would have a disproportionately heavy impact upon US industry compared to Japanese industry. The US budget deficit, which sustains demand in the US and thus prevents a crisis, has the effect simultaneously therefore of sustaining an industrial production-structure that has grown increasingly uncompetitive and in certain areas technologically obsolete. The artificial stimulus provided by the US budget deficit to the US economy, while preventing a crisis in the short run, dooms this economy to uncompetitiveness and obsolescence. The US therefore is caught in a 'crisis arising out of the prevention of a crisis'.

This is not a new situation in the history of capitalism. Around the turn of the century, Britain which was then the leading industrial power in the capitalist world, was in an exactly similar predicament *vis-a-vis* the new industrialisers of that period such as Germany and the US, a fact to which W Arthur Lewis drew attention in his *Economic Survey 1919-1939*.[10] Like the US today, Britain then ran a continuous merchandise trade deficit, but she managed to balance the payments and even made capital exports because of three factors: a huge trade-in-service income, from shipping, insurance, etc; a large magnitude of interest earnings from previous capital exports, which even after paying for substantial fresh capital exports, had something left over to meet the trade balance; and finally, the existence of colonies where British goods could be sold at the expense of local 'deindustrialisation' which kept the trade balance itself in check, and from where a 'drain' in the form of 'home charges' and remittances could be obtained. Had these factors not operated, Britain would have had to abandon free trade much earlier and the entire capitalist world would have faced a recession much earlier; in other words, the long boom of the pre-first world war years would have been truncated sooner.

The possible courses of action before the US today can be the following:

First, allow things to continue as they are. The problem here however is that the US is meeting her trade deficit not through 'home charges' or investment-income earnings, but by borrowing massively from abroad. Even though, the spectre of the most powerful capitalist country being the largest borrower is an entirely novel one, whose consequences cannot be anticipated, clearly such borrowing does make her economy highly vulnerable to external shocks and further worsens the prospects of restructuring.

Secondly, it may, like Britain earlier, try to use trade in services as a means of offsetting the merchandise trade deficit. This particular consideration perhaps lies behind the insistent demand by the US before the GATT for a 'liberalisation' by the third world countries of trade in services, a demand that has so far been strenuously objected to by countries like India and Brazil. In any case, it is no longer clear, as it perhaps was a decade ago, that a liberalisation of trade in services would benefit the US rather than Japan. On a par with this is the US demand for greater access of her agricultural goods to foreign markets, an issue on which she has clashed sharply with the EEC.

Thirdly, it could try and push more of exports of goods into the developing country markets. Just as Britain had resorted to a 'flight to colonies' in the matter of exporting, the US too could increasingly seek refuge for her industrial products in developing country markets. But the developing countries have no purchasing power to pay for such exports. An increase in such exports therefore would have to be financed by capital exports. If instead of US exports to developing country markets increasing, Japanese exports to such markets increased, then that too would serve the purpose from the US point of view. In other words, Japanese goods being diverted from the US market to third world markets would bring down the US payments deficit. By the same token however capital exports have to be made to third world countries to accommodate such larger exports of commodities to them. But the agencies which can make such capital exports are the multinational banks and they do not find these countries creditworthy enough to make larger capital exports to them. Some plans such as the Okita plan have been evolved which would allow larger capital exports to third world countries through the courtesy of the Japanese government. But the scale of such operations is bound to remain limited in the absence of far greater political leverage *vis-a-vis* such countries.

Fourthly, if Japan reflated her economy, i e, absorbed more of her goods at home, then that would improve the US payments position. But Japanese reflation cannot take the form of a larger home consumption since that would require larger wages in Japan, and capitalists do not voluntarily reduce capital exports for the sake of improving the consumption of workers at home. It cannot even take the form of a larger Japanese domestic investment since Japan has a very low unemployment rate, and larger investment would result in part at any rate in larger unutilised capacity owing to labour shortage; no capitalist group would agree to reduce capital exports in order to set up factories at home which cannot be run because of labour shortage. The other possibility is an increased Japanese military expenditure. This has been happening in any case, and the US until now has been favourably disposed towards this possibility because of economic reasons. But a militarily strong Japan is a spectre that the US itself would certainly not like to see.

Fifthly, there is the classical text-book remedy of a depreciation of the dollar. This has happened; the dollar was until recently on a significant downward slide, but the impact of the devaluation on the magnitude of the US current account deficit appears to have been altogether negligible, confounding all the orthodox neo-classical economists.

Sixthly, the US, could in fact just go through with a domestic recession. It could cut the budget deficit, reduce domestic aggregate demand, which would both curtail the payments deficit as well as force capital destruction and larger unemployment domestically. But the prospects of this policy being pursued would be greater if at the margin the demand cut had a greater impact upon imports than upon domestic output. Such however does not appear to be the case. To cure the payments deficit therefore the recession would have to be very deep, apart from the fact that it would afflict the entire capitalist world and not just the US. This would be a major political set-back to the stability and credibility of the capitalist system.

Seventhly, the US could attempt to move towards Japanese style state monopoly capitalism. It could induce capitalists to restructure their production to undertake investment in new processes, etc. In a sense both in the US and in Europe there is a strong body of opinion advocating such a fundamental shift in the structure of western capitalism in order to meet Japanese competition. But, such shifts cannot be made to order. It is conditional upon the development of appropriate class configurations whose emergence is not dictated from above but is rooted in the societal reality.

And finally, as is being demanded by a large body of US opinion, she could go in for protectionism. The presumption behind such a demand is that it would curtail the US payments deficit without engendering a domestic recession. If any thing it would create a recession among the US trade rivals like Japan. But it is difficult to imagine that they would just sit back and quietly allow the US to impose a recession upon them, without taking any retaliatory action. In other words, any move towards US protectionism will necessarily plunge the capitalist world into fierce economic rivalry, and as in the inter-war period precipitate an all-round recession through a shrinking of world trade.

Thus, no matter which way we look at it, there seem to be no easy solutions to the current economic problems of the capitalist world. The newly-elected president of the US, George Bush, has already promised that domestic taxes are not going to be raised, which means that the budget deficit and the associated payments deficit are likely to continue. But as we have seen, allowing things to drift only postpones the day of reckoning, makes the problem of restructuring that much more difficult on account of having been postponed, and increases the vulnerability of the system. We are witnessing in short a remarkable phenomenon; the advanced capitalist world is in the midst of a peculiar 'crisis of postponed crisis'. This has implications for us all, because unless we are vigilant, some of the 'solutions' mentioned above, namely of overcoming this predicament by exporting recession to the third world countries, and inducing multinational banks to finance such exports by acquiring greater political leverage *vis-a-vis* such countries could well be tried out.

Notes

[This is the text of the O P Kaushik memorial lecture delivered by the author in Hindu College, Delhi University, in December 1988.]

1 For Marx's discussion of the points covered below, see, in particular, *Capital*, Vol III, Progress Publishers, Moscow, 1974, Part III, Ch xv.

2 Maurice Dobb was of the view that Marx's theory of crisis should not be treated on a par with the theories of cyclical fluctuations. See his *Political Economy and Capitalism* (London, RKP, 1940), ch iv.

3 In his article 'Why I Am a Marxist', Kovsch said, "It is not the so-called normal functioning of bourgeois society which concens Marxism but rather what appears in its eyes as the really normal situation of this particular serial system, viz, the *crisis*" (emphasis in original). See his *Three Essays on Marxism* (Pluto Press, London, 1971), p 69.

4 J A Schumpeter, *Business Cycles* (Mc Graw Hill Paperback in one volume, 1964), p iii, and also *Theory of Economic Development* (OUP, 1967), p 228.

5 Nicholas Kalder expressed his scepticism of Schumpeter's theory of business cycles in the following words: '...the necessary bunching (in time) of innovating investment, which is essential to Schumpeter's theory, cannot be satisfactorily explained without bringing the Keynesian multiplier, and some variant of the output-investment relationship to one's aid'. See his 'Economic Growth and Cyclical Fluctuations' in the *Economic Journal*, March 1954, reprinted in *Essays on Economic Stability and Growth* (Duckworth, 1963), where the quotation appears on p 214.

6 This is discussed by Schumpeter in his 'Instability of Capitalism', *Economic Journal*, 1928, and also in *The Theory of Economic Development*.

7 Oskar Lange, review of Schumpeter's *Business Cycles* in the *Review of Economic Statistics*, 1941; this idea which also appeared in an earlier work by Fritz Machlup (quoted in a footnote in Schumpeter's *Business Cycles* and in Schumpeter's opus as well, sat rather uncomfortably in Schumpter's own theory: since the entrepreneur was not a risk taken according to him, any increase in the riskiness of investment would adversely affect *not* his inducement to invest, but at the best the cost of credit to him. If we follow this track, and still remain within the Schumpterian scheme, we can at best therefore say that the boom comes to an end because of a rise in the cost of credit, which is empirically quite unconvincing, and which is why Schumpeter never followed entirely this track, but kept coming back to the 'limited-entrepreneurial-ability' idea, that was also more in keeping with his 'vision'. Once we step outside the Schumpeterian scheme, however, the Lange idea becomes a powerful one.

8 Michael Kalecki, 'Political Aspects of Full Employment', *Political Quarterly*, 1943, reprinted in *Selected Essays on the Dynamics of the Capitalist Economy 1933-1970* (CUP, 1971).

9 Claus Offe, *Contradictions of the Welfare State* (London, 1984).

10 W Arthur Lewis, *Economic Survey 1919-1939* (George Allen and Unwin, London, 1949), pp 74-90.

Britain, USA and Indian Gold Standard

G Balachandran

The controversy that surrounded the currency question in colonial India is the focus of the present paper. Re ing on primary sources, the paper argues that the preservation of the gold exchange standard and the rejecti of the plea for a gold standard, made by the government of India and Indian nationalists alike, had much do with British and American interests, a crucial determinant being Britain's external liquidity crisis in the inte war years.

THE British Indian gold standard has been a topic of some controversy both among contemporaries and among latter-day scholars. Indian nationalist opinion generally supposed that India was denied the benefits of a full-fledged gold standard as a means of reducing her access to gold. Capitalising on the mercantilist flavour of this criticism, official opinion propagated the latter as a cost-effective variant of the gold standard. For example, Keynes, while acknowledging the role of the British Treasury in thwarting the establishment of a gold mint in India over 1897-99 and elsewhere admitting that official Indian sterling reserves eased the London money-market characterised the Indian gold-exchange standard as the system of the future.[1]

Among modern scholars, Marcello de Cecco has argued that an Indian gold standard at the very least would have accentuated the seasonality of the London money market when the latter was faced with the autumnal American drains. More generally, he has suggested that the Bank of England's ability to stabilise the gold market and control discount rates in London, with the relatively meagre gold reserves at its disposal, depended on how far the British authorities could reduce the monetary demand for gold from important countries on the periphery such as India by switching the latter's asset preferences to sterling.[2]

However, B R Tomlinson has tried to argue that the gold-exchange standard was promoted on account of its intrinsic merits. He has suggested that Britain's actual or feared liquidity crisis played no part in the establishment of the system. Referring to the rejection of official and non-official Indian proposals for a gold standard in 1926 by the Hilton-Young Commission, he claims that the intervention of British interests, notably the British Treasury, had little significance for the final outcome.[3]

While this is the state of the debate today, we hope to show through a detailed reference to the primary sources in London that the views and actions of the British Treasury, including their mobilisation of crucial American interests inimical to an Indian gold standard, were central to the Hilton-Young Commission's final recommendations. It is also quite clear that Britain's severe external liquidity crisis determined this decision and as such, should shed some light on earlier gold standard controversies. The paper that follows is a spin-off from a larger work on the deflationary impact on the Indian economy of the inter-war international liquidity crisis.

I
Background

As has been discussed in a recent thesis, since the first world war, in various degrees, Indian monetary policies (including exchange-rate policies) were formulated to take into account Britain's severe external liquidity crisis.[4] This crisis took the form of a current account deficit in some years and in other years of surpluses that were smaller than the size of her capital exports. The resulting deflationary bias in the Indian economy together with the failure of the 1920 stabilisation effort which was almost directly influenced by the British crisis led to renewed demands for a gold standard for India which influential sections of Indian opinion supposed would give her some degree of monetary autonomy.[5] This clamour acquired fresh relevance as the Indian government endorsed the idea in the proposals that it made to the Hilton-Young Commission.

Unfortunately for this section of Indian opinion, an Indian gold standard in the 1920s was nothing less than a nightmarish prospect for the British policy-makers. Even in the relatively relaxed pre-1914 years, Britain, fearing the effects on the gold market and the London money market, had been determined to prevent its establishment in India. India's non-monetary gold imports were a source of some worry in London but the problem was seen as a long-term one best tackled through the promotion of banking institutions and a domestic market for financial assets. In the changed 1920s, faced with current account problems. Britain had been hoping to increase her gold exports to the US both to boost her dollar earnings as well as induce the Americans to trigger global expansion. Together, they would mitigate the domestic deflationary effects of Britain's adjustment to her external disequilibrium.

Therefore, one of the main preoccupations of British Indian monetary policy in the inter-war years was to reduce Indian private gold absorption which in a good year was capable of draining some 25 per cent to 30 per cent of the world's gold output. In this environment, British policy-makers could hardly be expected to indulge the Indian demand for a gold standard with an actively circulating gold currency. In fighting the Indian gold standard, Britain secured active support from the American Treasury and the New York Federal Reserve. The Americans in general opposed Britain's efforts to promote the gold exchange standard on a world-wide basis because the not experience the short-term gold shor problem that formed the motive behinc British proposal. However, they suppo the official British view that India sh continue to have a gold exchange stand so as not to damage the interests of s producers in the US and so that Europ stabilisation which had partly been fina by the Americans would not be hinde The congruence of American and Bri positions in regard to the Indian gold s dard even as they differed so fundament on the basic issues relating to the inter- trade and monetary system provides insi into the extent to which in financial relat with countries on the periphery, power the centre often had broadly similar inter

In the background of Britain's liqui concerns in the 1920s, the Indian gove ment's gold standard proposals came bolt from the blue.[6] The proposals w unexpected also because, ever since Chamberlain Commission reported in 19 it was thought that the proponents of a g standard for India had been marginalis In the Babbington-Smith Commit (1919-20), the government of India repres tative, M M S Gubbay, the Indian mem D M Dalal and a few witnesses includin former finance member of the governm of India favoured a gold standard with f bodied gold coins in circulation. Desp objections, this committee was forced by prevalent conditions of the world si market and the threat of rupee inconv tibility to recommend a fall-back gold st dard and gold coin for India. But scheme's implementation was postpo indefinitely and in the months that follow the report, it became inoperable.[7]

Ever since, the gold standard scheme h been propagated ony by nationalist opini It therefore came as a surprise to everyo in London that the government of India h fired the first salvoes in what might h been expected to be a minor controve marked by a gold standard 'fatigue'. It w all the more surprising that an active p ponent of the scheme was Basil Black finance member of the government of Ind who, until then, had had impeccable a gold standard credentials—having activ opposed the Indian gold standard in 1 and initiated the Genoa proposals economising monetary gold.[8] The cons nation that the Indian gold standa proposals—and Blackett's association w them—caused in London is a rich source material on the subject.

Why did Blackett favour a gold standa

d gold currency for India? It cannot be at Blackett's day-to-day experience with ancial problems on the periphery blinded m to the realities and concerns of the cen- . His stint in India only seemed to have arpened his insight into Britain's financial oblems. For instance, in a letter to enjamin Strong who was the governor of e New York Federal Reserve, Blackett saw early that Britain's ability to retain finan- al leadership of the empire and of the orld in general would depend on whether e made the necessary domestic economic ljustments.[9] Therefore, Blackett must ve had a powerful reason to support the dian gold standard proposal, despite fears at its acceptance would accentuate the dif- culties of adjustment to the very conditions at he had diagnosed in his letter to Strong.

Blackett's arguments in support of a gold rrency may therefore be briefly sum- arised. In the same letter to Strong, he gued that the rest of the world was not "... ending less gold to India by rejecting my an. On the contrary you increase the strain the end." He said both Montagu Norman overnor of the Bank of England) and trong knew that they held gold reserves in ccess of what they required but would not cknowledge it. They could both do more educate the public at home to manage ith less gold, while he had to give the dians gold before they could realise that ey did not need it.

Confessing to Niemeyer that he arrived at e gold standard idea "rather to my surprise nd somewhat against my will", Blackett aintained that the threat from India to the old standard countries could not be fully liminated.[10] But, he and Denning argued, eir proposals would, if adopted, lead to quicker acceptance of notes and a lower emand for gold in India in the long run.[11] lthough "wasteful and expensive", India ad to pass through the "intermediate stage" epresented by a gold currency before arriv- ng at the ideal of an externally convertible aper currency. Gold circulation would "inspire confidence and... provide the timulus... for (the) investment and the anking habit."[12] Lastly, a gold standard vould liberate the rupee from the mercies f silver.

Blackett's views in support of a gold stan- lard in India accorded closely with 'na- ionalist' opinion. On the Babbington-Smith Committee, D M Dalal, and among the wit- esses who appeared before it, Manusubedar, V Thackeray and B F Madan, represented his tendency. In 1926, Purushottamdas Thakurdas and his small group of advisers laimed this mantle. It is hard to prove the iew held by the India Office that these na- ionalists were consumed by a gold fetish. t has been recognised that the nationalist lemand for a gold standard reflected the contemporary desire for an automatically egulating currency system that was con- idered invulnerable to political mani- pulation.[13] But the concern of the 'na- ionalist' business interests at India's own appetite for non-monetary gold has passed without comment.

In 1919, many Indian witnesses and Dalal himself in his minority report, blamed London for choosing to liquidate India's war-time surpluses in the form of silver rather than gold or gold-backed securities. The model of an Indian economy they seemed to have in mind was that of an open economy in which gold or security flows balanced India's external accounts, much as they did at the centre. They saw the transfer of the gold standard reserve to India as providing the basis for the working of the above model. It would also assist the emergence of a banking system which was capable of mobilising India's potentially huge savings and managing the liquidity position of the domestic economy in a way as not to impose a brake on trade and business activity.

The Bombay industrialists including Thakurdas were not happy with India's large gold imports in the two years preceding the setting up of the Hilton-Young Commission.[14] Thakurdas agreed with Pherozeshah Dalal that the unprecedented gold imports affected consumption of cotton piece-goods, both foreign and indigenous, and diverted funds away from productive investment. He blamed the currency policy of the government for causing increased gold imports and hoarding, as no importer would sell his gold to the mint at the 2s statutory rate.[15] He also argued that large non-monetary gold imports made monetary conditions tighter rather than easier. The Bombay Mill Owners Association passed a resolution to the same effect.[16]

Thakurdas believed that gold hoarding had begun with the demonetisation of the gold rupee over 1830-1835 and a remonetisation would bring gold out of the hoards. But Henry Strakosch, his colleague on the Hilton-Young Commission, an early protagonist of the gold-shortage school in London and the staunchest opponent of the Indian gold standard, disagreed. He suggested to Joseph Kitchin—a gold dealer who appeared before the commission—that if gold came out of hoards to circulate as money, they would only replace other forms of currency and not alter the overall picture on metallic flows. Kitchin agreed.[17]

It is easy to see that Strakosch's arguments, as it was convenient to him, assumed the worst. The liquidation of Indian gold hoards would have had the same effect as the liquidation of any other non-monetary asset. The proceeds of the liquidation would be invested in more liquid assets and gold so released would be a net addition to the world's monetary gold reserves. At the very least, if gold came out of hoards to circulate as money, they would replace a portion of India's monetary gold imports, over which such fears existed in Europe.

The India Office did not believe that a gold standard would reduce Indian gold demand in the long run, let alone that it would increase world gold availability. On the contrary, it was feared that it would only worsen the problem. Opinion in London was also convinced that, in estimating India's future demand for gold under a gold standard, the possible liquidation of her private hoards need not be taken into account.

II

Mobilisation

Hence, the India Office and the Treasury were not inclined to take the threat contained in the Indian proposals lightly. Soon after reaching Bombay, E Hilton-Young alerted prime minister Baldwin to the effects on London of the gold standard scheme. He wrote that Blackett had thrown a "prodigious brick into the peaceful waters of official orthodoxy" by siding with the "nationalist demand" of a gold currency. He added, "(you) will see, ...that it is not without its possible reactions upon our own situation at home."[18]

At the India Office, Cecil Kisch, a finance department official wrote that the scheme did not take into account "disturbances" that would be caused to "interests the world over".[19] The India Office also began mobilising London opinion. In a letter to Otto Niemeyer in the Treasury, Kisch referred to the gold standard memorandum and said, "in view of the important bearing that the scheme has on the position and prospects of gold and sterling", the gold standard papers were being sent to him for his "private information". The papers also included Kisch's own notes on the subject, argued, as he emphasised self-consciously, from "the point of view of the interests of India." He assured the Treasury official that upon its return, the currency commission would take evidence from the India Office and "other representatives of opinion in London."[20]

Meanwhile Blackett had been in touch with Niemeyer. Niemeyer's first response was to note on Blackett's letter that "Simla (had) got hydrophobia from Bombay."[21] In his reply, he said that the scheme filled him with "pity and fear". He did not see any advantage to India to bear 100 million pounds of "America's burden, at the cost of disturbing the currencies of most of the civilised world (including continental countries now stabilising...) and also annihilating the silver market." It was bound to endanger the gold standard, indeed "to end (it) altogether." He expected "very strong opposition from all financial circles in this country at least". A gold standard and a gold coin would not change the "immemorial habits of the East on savings and investment", Niemeyer said, and hoped that Blackett would have difficulty in convincing Strakosch and the other members.[22] On receiving this letter, Blackett complained about its tone to Strakosch, who relayed the complaint to Niemeyer. In a draft of a letter that was probably not sent, Niemeyer reiterated his disagreement with Blackett's "volte-face to gold in circulation" and said he failed to understand Blackett's

resentment. "You must not forget, sitting in Simla, that I have politicians too."[23]

One of the more important politicians in question was Winston Churchill, Niemeyer's chancellor of the exchequer. About this time, attacks directed against the costs of the lines of credit (involving the Bank of England, the New York Federal Reserve, the Treasury and the Morgans) established to assist the sterling's return to the gold standard, resumed in the press and the House of Commons. Stung by the criticisms, Churchill, always a reluctant advocate of the restoration, asked Niemeyer if it was necessary to persist with the Treasury's arrangements with the Morgans. "Pray... do not let us drift into paying unnecessary fees", he noted.[24] Niemeyer replied that it was too early to terminate the line of credit. A "disturbing element which is at present unknown to us, will be the report of the Commission now sitting on Indian currency. If their report involved a considerable withdrawal of gold, it would be imprudent to deprive ourselves of any existing protection." Other uncertainties were the overseas lending position (which the Treasury was keen to regulate) and coal.[25]

Perhaps as Niemeyer expected, Churchill was moved by the above note to action. "Tell me more about the Commission on Indian currency", he minuted, "...I did not understand that any danger would come from this quarter. It would be important to discuss any evil development with Lord Birkenhead (the secretary of state for India—GB) at an early stage." Niemeyer replied that if the gold standard proposals were accepted, India might try to take gold from London. "I don't think the commission will support the scheme: and the India Office are opposed to it and well aware of the difficulties. I think overt action by us... would be unjudicious *vis-a-vis* Indian opinion." Churchill agreed there was no question of overt action but "only of guiding events at an early stage by private representation." He sought a short note on "what we do not want to happen and why".[26]

Niemeyer's note was along the expected lines. After briefly speaking of "Indian interests", he went on to discuss the question from a more general point of view. He said a gold loan necessitated by the Indian gold standard scheme would be "unwelcome" to Britain. The appreciation of gold that might result would have serious repercussions on the "gold currency systems of the world, in particular our own...". The proposal to sell silver would upset the silver countries and lead to an increase in the prices of lead and copper "which most of Europe has to import from America". He continued, "I believe the Currency Committee (*sic*) are fully aware of the dangers of the Indian scheme, and will, in fact, fight them in their recommendations..." but, "their task has not been made easy by the mobilisation of Indian opinion and the forthcoming attitude of official representatives in India". Niemeyer enclosed a draft letter to the secretary of state for India which warned him of the consequences of the Indian scheme though the reasons in this letter were couched in Indian terms.[27]

In his reply, Birkenhead said the gold currency proposal would not be accepted lightheartedly "even if it were supported by the Royal Commission" and suggested that the Treasury send a witness to put its case. "... I am quite ready if you wish to suggest privately to Hilton-Young that this should be done."[28]

On the suggestion that a Treasury official appear before the commission, Niemeyer's note bears detailed quotation. "I had already discussed this with Hilton-Young and... both of us thought it undesirable for Treasury to give evidence. We don't want the rejection of Indian ideas to be attributed to the British Treasury as this may raise real trouble in India." The commission would hear the governor of the Bank of England and others "who will be quite sufficient. I think it would be bad tactics for the Treasury to assume, at this stage, the burden of direct opposition and much better to keep ourselves in reserve... I am... in close personal touch with several members... and I believe we can be more effective in this way than by a frontal attack—at any rate until we are forced (which I don't think we shall be) ... into such an operation." Churchill scribbled Yes" on the note.[29]

It was not only opinion in London that was being mobilised to defeat the Indian government scheme. Across the Atlantic, Benjamin Strong found Montagu Norman "appealing" to him "for help to defeat the... proposal". Initially reluctant to intervene in, what he saw as, a "semi-political question between Great Britain and one of her dominions (*sic*)", the "worldwide concern" that the matter aroused, however, finally persuaded Strong—according to his biographer—to respond to Norman's plea. Strong was also encouraged by Andrew Mellon, the US treasury secretary to meet the Hilton-Young Commission and convey American opposition.[30]

Meanwhile, consultations were going on within the Bank of England. Officials at the Bank were also talking to important members of the commission and to officials at the India Office. For example, Charles Addis, director of the Bank of England, member of an earlier Indian currency committee and on this occasion, together with Montagu Norman, the Bank of England spokesman before the commission, noted in his diary that he and Norman met with Strakosch at his house "and had a great powwow on gold for India for 2 hours".[31]

With the interests opposing a gold standard in India mobilising in concert, the outcome of the commission's deliberations on this question was probably in the nature of a foregone conclusion.[32] Nevertheless a brief survey—even as we avoid rehearsing all the individual arguments—is in order.

III

Arguments

Gold

The main objections to the gold standar proposals centred around two points: th increased Indian gold demands that migh arise and secondly, the effects on the silve markets of a possible reduction in India holdings of the metal (both official an private), were the gold standard proposa to be implemented. They were linked in tha larger the silver released from monetary ci culation and hoards, *ceteris paribus*, great the gold that would be required to replac them and (assuming that gold dishoardin in India was not promoted by the monetisa tion of gold) lower the price of silver in rela tion to that of gold, and greater the size o the gold loan that may be required to launc a gold standard in India. The designers o the government of India scheme estimate that in order to have an effective gold stan dard in place, India's gold requirement would be of the order of 103 millio pounds.[33] They realised that a gold deman of this magnitude might upset the world' markets. Only the crucial nature of the pro posals, from the Indian point of view justified the risk. The deflationary risks o the proposal and the threat it posed to th gold standard elsewhere could be averted b a careful management of the transaction an collaboration between the government i Delhi with British and US governments (a the 1918-19 silver transfers had been managed) and between the London and New York money markets.[34] The Indian government also hoped to tap the gold sterilised by the US Treasury and the America Federal Reserve System.[35]

Treasury and London opinion generally were much less sanguine although there was no unanimity here. Hawtrey drew up a memorandum for the Treasury on the relationship between Germany going on gold in 1871 and the Great Depression that followed. "Germany at a stroke decided to substitute a large quantity of gold for silver... The shock was too great... for the bi-metallic countries ...and the stampede to gold that followed brought about the fall in the world price level and the collapse of the silver market."[36] In another memorandum, Hawtrey said that if India demanded more gold than the "enormous" amounts she already imported, "there will be nothing left for the rest of the world out of new production from the mines for years to come." India, he said, could force the world to relive the experience of fifty years previously. He also drew attention to the effects on silver of India's off-loading of the metal. Finally, Hawtrey warned of the threat of increased bank rates in London, should India have her way. The demands from India for gold will fall "in the first instance on London" because India would liquidate her sterling reserves to buy gold and her gold demands "can only be met from American gold

erves insofar as England can draw on se later."[37]

The Bank of England witnesses to the ton-Young Commission, Montagu Norman d Charles Addis, echoed these reserva- ns. A few months previously, Norman had ed supposedly excessive gold imports by dia as a reason for not lowering the bank e despite an influx of gold and a fall in ces.[38] He had earlier given up hopes for ld circulation in Britain because of the reats posed by "such unknown quantities India and Russia". In order to hasten itain's return to gold, he wanted her to ablish a "gold bullion standard" in which ld was available only in large units to set- international imbalances.[39] The gover- r and Addis reiterated that if India went gold, European stabilisation, which s already delayed, would be seriously ndered. Some gold backing was necessary strengthen their credit structure, but ready the bulk of the surplus gold was ing to India. If India demanded more ld, interest rates and costs of production ould increase. The volume of international ade would be restricted and the real burden foreign indebtedness increased.[40] The ank of England, they said, would be parti- larly affected. Its reserve position would e eroded, necessitating a rise in the bank te.[41] For these reasons, Norman and ddis added, it would be extremely difficult r India to raise loans for the scheme.[42]

The sizeable American banking represen- tion was also unequivocal in opposition. eorge Roberts, a vice-president of the ational City Bank of New York said that gold standard for India would retard the storation of the gold standard elsewhere. e argued that Indian gold demands already osed the greatest threat to the gold stan- ard, though he added in the same breath at America did not possess any more gold an she needed to back her currency. The ew York Federal Reserve delegation also xpressed opposition to the Indian scheme. n his statement, Benjamin Strong said the ndian monetary programme was a 'vital' merican concern. Apart from domestic nterests, it also affected the US's inter- ational monetary relations and her role in heir reconstruction. An Indian gold stan- ard would be an 'unsustainable' burden on he reserves of the central banks.[43] Hollander who was a member of the Strong elegation also drew parallels with Germany's doption of the gold standard in the 1870s nd said the Indian plan would, besides dis- upting monetary restoration everywhere, ead to "higher interest rates, business distur- ances and economic depression."[44] The American delegation suggested that India dopt a gold exchange standard operating not only through London and the sterling ut also through New York and the ollar.[45]

SILVER

An associated question was the conse- quences of an Indian gold standard for the silver market. The parallels were again historical. As the European continent left silver for gold in the 1870s, silver prices began to fall. This hastened the movement by other countries towards gold. Although India too left silver in 1893, its currency system was not immune to the vagaries of the silver market because of the prevalence of token silver rupees and the guaranteed convertibility into them, of paper notes. As we have seen, this was one justification for Blackett's gold standard scheme.[46]

Although the consequences for the rupee of disturbances in the silver market were bound to be severe, the effects of an Indian gold standard on the silver market were not to be dismissed lightly. The impact on silver currencies of large Indian sales, notably the effect on China, was feared. Kisch raised the spectre of lower Chinese imports and possible political problems with China.[47] Charles Addis said that Britain's trade with China was currently 'small' but it was the 'one great market' left for the expansion of British industry. An Indian gold standard would damage the development of this market, he claimed.[48] It was also feared that if China was forced to go on gold through the bandwagon effect (as it was said to have driven the US in the last century), the upset for the gold countries could be even greater.[49]

According to a report submitted by Benjamin Strong's delegation, if India went on gold, silver prices would fall by half and India would find it difficult to sell her silver at a price high enough to buy sufficient quantities of gold. Indian silver-holders would lose and the silver mining industry in the US, Mexico and Canada would earn 'greatly reduced' profits. Copper and lead prices would increase greatly.[50]

Much of the rest of the evidence echoed these projections. Norman and Addis talked of silver being 'dethroned'. Given the US interest in silver, there was a political problem as well. Silver had a "large... political backing" there and any controversy might make borrowing in the US difficult. Even raising a loan in London, Norman said, in an interesting public admission of London's dependence on US goodwill to stay on the gold standard without further deflation, will raise tricky problems between "us here and our friends in America" and perhaps, even between the two governments.[51]

It is easy to understand the American interest in protecting the value of silver. It is much less easy to understand Britain's motives in defending silver at this time, especially in the light of her actions in the 1930s which were aimed at keeping silver prices low, unless we postulate that the main British concern was not the silver market *per se* but the effects on the market for gold, her own gold standard and the American willingness to lend abroad.

The silver issue was a tricky one even without Britain's interests coming into conflict with those of the US or of India. As Keynes admitted, India's experiences with silver had been 'unfortunate'. The metal had 'few natural supports' and regardless of any Indian move, its position was 'precarious'.[52] India was, in effect, in the position of a large holder of an inferior security. She could not hold it without suffering large capital losses, nor could she hope to sell, except very gradually as the market allowed and even then, sustain heavy losses.[53] There were doubts also about the actual size of Indian silver sales and her gold demands. While the Denning memorandum estimated a 103 million pounds gold requirement, the India Office estimated that India would off-load 700 million ounces of silver. The exchange bankers, including one who sat on the commission, thought this to be an over-estimate. W Preston suggested that with a silver rupee circulation of Rs 2,500 million and a per capita silver rupee requirement of Rs 6, only Rs 800 million was left to be sold in the market or converted into gold. Of this Rs 400 million was needed as a 'fair reserve' for the government of India, while the remainder would be accounted for in about five years by an annual estimated rupee absorption of Rs 90 million.[54] On a similar basis, B F Madan, who informally advised Thakurdas on currency matters, disputed the

need to sell silver and the "absurd proposal for a gold loan".[55] The worst case assumptions projected by the India office also did not consider that, as silver prices fell in relation to that of gold, the Indian asset-holder would have been tempted to move out of gold and into silver (as he had moved traditionally between the two metals and as he was to do in the 1930s), thereby retarding the tendency for silver prices to fall.

The Hilton-Young Commission proceeded to assume the worst and turned down the gold standard demand because it would be ruinous for silver.[56] However the expressed concern for silver was not sufficient to prevent the commission from recommending a 'gold bullion standard' in which the silver rupee would be de-monetised and silver reserves phased out.[57] Between 1927 and 1930, 90 million ounces of silver were sold by the government of India from its reserves.[58] This among other factors led to a steep fall in silver prices whose stabilisation Britain had advanced as a reason to oppose the Indian gold standard. American pleas to Britain to co-operate to steady silver prices in the depression fell on deaf years. The India Office, under advice from the Treasury refused to accept any responsibility for the decline in silver prices and said that the contrary view came from "interested American quarters".[59] The India Office therefore suggested continued sales of silver by India.

IV

Silver in the Depression—A Brief Detour

The silver question was one in which—at least in 1931—Indian interests were ranged against British interests. Regardless of who was to blame for the fall in silver, it would have been in the interests of the US and India to see that silver prices rose. Left to themselves, the two countries would not have been unable to arrive at a silver marketing agreement.

But Britain's chief concern in the financial sphere was related to the distribution of gold, and here also, the US was a major player. The British aim, till 1933, was to use the American silver predicament to persuade her to discuss measures to alleviate the mal-distribution of gold, which Britain felt lay at the heart of her troubles. For the Treasury itself, it was an almost costless tactic but it imposed losses on Indian silver holders and the Indian government.

Through 1930, the Americans had been proposing an international conference on silver stabilisation. The official British response was unenthusiastic. In public, it proclaimed that the fall in silver prices was part of the general fall in commodity prices the world over, and that the latter needed to be solved before prices could rise. Since commodity prices had fallen, in the official British view, as a result of the liquidity crisis caused by the mal-distribution of gold, the latter had to be on top of the agenda of any international conference.[60] The Treasury was willing to summon a conference on gold distribution, but the willingness foundered on American opposition.[61] In other words, until the Americans took steps to help Britain in tackling the gold problem, she was willing to use the USA's silver problem to her own advantage.

To this end, she was keen to prevent the US proposal for a silver conference from making any headway. The Treasury draft of an India Office telegram to New Delhi said that participating in a conference devoted only to silver would be a tactical error. Silver, the draft said, should be used to force the US to discuss other issues that underlay the depression.[62] The India Office and the City also opposed official government of India proposals (and unofficial ones from American bankers) for a silver stabilisation loan from the US.[63]

The Treasury was acutely sensitive to Britain's vulnerability on silver, since it would have been quite easy for the interested parties to arrive at an agreement, and she herself would have no direct influence on the outcome. Therefore, it took great care to prevent even unofficial endorsement of the American silver conference proposal in Britain. It was particularly nervous that Manchester, which had been affected by the slump in the Chinese market, might support the American ideas on silver.[64]

In contrast to the tears that it shed for Indian silver-holders in 1925-26, only four years later, the British government was determined to prevent silver prices from rising. Apart from thwarting American moves to jointly stabilise silver prices, London was also determined to reduce the use of silver in currency wherever possible. For example, when Germany wanted to buy between 16 and 40 million ounces of silver for subsidiary coinage, the Treasury tried to persuade the Germans to increase their note circulation rather than the circulation of silver coins.[65] Further, when China began to face a currency crisis because her silver coins were being melted down and smuggled abroad to take advantage of the higher prices for silver outside China that resulted from the American silver stabilisation programme of 1934, there was a proposal to export Indian silver to China to ease the crisis. But Britain hoped the Chinese problem would become acute enough to compel her to leave silver. With world silver supplies increasing as the metal became demonetised in China, the American stabilisation scheme would have become inordinately expensive. The growth of political opposition to the scheme within the US, it was hoped, would lead to its abandonment. Silver prices would have crashed and out of this turmoil, Britain hoped to retrieve the gain of forcing the Americans to the negotiating table to discuss gold distribution and perhaps, persuading China to peg to sterling. To realise this scenario, the British government refused to allow Indian silver to be exported to China.[66] Even while betraying indifference to the price of silver and Indian interests in the metal, the Treasury was not above trying to make a profit out of India's surplus stocks of silver. It persuaded the Americans to accept silver in settlement of a war debt instalment. Britain bought silver from India at about 21d per ounce but valued the silver at 27d while settling the US debt.[67] During the first world war India was forced to take silver largely because of Britain's liquidity crisis which it painted as an imperial crisis. But barely fifteen years on, when India was saddled with large surplus stocks of the now depreciated metal, the British response was one of self-interested indifference.

Finally, Britain consented to silver stabilisation at the World Monetary Conference in 1933 as a *quid pro quo* for dollar stabilisation.[68]

It is hard therefore to accept the view that, except insofar as it complicated economic and political relations between Britain and the United States at a time when Britain was in need of American goodwill, the effects of the 'dethronement' of silver (as Montagu Norman chose to call it) played a major role in the rejection of the Indian gold standard proposals. The crucial fear was the effect of the latter on the gold market. Despite Britain's return to gold and the relatively easy outlook for it in the early months, the sterling was not quite out of the woods. Britain was still looking to America to keep its discount rates low. On the other hand, the US itself was determined to ensure that she did not have to bear the costs of an European recovery even as American bankers, among others, were tempted by opportunities in Europe. As a result, America's ability to contribute—despite the size of its gold holdings much of which were sterilised—to European recovery was limited. An Indian gold loan would have diverted liquidity from Europe and, besides threatening the British gold standard, it would have also damaged British aspirations to bring the European countries under the monetary influence of London through a sterling-based gold exchange standard.

The rejection of the Indian gold standard proposals did not, therefore, come as a surprise to either Indian or London opinion. The *Times* on its city page had anticipated the conclusions of the report in regard to the exchange rate and the currency system, well before the commission began its sittings.[69] The Indian Merchant Chamber saw that Britain's ability to stay on gold depended "very largely on the action which India is made to take or refrain from taking". Kisch at the India Office thought this reflected "perhaps a little pardonable egotism".[70] But the Indian merchants' views were shared by authoritative sources in London. The Annual Montagu Bullion letter for 1924 said that the Indian exchange was "almost as important (to the UK) as to India itself" and more the gold India takes, greater would be the delay in England's return to gold.

In the event, the Hilton-Young Commis-

ion recommended a "gold bullion standard" involving, on paper, the purchase and sale of gold (the latter for export purposes only) by the government of India in units of 400 ounces or more. Tomlinson has argued that, owing to the ignorance of Delhi officials, in practice, this system worked as a sterling standard.[71] But as we show later, right from the beginning, London officials had no illusions about the system and they expected it to operate as a sterling standard. Indeed, that was the intention behind the scheme. The discussions surrounding the so-called gold bullion standard also reveal just how keen British officials were to ensure that Indian trade was not financed by gold movements, but, instead, by purchases of sterling.

V

Gold-Bullion Standard—Myth and Reality

As early as 1913, Keynes had argued that if it became necessary to shift the gold standard reserves to Inida, it should be ensured that, in a crisis, gold was sold only to the banks and not to the public. Only in the former case, he said (wrongly, as we know from the 1920 experience), could reserves be used to support the exchange.[72] Blackett's proposals that gold bullion should be issued for export against rupees echoed Keynes' reservations. But Hawtrey objected even to the presence of a gold reserve in India. Indian reserves, he felt, were better held in the form of sterling. If you give the "holder of rupees the right to demand gold... at once the sterling reserve becomes inferior in utility...". Further, if Indian authorities were required by law to buy gold, it might be possible to obtain rupees on better terms by sending gold from Durban than by offering sterling. Unless gold was bought in transit and diverted to London, the whole of the additional rupees required for circulation would be issued against gold received in India, which would thus finance a larger part of Indian trade than under an exchange standard. The requirement to sell gold might mean that, in some cases, it could be cheaper to send gold from India to China or Europe at the gold export point than to buy sterling.[73] The "gold policy of India", he said, "ought to be carefully related to the Genoa Resolutions. Whatever gold it is willing to take as a share of the general burden of the world's banking systems, it should buy from South Africa or the United States, but the amount should be agreed, so that the gold using countries of Europe and America may know how they stand."[74]

The opposition of the India Office bureaucracy to a direct link between the rupee and gold is evident from Kisch's testimony to the currency inquiry. To begin with, Kisch refused to admit that there was any difference between a sterling exchange standard and a gold exchange standard. He also said that it was open to question what form the Indian government's obligation to convert rupees should take.[75] He objected to expressing the rupee in terms of gold ostensibly because the price of gold would have had to include transport and insurance which might vary. He suggested that the government of India should sell exchange at par rather than gold.[76]

In the face of pressure from the Indian members in the commission, the India Office found its open anti-gold predilections unsustainable. So there was some backtracking initiated by J Brunyate, an old India Office veteran of many bureaucratic battles. Brunyate supported the idea of expressing the rupee in the form of gold.[77] Kisch also fell in line. On being requested, he produced a draft clause which suggested that the rupee be fixed at "x" grains of fine gold.[78]

Having on the face of it lost the battle to fix the rupee to sterling rather than gold, the India Office proceeded to frustrate a gold-bullion standard for India by other means. Kisch suggested a premium on gold sales by the government, i e, effectively a discount on the rupee. Though such a discount, he conceded, was 'illogical', it was nevertheless of great practical convenience to prevent demand for social purposes of gold from the government of India.[79] With the realisation that it would be impossible, for political reasons, to deny India some form of a 'gold bullion standard', Strakosch and officials at the India Office set about fixing the buying and selling prices of gold in India in a way as to prevent gold going to India for trade purposes even in the new system.

The commission's gold price formula was an outcome of this effort. As Strakosch wrote to Mant, according to this formula, the rupee would have to be "above 1s 6 1/16d" at least, for India to get South African gold. If the shipper of the gold secured forward cover, the cost of the cover would have to be added to the gold import point. Therefore, it would not be profitable to ship gold to India unless the rupee was above 1s 6 5/32d in the market. This, according to Strakosch, compared favourably with the Bank of England's gold price of 77/101/2d per standard ounce and shipped to Bombay at 18 13/64d.[80] A copy of this letter was sent to Niemeyer who noted on the covering letter that whether "gold can be so shipped (or not)... a gold standard bank... can't refuse to buy gold and if it doesn't want to do so, must so control its exchange that it doesn't have to!".[81] It was probably a coincidence that the highest level that the rupee reached in the five years till sterling went off gold was well short of the notional gold import point. But Blackett clearly wished that the rupee should not rise to that level. As he wrote to Strong at the end of a somewhat boastful account of how he had managed to stabilise the rupee, "... it is not impossible that import gold point may be reached in a month or so, which I don't much want but may be unable to prevent ."[82]

Hawtrey, though he was inclined to think that the gold import point was closer to 18 7/32d than to 5/32d, was more pessimistic about the long run impact of an Indian gold bullion standard on British gold receipts from South Africa.[83] He was particularly concerned that as traffic patterns changed, the Durban-Bombay freight for gold, which was currently higher than that for the longer and faster Durban-London voyage, would fall.[84]

On the whole, however, London was less inclined to worry. The cabinet memorandum on the commission's report said the provision for gold sales in India was "... a concession to Indian sentiment..." and was not an essential aspect of the system. The large difference between the buying and selling prices of gold in India meant that bullion could be obtained from the currency authority, only "at ... a disadvantageous price...". Therefore, "...the proposals of the commission will (not) involve any increased demand by the Indian public for gold." The gold reserves required for the new system, the note said, would be acquired gradually. It affirmed that rather than gold, in practice, only sterling would be bought and sold.[85] The Treasury also expressed satisfaction at the commission's rejection of the gold standard proper to which we "took objection".[86]

The Treasury was not alone in supposing that in its actual working, the gold bullion standard would behave really as a sterling exchange standard. Despite the commission's explicit rejection of the latter, within weeks of the report's submission, the India Office had decided that the gold bullion standard need be no different from a sterling standard.[87] Kisch also wrote to a member of the India Office Finance Committee that the "complicated gold bullion standard which the commission proposes" was "largely a make-believe affairs" (*sic*). J Brunyate and

Charles Addis were among the others who expected that the Indian gold bullion standard would work merely as a sterling standard.[88] Later in 1932, when the US blamed the decline in the fortunes of silver and the depression generally on India having gone on gold in 1927, the India Office maintained that India had always stayed on a sterling standard.[89] Nevertheless, the India Office continued to maintain, in public, the fiction of an Indian gold bullion standard till the events of September 1931 stripped it off whatever plausibility it possessed. In contrast, the Indian government thought initially that the new scheme was a step towards a full-fledged gold standard and presented it in India in this light. Delhi attempted, when the legislation was being enacted, to include a provision to coin gold *mohurs* in India. The India Office rejected the move as a back-door method of securing a gold standard and explicitly ruled out a gold coin and a future gold standard for India. The government of India complained that it had been under the wrong impression regarding the true purport of the Hilton-Young Commission's recommendations which they would be guilty of having promoted in India under false pretences![90]

VI

Conclusion

In theory, the gold exchange standard is no different from a gold standard in terms of its impact on the domestic economy. In fact, it has the advantage of yielding a return on a country's reserves. While this holds for a system in which the reserve centre is in equilibrium and in which the reserve currency users are able to exercise freedom of policy, it ceases to be so if the latter condition is violated. If the former condition does not obtain, it becomes more improbable in the colonial context that the latter freedom would be allowed or not be severely constrained.

This was India's inter-war experience. In this period, Britain was experiencing an external disequilibrium. She attempted to transfer a portion of her adjustment burdens to the US (through seeking and trying to promote expansion there) and to India (by promoting deflation or arresting expansion with a view to reducing the Indian demand for gold). In an environment in which she was trying to check even the non-monetary demand for gold in India, she could hardly be expected to indulge the Indian nationalist desire for a gold standard and a gold currency.

Secondly, control over Indian monetary policy was vital to the current British interest of arresting expansion in India. Although there is no evidence that the government of India sought the policy autonomy (however limited) of a gold standard to thwart London's control, it is clear that the British opposition to a direct link between the rupee and gold also reflected the fear that its control over Indian policy would be eroded. It is in this light that the so-called gold bullion standard, which we have shown was expected to work only as a sterling standard, should be seen.

Her control over Indian monetary policy stood Britain in good stead during the depression. The refusal to allow any room for independent action to the Indian government ensured that policy in India in the depression years would be pro-cyclical. The policy-induced accentuation of the depression in India led to substantial dis-hoarding of gold by the householder and large exports of the metal by India. These exports eased Britain's external liquidity problems, aided her recovery and enabled her to manage the sterling in a way as to promote domestic expansion.[91]

Notes

1 *Collected Writings of John Maynard Keynes*, (JMK), Vol 1, London, 1971, pp 45-48, 182; see also JMK, Vol 15.

2 M de Cecco, *Money and Empire: The International Gold Standard, 1840-1914*, London, 1974, pp 62-75. London's opposition to an Indian gold standard is also discussed in A P Kaminsky, 'Lombard Street and India: Currency Problems in the Late Nineteenth Century', *Indian Social and Economic History Review (IESHR)*, Vol 17, No 3, 1980. For a related discussion in an earlier period, see A Siddiqui, 'Money and Prices in the Early Stages of the Empire: India and Britain, 1760-1840', *IESHR*, Vol 18, Nos 3-4, 1981.

3 B R Tomlinson, *The Political Economy of the Raj: The Economics of De-colonisation in India*, London, 1979, pp 23, 78.

4 G Balachandran, *Indian Monetary Policy and the International Liquidity Crisis During the Inter-war Years*, Unpublished PhD thesis, University of London, 1989.

5 The deflationary bias of inter-war monetary policies is discussed in the above thesis. The formulation and failure of the 1920 package is also discussed in G Balachandran, *India in Britain's Liquidity Crisis: The Stabilisation of 1920*, London, forthcoming.

6 India Office Library and Records, London, (IOLR), L/F/7/2278, Colln 375, F7, Kisch to Blackett, letter dated January 1, 1926.

7 For a more elaborate discussion, see Balachandran, *India*, forthcoming.

8 Churchill College Archives, Cambridge, (CCA), Hawtrey Papers, Htry 8/3, Draft Article for *The Banker*, May 1969.

9 IOLR Mss Eur E397/32, Blackett to Strong, letter dated December 21, 1927.

10 Public Records Office, London (PRO), T176/25B, Blackett to Niemeyer, letter dated December 3, 1925. IOLR V/26/302/8, Qns 539-543.

11 IOLR V/26/302/B, Qns 1383 and 435.

12 IOLR V/26/302/B, Qns 10005-10007.

13 See Tomlinson, *Political Economy*, 1979, p 68, and De Cecco, *Money and Empire*, 1984, pp 71, 74-75.

14 See for instance the tenor of Thakurdas' questioning of Blackett in IOLR V/26/302/8, Qns 10395-10414.

15 Nehru Memorial Museum and Archives, New Delhi (NMMA), PT Papers, File 47, Part 1, P Dalal to Thakurdas, letter dated February 18, 1925 and the latter's reply dated February 22, 1925.

16 NMMA PT Papers, File 47, Part 1, Thakurdas' letter to the *Times of India* dated May 27, 1925 and BMOA resolution on page 63 of the file.

17 IOLR V/26/302/8, Qns 13482, 13523 and 13600.

18 University College, Cambridge, Baldwin Papers 102, Hilton-Young to Baldwin, letter dated December 11, 1925.

19 IOLR L/F/7/2283, Colln 375, F12, letter to Baxter dated December 10, 1925. Baxter was travelling with the Hilton-Young Commission as one of its two secretaries.

20 IOLR L/F/7/72278, Colln 375, F7, Kisch to Niemeyer, letter dated January 23, 1926. In an internal India Office memorandum, Kisch noted that it was impossible to "exaggerate the importance of the matter and though one may hope that the commission may kill the scheme, there (was) always the risk that they may be overborne by the pressure of non-official opinion in India. . ."

21 PRO T176/25B, Niemeyer's note on Blackett's letter dated December 3, 1925.

22 CCA Hawtrey Papers, Htry 1/3/2, Niemeyer to Blackett, copy of letter dated December 22, 1925.

23 PRO T176/25B, Niemeyer to Blackett, draft of letter dated February 2, 1926.

24 PRO T172/1500A, Churchill to Niemeyer, note dated February 10, 1926.

25 PRO T172/1500A, Niemeyer to Churchill, letter dated February 10, 1926.

26 PRO T176/25B, Note dated February 11, 1926.

27 PRO T176/25B, Niemeyer's note dated February 17, 1926; IOLR L/PO/2/3(i), Churchill to Birkenhead, "personal and secret" letter dated February 22, 1926. Note Niemeyer's confidence that the currency commission would "fight" the Indian scheme. These views were expressed before it began taking evidence in London and reflected a perception of interests ranged against the proposal and knowledge of the private views of its principal members.

28 IOLR L/PO/2/3(i), Birkenhead to Churchill, letter dated February 24, 1926. Birkenhead also conveyed Churchill's views to the government of India. See IOLRL/PO/2/3(i), private letter to the Viceroy dated February 25, 1926.

29 PRO T175/25B, Niemeyer's note dated February 26, 1926 on Birkenhead's letter and Churchill's marginal note of February 28, 1926.

30 L V Chandler, *Benjamin Strong*, 1958, pp 356-359 and 254. Mellon's chief concern was silver.

31 School of Oriental and African Studies, London (SOAS), Addis Papers, Pp Ms 14/44, Diary entries of February 15 and March 5, 1926. The February entry noted that Addis had called at the India Office to discuss the Indian gold standard.

32 There is a noticeable contrast between Treasury mobilisation in 1919 and in 1926. In the former case, though the India Office was quite sensitive to the problem of gold for India and the Bank of England also expressed strong reservations, it was left

mainly to Charles Addis on the committee to emphasise the 'general' aspects of the Indian gold demand. There is no evidence of Treasury mobilisation at the committee stage. When the Treasury did move, on the eve of the report's publication, it was forced merely to seek an indefinite delay in implementing those parts of the report that might have increased gold movements into India. Although successful, the nature of intervention suggests that in 1919-20 the Treasury expected the sterling's return to gold to be easier than it was in reality and that they were perhaps more sanguine about the threats posed to the sterling and the position of London as a financial centre by the countries of the Empire. The Treasury in 1926, in contrast, betrayed a gloomier outlook for the sterling and the gold standard. Certainly, the travails of the sterling and the British economy in the intervening years, and the circumstances in which the sterling was virtually hustled on to gold might have justified the gloom. Also, the reduced dependability of the dominions in monetary matters (for example, the behaviour of South Africa and Australia in 1924 and 1925) may have persuaded the Treasury of the advantages of an early move to restrict the freedom for manoeuvre of another colony which was on the verge of stabilising. How far its experiences with South Africa and Australia educated the Treasury and contributed to its determination to resist an advance towards monetary autonomy in India is also a point worth considering.

33 IOLR V/26/302/6, Denning's memorandum, "Gold Standard for India", and IOLR V/26/302/8, Qns 1514-1523.

34 IOLR V/26/302/8, Qns 534-37, 10234-35 and 10244; IOLR Mss Eur, E397/32, Blackett to Strong, letter dated December 21, 1927 and PRO T176/25B, Blackett to Strakosch, letter dated October 11, 1925.

35 IOLR V/26/302/8, Qns 1523.

36 CCA Hawtrey Papers, Htry 1/3/2, "The German Gold Standard and the Value of Gold after 1871", memorandum dated February 17, 1926.

37 CCA Htry 1/3/2, "A Gold Currency for India", memorandum by Hawtrey written in February 1926.

38 PRO T176/13, Part 2, Niemeyer to Norman, letter dated July 21, 1925 and Norman's reply dated July 24, 1925.

39 See Henry Clay, *Lord Norman*, 1957, pp 153-54.

40 IOLR V/26/302/8, Qns 13668-72 and 13679-85. Note the real variables inflexibility assumption implicit here which contrasts with the smoothness of adjustment postulated in the Indian case.

41 IOLR V/26/302/8, Qns 13666-67.

42 IOLR V/26/302/8, Qns 13740-44.

43 IOLR V/26/302/8, Qn 15229.

44 IOLR V/26/302/8, Qn 15232.

45 IOLR V/26/302/8, Qn 15311, part iv.

46 IOLR V/26/302/8, Qns 10005-10007.

47 IOLR V/26/302/8, Qn 10815.

48 IOLR V/26/302/8, Qn 13710.

49 See the discussions between Keynes and Strakosch in IOLR V/26/302/8, Qns 13108-23.

50 IOLR V/26/302/8, Qn 15238, 'Summary of

Reports Submitted by Arthur Notman and H A C Jenison", Section xvii.

51 IOLR V/26/302/8, Qn 13740. Dr Hollander, a member of the Strong delegation told the commission (Qn 15232) that the damage to US silver interests who represented a "great American industry" would raise an outcry so loud that, it might even lead to "an outright prohibition" on all foreign loan flotations in the US.

52 IOLR V/26/302/8, Qns 13149 and 13045 respectively.

53 The Indian experience with silver was notable also because a large part of its holdings of the metal had been bought at artificially high prices when the world's demands for India's exports were pressing and importers would have gone to great lengths to procure the necessary first class financing. Kisch regarded Indian silver sales as an act of 'ill-grace' towards America which had striven to 'benefit' India through the Pitman Agreement; see IOLR V/26/302/8, Qn 10815. But more detached accounts suggest that American profits and Indian losses on the unfinished part of the deal covered by UK's debt to the US in 1933 was, owing to the fall in silver prices, 66 million ounces; see PRO T160/8, F260/3, "Pitman Silver", Bowley's memorandum dated February 1933.

54 See Preston's questioning of Norman and Addis in IOLR V/26/302/8, Qns 13764-779.

55 NMMA PT Papers, File 58, Madan to Majumdar, letter dated March 26, 1926. Madan cited the American system, in which a silver dollar circulated under the gold standard, as a model for India.

56 IOLR V/26/302/6, *Report of the Commissioners* (hereafter the *Report*), paras 46-50; PRO T176/25B, note by J Kershaw of the Bank of England, 'The Indian Currency Commission Report as Affecting Silver', dated October 12, 1926. Kershaw pointed out that US evidence was valuable in defeating the Indian proposals.

57 IOLR V/26/302/6, *Report*, paras 69-71.

58 PRO T160/547/F32420/1, US Congress, February 1931, 'Interim Report and REcommendations of the Committee of the Foreign Relations Committee on Trade Relations with China and Causes and Remedies for Depressed Conditions for Commerce'. The committee was set up by the US senate and headed by senator Pitman.

59 IOLR L/F/6/1172 F371, Kershaw to Schuster, letter dated January 28, 1931. This might not have been in the strict sense. In an unfinished memorandum for which he had secured some figures from the India Office, Joseph Kitchin blamed Indian sales and demonetisation for the decline in silver prices by more than the decline in the prices of commodities. See L/F/6/1172 F169, Kitchin's memorandum "Silver etc" dated February 24, 1931.

60 IOLR L/F/6/1181, Treasury brief for a House of Lords question dated September 30, 1931.

61 PRO T160/547 F3420/2, Peel's reply to Hunsdon in the House of Lords on September 30, 1931.

62 IOLR L/F/6/1173 F392, secretary of state to viceroy, private telegram dated February 19, 1931 and Leith-Ross to Kisch, letter dated February 17, 1931.

63 IOLR L/F/6/1172 F371, Kershaw to Schuster, letter dated January 28, 1931 and South Asia Archives, Cambridge, Benthall Papers, VII, diary entry dated June 7, 1931.

64 PRO T160/547 F3420/2 Leith-Ross to Addis, letter dated March 31, 1931; Anderson to Leith-Ross, letter dated April 8, 1931 and the latter's note dated June 15, 1931.

65 PRO T160/547, F3420/2, Leith-Ross to deputy governor, Bank of England, letter dated July 31, 1931 and Siepman to Leith-Ross, letter dated August 10, 1931.

66 PRO T177/21, Draft Report of China Committee, Part 2 of file, undated but written in 1934. Also see J M Blum, *From the Morgenthau Diaries: Vol I, Years of Crisis, 1928-1938*, Boston, 1959, pp 204-228.

67 PRO T177/17, Assorted Papers on the Silver Deal.

68 PRO T160/950 F13798/1, US president's statement dated December 21, 1933. Britain sought negotiations with the US in 1933 to prevent "more radical exchange manipulation on the part of America including that of setting up an immense Exchange Equalisation Fund". See PRO T175/74, Unsigned, undated note, probably by Phillips written in 1933. Britain also wished to ensure, through agreement with the US, that the gold bloc countries could be kept on gold. See PRO T175/17, Hopkins' note dated March 31, 1933 on Phillips' memorandum, "Exchange Equalisation Account" dated March 27, 1933 and PRO T172/2081 and "United States Monetary Policy", memorandum by Phillips, undated but written in October 1933. For an American assessment of the British keenness to ensure dollar stabilisation see H Feis, *1933: Characters in Crisis*, 1966, p 214 and R Moley, *After Seven Years*, New York, 1935. Feis mentions that Neville Chamberlain who was the chancellor of the Exchequer paid an unexpected visit to Moley (who was an influential aide of Roosevelt and much below Chamberlain in protocol terms) to plead for dollar stabilisation.

69 The *Times* dated September 22, 1925.

70 IOLR L/F/6/1076, F 2588, Indian Merchants' Chamber to the Finance Department of the government of India, letter dated May 21, 1925.

71 Tomlinson, *Political Economy*, 1979, p 78.

72 *JMK*, Vol 1, p 124.

73 CCA Hawtrey Papers, Htry 1/3/2, letter to Blackett dated October 16, 1988. For Blackett's response to Hawtrey, see his letter to Strakosch dated October 17, 1988 in PRO T176/25B. He said Hawtrey did not understand the political side to the gold question in India. Moreover, after sterling's recent experience, he said, it could hardly be claimed that it was synonymous with gold.

74 CCA Hawtrey Papers, Htry 1/3/2, "Indian Currency", memorandum dated August 28, 1925.

75 IOLR V/26/302/8, Qns 11267, 11270.

76 IOLR V/26/302/8, Qns 11271-11280.

77 IOLR V/26/302/8, Qn 11303.

78 IOLR V/26/302/8, Qns 11483-486.

79 IOLR V/26/302/8, Qn 11657.

80 PRO T175/25B, Strakosch to Mant, letter dated November 15, 1926; emphasis in the original. The commission fixed a gold selling price in India of Rs 21-lias (−)9p per *tola*. See IOLR L/F/6/1099, F 5803, Kisch to Brayne, letter dated November 22, 1926. Kisch said, at this price, the demand for gold from the monetary authorities for social purposes would be eliminated.

81 PRO T175/25B, Strakosch to Niemeyer, letter dated November 16, 1926.

82 See IOLR Mss Eur E397/32, Blackett to Strong, letter dated December 21, 1927.

83 CCA Hawtrey Papers, Htry 1/3/2, Hawtrey's memorandum, "The Indian Currency Report", undated but probably written in November 1926.

84 CCA Hawtrey Papers, Htry 1/3/2, Hawtrey's note dated November 18, 1926 on Strakosch's note on Indian gold import and export points of the same date.

85 PRO T172/1375, Cabinet Memorandum C P 288(26) of July 1926.

86 PRO T172/1375, Niemeyer's note to chancellor of the Exchequer dated July 29, 1926.

87 IOLR L/F/7/2286, Colln 375, F 15, Kisch's 'Review of Report of Currency Commission' dated early July 1926.

88 IOLR L/F/7/2287, F 16 of Colln 375, Kisch to Goodenough, letter dated September 15, 1926; SOAS Addis Papers, Pp Ms 14/557, Draft Reply to J B Brunyate dated November 12, 1926 expressed agreement with the latter that the golden bullion standard was unlikely to be "operated in practice". It is noteworthy that Brunyate who had earlier seemed to support the idea of linking the rupee to gold rather than through sterling should later hold this view about the inoperability of the gold bullion standard. One explanation for the apparent contradiction may really relate to the habits of the civil servant. He may have chosen to go along with a clamour of the moment (i e, some sort of a gold standard for India) while hoping to frustrate its implementation at a later stage. This may also help explain the change in the tenor of Kisch's testimony after Brunyate expressed himself in favour of a link between the rupee and gold.

In his notes for a speech as chairman of the Hong Kong and Shanghai Bank, Charles Addis went further than Brunyate and said (Pp Ms 14/558, 'Notes for a Chairman's speech', December 1926) the gold bullion standard was "intended to be inoperative". It bears noting that Addis had been involved in a "great powwow on gold for India" with Norman and Strakosch when the commission moved to London after taking evidence in India.

89 PRO T160/547/F3420/3, Baxter to Waley, letter dated April 18, 1932 and T160/488/F13017/04, draft financial memorandm "Some Aspects of the Silver Question" prepared jointly by Treasury and India Office for the World Monetary and Economic Conference of 1933, para 6(iv). Appendix B to this memorandum was on 'The Position of Silver in Relation to the Indian Currency System'.

90 See the correspondence in IOLR Mss Eur D703/27.

91 For details of this argument, see G Balachandran, Indian Monetary, Chap 6.

HOECHST INDIA LIMITED

FORM II A

(See Rule 4A(1))

Form of general notice to be given to the members of the public before making an application to the Central Government under sub-section (2) of section 22 of the Monopolies & Restrictive Trade Practices Act, 1969.

NOTICE

It is hereby notified for the information of the public that **HOECHST INDIA LIMITED** proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of section 22 of the Monopolies & Restrictive Trade Practices Act, 1969 for approval to the establishment of a new undertaking/unit/division. Brief particulars of the proposal are as under:-

1. Name and address of the applicant	:	**Hoechst India Limited** Hoechst House Nariman Point 193, Backbay Reclamation Bombay 400 021.
2. Capital structure of the applicant organisation	:	Authorised Capital: Rs. 100,000,000 divided into 1,000,000 Equity Shares of Rs. 100 each. Issued, Subscribed and Paid-up Capital: Rs. 95,769,000 divided into 957,690 Equity Shares of Rs. 100 each.
3. Management structure of the applicant organisation indicating the names of the directors, including managing/whole-time directors and manager, if any	:	The Company is managed by the Managing Director under the overall supervision and control of the Board of Directors. Names of Directors: MR. VIJAY MALLYA (Chairman) DR. E. BALTIN (Managing Director) MR. S. V. DIVECHA MR. C. L. JAIN (Whole-time Director) DR. H. G. JANSON MR. F. A. HONIGMANN (Alternate to DR. H. G. JANSON) PROF. DR. G. KORGER MR. D. LAENGENFELDER MR. H. J. TIMNER MR. P. N. VENUGOPALAN
4. Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division	:	New Unit
5. Location of the new undertaking/unit/division	:	Ankleshwar Dist. Bharuch Gujarat State
6. In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate:		
i) Names of goods/articles	:	BARALGAN KETONE & Formulations based thereon
ii) Proposed licensed capacity	:	5 Tonnes p.a.
iii) Estimated annual turnover	:	Rs. 9.6 Mio approximately at full capacity.
7. In case the proposal relates to the provision of any services, state the volume of activity in terms of usual measures such as value, income, turnover, etc.	:	Not Applicable
8. Cost of the project	:	Rs. 5.0 Mio
9. Scheme of finance, indicating the amounts to be raised from each source	:	From the internal sources of the Company

Any person interested in the matter may make a representation in quadruplicate, to the Secretary, Government of India, Ministry of Industry, Department of Company Affairs, Shastri Bhavan, New Delhi within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

HOECHST INDIA LIMITED

Sd/-
C.L. JAIN
FINANCE DIRECTOR & SECRETARY

Dated this 28th day of August, 1989.

Poverty Alleviation Programmes

IRDP in an Andhra Pradesh District

G Hara Gopal
C H Bala Ramulu

The polarisation of rural society brought about by the early development exercises, like the green revolution, and the consequent unrest prompted the introduction of several poverty alleviation programmes in an attempt to ward off the dangers inherent in such situations. This paper's empirical examination of one such scheme—the IRDP in Andhra Pradesh identifies characteristics of the programme which prevent it from being effective. A major flaw is its tendency to benefit better off regions as compared to poorer regions thus rendering it self-defeating.

I

PUBLIC policies to alleviate poverty have come to assume vital importance in post-independent India. The state, through a number of public policies, seeks to intervene in the developmental process as a part of its legitimisation strategy. In post-independent India there was hardly any rural development policy which did not lay emphasis, overtly or covertly, on rural poverty. The community development in the fifties and panchayati raj in the sixties was intended to ensure peoples' participation and improving living conditions of rural people. Along with these institutional devices, there has been emphasis on modernising agricultural and industrial base. The growth with distribution approach created its own problems calling for new policy initiatives. For instance the green revolution of the mid-sixties, while it benefited better off sections, adversely affected the rural poor, which includes small and marginal farmers and agricultural labourers.[1] This led to the widening of the gulf between various sections of the society resulting in considerable unrest in the rural areas. Consequently, the first half of the 70s was dominated both by a discussion on the large-scale poverty in rural India and formulation of programmes to stem the tide of unrest. Prominent among these programmes were the SFDA and IRD programmes. The total experience with the operation of target group programmes is almost seventeen years now. IRDP has completed nine years. Therefore, it is time that the experience with the programme is reviewed to gain an insight into this policy initiative.

An evaluation of performance of SFDA/MFALDAs done for the whole nation indicates that in ten years (1970-80), the agencies identified 161.31 lakh families, of which 67.71 lakh families were covered.[2] This works out to 42 per cent of the total identified members of the target group. Under IRDP, the total number of beneficiary households covered during the first four years of the Sixth Plan was 125.9 lakh.[3] The coverage under the target group programmes both SFDA/MFALDA and IRDP, in about fifteen years, works out to 286.90 lakh beneficiaries. The coverage has been 19.12 lakh beneficiaries per year in the country.

It is to be noted that evaluation studies by RBI NABARD had reported 15 to 20 per cent wrong identification.[4] In certain states this ranged from 47 to 70 per cent.[5] The poorest have been covered the least.[6] Added to it, the number of poor persons in rural India has grown at the rate of 5 million a year during 1958-73.[7] The same trend prevailed during the Sixth Plan.[8] This unimpressive coverage gives rise to serious doubts about the overall effectiveness of this policy approach. The number of those crossing the poverty line has been marginal. There are wide variations, ranging from three[9] to fifty per cent,[10] in the estimated number of persons who crossed the poverty line. In certain cases, it is reported, none crossed the poverty line.[11] Further, mere crossing of the poverty line does not guarantee its sustainability.[12] In terms of an income mobility criterion, it is observed that the lowest income groups have the least income mobility compared to the other income groups.[13]

The studies on IRDP highlight limitations which include weak planning,[14] lack of infrastructural facilities,[15] indifference to the differences in the levels of infrastructure and incidence of poverty,[16] lack of intersectoral linkages,[17] lack of co-operation among the aiding agencies,[18] involvement of middlemen or *pyraveekar*,[19] wrong identification of the beneficiaries,[20] cornering of benefits by the rich,[21] non-utilisation of funds,[22] cumbersome rules and regulations,[23] pervasive bureaucratic apathy and cynicism,[24] anti-rural poor attitude based on class linkages,[25] manning of the administration with unqualified and untrained staff at various levels,[26] delay in grounding the schemes,[27] insensitivity to the priorities of the beneficiaries or their ability,[28] and regional imbalances in the distribution of funds.[29] The problems of non-percolation, political pressure and corruption are serious problems which originate from the socio-economic structure.[30] Another major weakness in the strategy is that the rural development programmes are worked out the implemented without the involvement of the people concerned with these schemes.[31] All these factors, the studies conclude, collectively rendered these schemes ineffective.

The present study seeks to examine the impact of the economic environment in terms of logic of the existing structure, on performance of IRD schemes. It is assumed that advancement of the region or place or better off conditions of the individual beneficiary, all rooted in the structure, have a decisive impact on poverty alleviation programmes. We also assume that the intiative, as far as these schemes are concerned, rests more on the existing socio-economic conditions than with the policy as such. This suggests that autonomy of the policy to intervene and cause qualitative change in the overall economic conditions of the poorer sections is quite marginal. It is this aspect that is examined in this paper.

II

In this section an attempt is made to present the micro-level characteristics of the state of Andhra Pradesh for a better understanding of the micro-level experience with IRDP.

Andhra Pradesh is divided into three geographical regions: Telangana, Rayalaseema and coastal Andhra. The population of the state, according to 1981 census, was 535 lakh, which forms 8.14 per cent of the total population of the country. In terms of area, the state ranks fifth at the all-India level. In terms of literacy 29.72 per cent of the people were literte in 1981 as against 36.12 per cent at the all-India level. The rural population of the state is 410 lakh. The state is predominantly agricultural and 76.75 per cent of the population continue to depend on rural sector. The proportion of cultivators to the total workers is 32.60 per cent as against 41.55 per cent at the all-India level.[32]

The studies on poverty in Andhra Pradesh (1971-72,[33] 1977-78,[34] 1981-82[35]) indicate that there has been no decline in the incidence of poverty. Table 1 indicates that in certain districts the poverty levels increased during 1977-78 to 1981-82. The increase is more in the districts of Nellore (coastal Andhra), Chittoor (Rayalaseema), Nalgonda and Khammam (Telangana). The latest estimates (1981-82) indicate that incidence of poverty is more in the Telangana and Rayalaseema regions compared to coastal Andhra region. The percentage of families below the poverty line, according to 1981-82 estimate, is 44.57. It is this high poverty that

poses a formidable challenge to poverty alleviation programmes.

The coverage of target groups from the Fourth Plan to the Sixth Plan is presented in the Tables 2 and 3. The coverage under SFDA indicates (Table 2) that out of the total 55,18,282 target group households, 4,80,899 (9 per cent) families have been assisted. The per year coverage comes to less than one per cent. Under IRDP 12,15,785 households have been covered during the Sixth Plan. The coverage works out to 22 per cent of the total target group households in Andhra Pradesh. The year-wise coverage comes to 4.40 per cent. The coverage of small farmers has been relatively more than that of the marginal farmers and agricultural labourers, who constitute hard-core of the poor (Table 3).

The state level details further indicate that the coverage of beneficiaries has not been even in all the regions and the districts. For instance the percentage of coverage in the advanced coastal districts like East Godavari, West Godavari, Krishna and Guntur has been relatively higher than other districts. Similarly the coverage of the small farmers has been higher than the agricultural labourers. This micro level picture indicates that the IRDP has a built-in tilt towards relatively better off farmers and more advanced regions. The present study seeks to further examine its impact on the target groups in the backward Telangana region of Andhra Pradesh.

III

In the Telangana region, which is relatively backward, the first SFDA was started in Nalgonda district in the year 1970-71. Since no district could be considered representative of the phenomenon, it was thought that Nalgonda which has had benefit of the schemes from its inception can be considered a suitable site for an impact study. While the findings may not be totally applicable to the whole state, the insights that it provides can be useful.

The following are the other details about the district of Nalgonda. The occupation of 75 per cent of the people in the district is agriculture. The growth rate of population has been 2.5 per cent. The total acreage is 35,14,630. The total cropped area constituted 58.2 per cent in 1971 and 52.0 per cent in 1981. The growth rate has been negative, i e, −1.0 per cent. This indicates a decline in the cropped area (Table 4). The net area sown to the geographical area in 1971 was 47.5 per cent. This declined to 44.9 per cent in 1981 indicating −0.55 per cent growth rate per year. Similarly area sown more than once had also declined at the rate of −3.3 per cent per year. Added to it, the area sown more than once accounted for only ten per cent and seven per cent of the total geographical area in 1971 and 1981 respectively. The percentage of net irrigated area to the total geographical area comprised 14.6 per cent in 1971 and 12.2 per cent in 1981 and the growth rate has been 1.6 per cent per year. Obviously such developmental trends enhance the importance of policy intervention.

The landholding pattern in the district, according to 1976 agricultural census, indicates that 85.2 per cent of the land was in the hands of upper strata while the target group members owned only 14.8 per cent of the land (Table 5). This land is infertile and unirrigated. Such a situation would condition effectiveness of schemes meant for the poor.

The study on levels of living in Andhra Pradesh has put Nalgonda district in the middle range. This rating was based on per capita expenditure and per capita gross domestic product. The per capita annual expenditure and gross domestic product of the people during the year 1977-78 was Rs 72.45. The agricultural classes' per capita monthly expenditure was Rs 73.70. The per capita monthly expenditure of agricultural labourers was Rs 55.85.[36]

In the year 1977-78, on the basis of the desirable minimum of Rs 50 per capita monthly expenditure, the study estimated that 5.78 lakh persons (30 per cent) were living below the poverty line. This has been worked out to 1.03 lakh households (27.38 per cent) living below the poverty line in the district.[37] However, the base line household survey, which was conducted by Nalgonda DRDA in 1980-81 indicates that there were 2,27,963 families (50 per cent) living below the poverty line. This includes families belonging to scheduled caste (68,575), scheduled tribe (31,607), backward castes (1,03,384), and economically backward classes (24,397).[38] It is these economic facts that condition the nature of the schemes and their final outcome.

The details of performance of the IRD programme are as follows. As per the guidelines of the government of India each SFDA was expected to cover 50,000 families.[39] While the agency in the district ought to have covered one lakh target group in the ten years of its existence, it could cover in all 49,972 families.[40] This works out to 50 per cent of the target fixed. Given the total number of target group (2,27,963), the number of families (49,972) covered works out to little over one-fifth (21.9 per cent) of the total target group. This works out to 2.1 per cent per year.

The experience under IRDP during the Sixth Plan is no better. During the Sixth Plan each block was expected to cover 3,000 families. In this regard the DRDA Nalgonda, which consists of 15 blocks, was expected to cover 45,000 families. It is significant to note that the coverage works out to less than one-fourth (23.4 per cent) of the total families (2,27,963 families) below the poverty line in this district. The per year coverage works out to 4.6 per cent, while it is 5.7 per cent at the state level. At this rate it would take about 25 years to merely cover the entire target group, not to speak of their crossing the poverty line.

Table 1: Poverty Levels in Andhra Pradesh in 1971-72, 1977-78 and 1981-82

Districts	Percentage of Families below the Poverty Line		
	1971-72	1977-78	1981-82
1 Srikakulam	74.24	68.76	55.22
2 Vijayanagaram	—	—	51.47
3 Vishakapatnam	95.65	53.36	45.98
4 East Godavari	64.28	44.56	28.62
5 West Godavari	64.10	35.08	35.76
6 Krishna	46.15	32.93	29.46
7 Guntur	50.00	31.43	33.15
8 Prakasham	82.50	44.90	37.94
9 Nellore	63.33	39.91	50.07
10 Kurnool	20.55	61.89	42.35
11 Anantapur	80.26	67.64	50.14
12 Cuddapah	77.77	43.98	43.37
13 Chittoor	79.34	49.36	61.26
14 Hyderabad (Ranga Reddy)	71.79	57.29	47.98
15 Nizamabad	74.28	41.62	41.10
16 Medak	95.25	67.54	48.70
17 Mahabubnagar	73.97	60.21	52.88
18 Nalgonda	.37	27.38	46.77
19 Warangal	78.43	69.79	47.20
20 Karimnagar	87.17	76.98	43.30
21 Khammam	76.19	36.96	41.58
22 Adilabad	82.97	65.80	53.24
Andhra Pradesh		50.79	44.57

Notes: Poverty line: Rs 40/- in 1971-72; Rs 50/- in 1977-78 and Rs 61.30 in 1981-82.

Source: 1) S A R Sastry, *Poverty Level and Patterns of Andhra Pradesh*, SPIESR, Ahmadabad, 1979.

2) R Radhakrishna and others, *Levels of Living in Andhra Pradesh Data-base for Inter-regional and Inter-class comparisons*, CESS, 1985.

3) Government of Andhra Pradesh, Bureau of Economic and Statistics: *A Report on Sample Socio-Economic Census, 1981-82*, Hyderabad, 1986.

IV

For the purpose of this study three blocks were selected. The blocks have been classified into three groups, i e, developed, medium and less developed, taking irrigation as proxy for agricultural development. From each group one block—Kodad, Bhongiri and Chintalapally—has been selected at random. On the criterion of poverty and the number of households below the poverty line, the three blocks occupy the relative position in that order (Table 6).

Regarding the blocks selected in the district, the following are the details. The population figure of the developed, medium and less developed blocks are 1.84 lakhs, 1.37 lakhs and 1.01 lakhs, respectively (Table 7). The percentage of urban population is higher in the medium developed block (18.2 per cent) followed by developed block (9.9 per cent). The percentage of total workers to the total population is little more in the medium developed block (52 per cent) compared to the developed block (50 per cent) and the less developed block (47.3 per cent). The percentage of cultivators to the total workers is more in the less developed block (42.2 per cent) compared to the other two

TABLE 3: NUMBER OF BENEFICIARIES (CATEGORY-WISE) COVERED UNDER SFDA AND IRDP IN ANDHRA PRADESH

Sl No	Category	Target Group in 1971-72	Target Group Families Covered under SFDA up to 1978-79	Percentage of Col No 4 over Col No 3	Target Group in 1981-82	Target Group Families Covered under IRDP	Percentage of Col No 7 over Col No 6
1	2	3	4	5	6	7	8
1	Small farmers	2,26,016	1,68,928 (39.1)	74.74	3,03,642	2,00,735 (16.51)	66.11
2	Marginal farmers	5,19,838	1,99,297 (46.1)	38.34	7.51.875	3,78,523 (31.13)	50.34
3	Agricultural labourers	13.10,879	63,084 (14.6)	4.81	15,82,464	4,39,953 (36.19)	27.80
4	Non-agricultural labourers	—	—	—			
5	Rural artisans	—	—	—	5,69,020	1,96,574 (16.17)	34.55
6	Others	—	—	—			
7	Total	20,56,733	4,31,309 (100.00)	20.97	32,07,001	12,15,788 (100.00)	37.91

Source: Accurate information about the number of marginal and small farmers is not available. The total number of landholdings (0.1 to 2.5 acres and 2.6 to 5 acres) taken as proxy is the total number of marginal and small farmers. Further information about the number of non-agricultural labourers, rural artisans and others is not available.

TABLE 2: NUMBER OF BENEFICIARIES COVERED UNDER SFDA AND IRDP (1970-1985)

Sl No	Districts	No of Families below the Poverty Line in 1971-72	Year of Inception of SFDA/DRDA*	No of Families Covered under SFDA	No of Families Covered under IRDP during the Sixth Plan	Total No of Families Covered under SFDA and IRDP	Percentage of Families Covered under SFDA to the Total Target	Percentage of Families Covered under IRDP to the Total Target	Percentage of Families Covered under SFDA and IRDP to the Total Target	Average Coverage Per Year: SFDA	Average Coverage Per Year: IRDP
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	Srikakulam	3,63,590	1970-71	94,182	67,749	1,61,931	25.90	18.63	44.53	2.54	3.72
2	Vijayanagaram	1,70,311	1980-81	—	36,365	36,365	—	21.35	21.35	—	4.27
3	Vishakapatnam	4,50,565	1970-71	65,531	83,468	1,48,999	14.54	18.52	33.06	1.45	3.70
4	East Godavari	3,44,768	1974-75	39,439	1,06,405	1,45,844	11.44	30.86	42.30	1.91	6.17
5	West Godavari	2,71,215	1980-81	—	90,784	90,784	—	33.47	33.47	—	6.69
6	Krishna	1,78,478	1976-77	7,216	59,747	66,963	4.04	33.47	37.51	1.01	6.69
7	Guntur	2,31,769	1976-77	7,216	76,112	83,969	3.39	32.83	36.22	0.85	6.56
8	Prakasham	2,.84,939	1975-76	20,204	71,326	91,530	6.97	24.60	31.57	1.39	4.92
9	Nellore	1,82,328	1974-75	27,770	44,486	72,256	15.23	24.39	39.62	2.54	4.87
10	Kurnool	2,12,152	1980-81	—	57,313	57,313	—	27.01	27.01	—	5.40
11	Anantapur	2,57,926	1980-81	—	52,957	52,957	—	20.53	20.53	—	4.10
12	Cuddapah	2,15,820	1970-71	24,735	45,604	70,339	11.26	21.13	32.39	1.15	4.26
13	Chittoor	3,10,089	1980-81	—	59,526	59,526	—	19.19	19.19	—	3.86
14	Hyderabad (Ranga Reddy)	1,25,591	1974-75	23,479	30,098	53,577	18.69	23.96	42.65	3.12	4.79
15	Nizamabad	1,67,930	1975-76	13,136	21,585	34,721	7.82	12.85	20.67	1.56	2.57
16	Medak	2,43,227	1974-75	11,996	30,880	42,890	4.93	12.69	38.29	0.82	2.47
17	Mahabubnagar	2,50,746	1980-81	—	48,890	48,890	—	19.49	19.49	—	3.89
18	Nalgonda	2,88,798	1970-71	82,359	58,483	1,40,842	28.52	20.25	48.77	2.85	4.05
19	Warangal	2,55,298	1975-76	10,406	44,818	55,224	4.08	17.55	21.63	0.82	3.51
20	Khammam	1,72,760	1974-75	23,993	38,548	62,541	13.89	22.31	36.20	2.32	4.46
21	Karimnagar	3,25,101	1975-76	18,088	50,257	68,345	5.56	15.45	21.01	1.11	3.09
22	Adilabad	1,79,881	1974-75	10,508	40,386	50,894	5.84	22.45	28.29	0.97	4.49
	Total	55,18,282		4,80,899	12,15,785	16,96,684	8.99	22.03	31.02	0.90	4.40

Note : The information presented in this table does not tally with the information presented in the subsequent tables. The information collected from the state level offices and field level offices always present a variation.
* The DRDAs were established in 1980 in all the districts.

Sources: 1) Government of Andhra Pradesh, *Hand Book of Rural Development Statistics, Forests and Rural Development*, Hyderabad, 1984.
2) Information is collected from the office of the commission panchayati raj and rural development, government of Andhra Pradesh, Hyderabad, 1986.

blocks. It is 34.7 per cent and 31.5 per cent in the developed and less developed blocks respectively. The percentage of agricultural labourers to total workers is 45.65, 32.89 and 40.00 in the developed, medium and less developed blocks respectively.

The gross cropped area is a little more in the less developed block (0.63 lakh hectares) compared to the developed block (0.59 lakh hectares) and the medium developed block (0.42 lakh hectares). The percentage of gross irrigated area to gross cropped area is very low in the less developed block (9.52 per cent). It is 55.9 per cent and 35.71 per cent in the developed and medium developed blocks respectively. Added to it, the percentage of net area irrigated by canals to net area irrigated is 86.2 per cent in the developed block and 10.0 per cent in the medium developed block. There is no irrigated area under canals in the less developed block (Table 7).

The landholding pattern of the developed, medium and less developed blocks, according to 1976 agricultural census, indicates that those who possess less than five acres of land accounted for 55 per cent, 62 per cent and 42 per cent of the holdings respectively (Table 8). The land they possessed accounted for 18 per cent, 9 per cent and 8.8 per cent of the total area respectively. It is significant to note that the farmers who possessed above ten acres accounted for 20 per cent, 13 per cent and 33 per cent of the landholdings but control total land of 60 per cent, 73 per cent and 75 per cent in the developed, medium and less developed blocks respectively. This indicates the skewed distribution of land in these three blocks.

The data suggests and also confirms the earlier findings that advanced regions attract more loan amounts than the backward blocks. The study further seeks to examine the impact of various schemes on individual beneficiaries in different villages. This is the last and most crucial stage in the analysis of the anti-poverty schemes like IRDP. For this purpose a sample on the villages and beneficiaries has been drawn.

V

Sampling Design: The study employed a multi-staged sampling method in selecting the villages and beneficiary households. To get an overall picture of the programme, the secondary data about the number of families covered under the schemes in all the villages of the selected blocks was collected. The villages were organised in ascending order according to the coverage of beneficiaries under IRDP and were stratified into three groups which contain equal number of beneficiaries. From each group two villages were selected giving weightage to the coverage of beneficiary households. Thus, by selecting six villages from each block the study in all covered 18 villages in the district.

The selected villages were surveyed twice. First, a census survey was conducted covering all the beneficiary households of the sample villages. The objectives of this survey included: (i) assessing the number of beneficiaries who continue to own the given asset; (ii) identifying the number of beneficiaries who disposed the asset and the reasons thereof; and (iii) estimating the number of wrongly identified beneficiaries. The first survey indicates that in all 600 households were covered under IRDP. From this the survey could get information from 547 households.

From this 547 it was revealed that 218 (40 per cent) households possessed the assets while others (60 per cent) do not possess them for various reasons. (The reasons are discussed in the latter part of the paper.). From the 218 households a sample of 96 was drawn for a detailed analysis. While drawing the sample due care was taken to see that the range of the schemes and the socio-economic stratification of the beneficiaries found adequate representation. As the schemes are unevenly distributed, uniformity in the sample could not be maintained.

To examine the impact of the IRDP on living conditions of the recipients some of the studies adopted the 'Before and After Method'. In this method, the income before the scheme and after the scheme is considered and benefit of the difference between the two incomes is given to the IRDP scheme. Some of the studies also considered the 'controlled group'. In this method income of the recipients of the schemes and income of their counterparts from the non-recipient

TABLE 4: GENERAL PARTICULARS OF NALGONDA DISTRICT

Sl. No. Item	1971	1981	Percentage of Increase	Average Growth Rate
Population	18,19,738	22,75,476	25.0	2.5
Total workforce	8,13,900	10,33,067	26.9	2.6
Cultivators	2,99,490	3,87,936	29.5	2.9
Agricultural labourers	3,01,898	3,87,085	28.2	2.8
The workforce in non-agricultural sector	1,53,760	2,59,048	68.4	6.8
Rainfall	686 mm	702 mm		
Geographical area	35,14,630	35,14,630		
Total cropped area and	20,45,582	18,28,187	−10.6	−1.0
its percentage to GA	58.2	52.0		
Net area sown and	10,70,063	15,78,259	47.4	4.7
its percentage to GA	30.4	44.9		
Net irrigated area and	5,14,817	4,31,690	−16.1	−1.6
its percentage to GA	14.6	12.2		
Area sown more than than once and its	3,75,455	2,49,928	−33.4	−3.3
percentage to GA	10.6	7.1	− 3.5	
Area irrigated more than once and its	NA	1,34,316		
percentage to GA		3.8		

Source: *Annual Report on SFDA and IRDP, DRDA Nalgonda*, 1980 and *Hand Book of Statistics, Nalgonda* (unpublished), 1985.

TABLE 5: LANDHOLDING PATTERN

Size of Holdings	District (1976-77) No of Holdings	District (1976-77) Area
0 - 1.24	62694 (20.3)	44968 (1.8)
1.25 to 2.49	49912 (16.1)	96200 (3.8)
2.50 to 4.49	60432 (19.6)	234667 (9.2)
5.00 to 9.99	63107 (20.4)	465035 (18.2)
10.00 and above	72611 (23.6)	1715381 (67.2)
Total	308756 (100)	2556251 (100)

Note: Figures in brackets indicate percentage.
Source: *Annual Report on SFDA and IRDP, DRDA*, Nalgonda, 1980.

TABLE 6: PERCENTAGE OF HOUSEHOLDS BELOW THE POVERTY LINE IN DIFFERENT BLOCKS IN NALGONDA DISTRICT

Sl No	Name of the Block	Percentage of Households below Poverty Line	Rank
1	Miryalaguda	31.49	1
2	Peddavoora	33.82	2
3	Kodad	35.49	3
4	Suryapet	38.88	4
5	Bhonagiri	45.56	5
6	Munugode	42.43	6
7	Huzurnagar	43.17	7
	Andhra Pradesh	44.47	
8	Nalgonda	45.56	8
	Nalgonda district	46.77	
9	Ramannapet	49.37	9
10	Chintalapalli	50.62	10
11	Tungathurthy	52.30	11
12	Alair	53.30	12
13	Muthukur	55.76	13
14	Nakrekal	58.56	14
15	Devarakonda	70.04	15

Source: *A Report on Sample Socio-Economic Census*, 1981-82, Bureau of Economics and Statistics, Government of Andhra Pradesh, 1986, p 47.

groups is compared. In these two methods the reliability of information depends on the memory of the recipients about their income. The present study in view of the above limitation took 1986-87 income from IRDP and non-IRDP activities. This would help us in estimating the income accrued from the IRDP schemes. It is hoped that this method would elicit relatively more reliable information about the income.

Distribution of the Beneficiaries: The distribution of beneficiaries under different schemes in the eighteen villages is presented (Table 9). The scheme-wise coverage of beneficiaries indicates that a large proportion of them (41 per cent) are covered under minor irrigation schemes followed by animal husbandry schemes (34 per cent). The coverage of beneficiaries under agriculture (14 per cent) and ISB (10 per cent) seem to be low.

An examination of distribution of beneficiaries in selected villages indicates that out of the 547 beneficiaries, half of them belong to the developed block, further confirming the earlier finding that advancement of the region itself is an important variable. The medium and less developed blocks account for 22 per cent and 27 per cent of the beneficiaries respectively (Table 9). Scheme-wise coverage indicates that in the developed block, more than half of the beneficiaries (54 per cent) are covered under animal husbandry schemes. In the medium and less developed blocks the beneficiaries covered under minor irrigation schemes account for 84 per cent and 66 per cent respectively. It is striking to note that the Nalgonda DRDA accorded greater priority to the minor irrigation schemes in the relatively backward areas. This suggests the propensity on the part of the development agencies to extend the benefit of loan in backward blocks to those who have land. This fulfils the security criterion and also target coverage. Consequently the landless agricultural labourers in the relatively backward blocks remain the most neglected in the overall coverage of target groups.

Distribution of Subsidy and Loan in Different Blocks: An examination of distribution of financial assistance (loan and subsidy) reveals that in the developed and medium developed blocks, the amount (35 per cent each) distributed is the same while it is slightly lesser in the less developed block (30 per cent). In the developed block a sizeable amount (50 per cent) is spent for animal husbandry while in medium and less developed blocks large amounts, i e, 94 per cent and 82 per cent are spent on minor irrigation (Table 10).

The Caste-wise and Category-wise Coverage: The coverage of SCs and STs is about 45 per cent of the total beneficiaries. The BCs and FCs constitute 40 per cent and 15 per cent of the beneficiaries respectively (Table 11). The coverage of scheduled castes under all the schemes is by and large identical. They are covered mainly under

TABLE 7: GENERAL PARTICULARS OF THE SELECTED BLOCKS

Sl No	Item	Kodad	Bhongiri	Chintalapalli
1	Population (lakhs)	1.84	1.37	1.01
2	Density of population	201	103	105
3	Urban population percentage to the total population	9.9	18.2	—
4	Total workers (lakhs)	0.92	0.76	0.45
5	Percentage of total workers to the total population	50.0	52.0	47.3
6	Cultivators (lakhs)	0.32	0.24	0.19
7	Percentage of cultivators to the total workers	34.7	31.5	42.2
8	Agricultural labourers (lakhs)	0.42	0.25	0.18
9	Percentage of agricultural labourers to total workers	45.65	32.89	40.0
	Agriculture (area is in lakh hect 1983-84)			
10	Gross cropped area	0.59	0.42	0.62
11	Gross irrigated area	0.33	0.15	0.06
12	Percentage of gross irrigated area to gross cropped area	55.9	35.71	9.52
13	Net area irrigated by canals	0.25	0.01	—
14	Percentage net area irrigated by canals to net area irrigated	86.2	10.0	—

Source: *Hand Book of Statistics*, Nalgonda, 1985 (unpublished).

TABLE 8: LANDHOLDING PATTERN (1976-77)

Size of Holdings	Kodad		Bhongiri		Chintalapalli	
	No of Holdings	Area	No of Holdings	Area	No of Holdings	Area
0 – 1.24	4461 (19)	5173 (3)	4262 (37)	2524 (1)	2113 (11)	1551 (0.8)
1.25 to 2.49	4330 (18)	8442 (5)	776 (6)	5231 (2)	2244 (12)	4235 (2)
2.50 to 4.49	4034 (17)	16131 (10)	2270 (19)	12580 (6)	3506 (19)	12440 (6)
5.00 to 9.99	5823 (24)	32118 (20)	2607 (22)	26769 (14)	4296 (23)	30087 (15)
10.00 and above	4791 (20)	94036 (60)	1543 (13)	133461 (73)	6199 (33)	145482 (75)
Total	23439	155900	11458	180565	18358	193795

Note: Figures in parenthesis are percentages.
Source: *Annual Report on SFDA and IRDP, DRDA*, Nalgonda, 1980.

TABLE 9: NUMBER OF BENEFICIARIES COVERED UNDER DIFFERENT SCHEMES IN THE SELECTED VILLAGES DURING THE SURVEY PERIOD

Block \ Scheme	Agriculture		AH		MI		ISB		Others		Total	
	Actual	Per Cent	Actual	Per Cent	Actual	Per Cent	Actual	Per Cent	Actual	Per Cent	Actual	Per Cent
1 Developed block	47 (17)	61.8	151 (54)	82	29 (10)	12.7	51 (18)	92.7	2 (1.0)	40	280 (100)	51.3
2 Medium developed block	Nil —	Nil —	15 (13)	8.1	100 (84)	44	4 (3.0)	7.3 —	— —		119 (100)	21.7 —
3 Less developed block	29 (20)	38.2	18 (12)	9.7	98 (66)	43.1	— —	— —	3 (2.0)	60	148 (100)	27.0
District	76 (14)	100	184 (34)	100	227 (41)	100	55 (10)	100	5 (100)		547 (100)	100

Note: The figures in brackets are low row percentage.

agricultural and animal husbandry schemes. In the case of STs 60 per cent are covered under minor irrigation schemes. In the case of backward castes most of them are covered under animal husbandry (52.3 per cent) followed by minor irrigation (35.6 per cent). In contrast a large chunk of the forward caste (FCs) beneficiaries (82.1 per cent) are covered under minor irrigation schemes. This has a direct linkage with the land ownership pattern and also the general economic activity in the region.

The category-wise coverage of the beneficiaries indicates that about three-fourths of them belong to target group (Table 12). Of these beneficiaries most of them belong to marginal farmers (41 per cent) followed by small farmers (24 per cent). A negligible percentage of agricultural labourers (6 per cent) and rural artisans (3 per cent), who constitute the hard core of the poor, are covered under the schemes. It is important to note that about one-fourth of the beneficiaries belong to non-poor category, i e, medium and large farmers.

The Utilisation of the Schemes: An examination of utilisation of the schemes in the district indicates that 40 per cent of the beneficiaries retained the schemes (Table 13). And a negligible 5 per cent of the beneficiaries are in partial possession of the schemes. Another 7 per cent of the beneficiaries disposed the schemes and purchased new assets. Some of the beneficiaries (5 per cent) resorted to 'artificial purchasing' of the schemes[41] and diverted the amount for some other purposes. A few beneficiaries (1.4 per cent) did not receive the schemes although their names are included in the list of beneficiaries. As many as 42 per cent of the beneficiaries do not possess the schemes. This occurred largely in the case of animal husbandry schemes. The non-possession of the schemes is a result of consumption and other domestic needs which took precedence over the utilisation of the schemes for the intended purposes.

An analysis of utilisation of the schemes reveals that nearly two-thirds of the forward castes (63 per cent) and more than half of the STs (54 per cent), retained the assets (Table 14). About one-fourth of the SCs and 38 per cent of the backward class beneficiaries also retained the asset. This indicates that more than two-thirds of the SCs (68 per cent) and more than half of the backward classes (56 per cent) do not possess the assets.

On the category criterion the utilisation of the schemes is more among the large and medium farmers followed by the small farmers (Table 15). About three-fourths of the large farmers, a little over two-thirds of the medium farmers and more than half of the small farmers availed the schemes. In contrast 90 per cent of the agricultural labourers, 81 per cent of the marginal

TABLE 10: DISTRIBUTION OF SUBSIDY AND LOAN IN THE SELECTED VILLAGES

(Rs)

Block/Scheme	Ag	AH	MI	ISB/Others	Total	
1 Developed	1,30,500	4,42,500	1,45,000	35,750	7,53,750	35.3
	(17.3)	(58.6)	(19.2)	(4.7)	(100)	
2 Medium developed	—	43,500	6,99,500	2,800	7,45,800	34.7
		(5.8)	(93.7)	(0.37)	(100)	
3 Less developed	65,500	51,000	5,27,500	1,100	6,45,100	30.0
	(10.1)	(8)	(81.7)	(0.1)	(100)	
Total	1,96,000	5,37,000	13,72,000	39,650	21,44,650	100
	(9.1)	(25)	(63.9)	(1.8)	(100)	

Notes: Estimated from the sample survey.
The figures in bracket are the percentages to the row total.

TABLE 11: DISTRIBUTION OF BENEFICIARIES ACCORDING TO SCHEMES AND CASTES

Caste \ Schemes	Agriculture		AH		MI		ISB		Others		Total	
	Actual	Per Cent	Actual	Per Cent	Actual	Per Cent	Actual	Per Cent	Actual	Per Cent	Actual	Per Cent
SC	52	68	41	22	34	15	39	71	2	40	168	30.7
	(30.9)		(24.4)		(20.2)		(23.2)		(1.2)		(100)	
ST	4	5	25	14	47	21	—	—	3	60	79	14.4
	(5.1)		(31.6)		(50.5)		—		(3.8)		(100)	
BC	10	13	113	61	77	34	16	29	—	—	216	39.5
	(4.6)		(51.3)		(35.6)		(7.4)				(100)	
FC	10	13	5	3	69	30	—	—	—	—	84	15.4
	(11.9)		(6.0)		(82.1)						(100)	
Total	76	100	184	100	227	100	55	100	5	100	547	100
	(13.9)		(33.6)		(41.5)		(10.0)		(0.9)		(100)	

Note: The figures in brackets are the percentage to the row total.

TABLE 12: DISTRIBUTION OF BENEFICIARIES ACCORDING TO SCHEMES AND CATEGORY

Category \ Schemes	Agriculture		AH		MI		ISB		Others		Total	
	Actual	Per Cent	Actual	Per Cent	Actual	Per Cent	Actual	Per Cent	Actual	Per Cent	Actual	Per Cent
RA	—	—	—	—	—	—	16	30	—	—	16	3
							(100)				(100)	
Ag Lab	4	5	25	14	1	—	—	—	1	20	31	6
	(6)		(81)		(3)				(3)		(100)	
MF	35	46	112	61	43	19	31	56	4	80	225	41
	(15)		(50)		(19)		(14)		(2)		(100)	
SF	24	32	35	18	74	33	3	5	—	—	134	24
	(18)		(25)		(55)		(2)				(100)	
Med F	6	8	10	5	71	31	4	7			91	17
	(7)		(11)		(78)		(4)				(100)	
LF	7	9	4	2	38	17	1	2			50	9
	(14)		(8)		(76)		(2)				(100)	
Total	76	100	184	100	227	100	55	100	5	100	547	100
	(14)		(34)		(41)		(10)		(1)		(100)	

Note: The figures in brackets are the percentages to the row total.

farmers and rural artisans do not possess the assets at all.

The scheme-wise non-retention indicates that 62 per cent of the agricultural schemes, 89 per cent of the animal husbandry schemes and 80 per cent of the ISB schemes are not retained (Table 16). Only a negligible percentage of agricultural schemes (16 per cent) and animal husbandry schemes (7 per cent) are retained. It is significant, however, to note that 80 per cent of the minor irrigation schemes are retained. This demonstrates that irrigation schemes have a built-in potential for retention. This seem to be more pronounced when they are given to the better off farmers.

Reasons for the Non-Utilisation of the Schemes

An examination of the reasons for non-utilisation of the schemes is useful in understanding the phenomenon. In the case of agricultural schemes more than one-fourth (26 per cent) of the respondents reported that the asset was defective, non-viable and unsuitable to the local conditions. There were complaints of high cost of feed and fodder and lack of working capital. Another 29 per cent of them reported that their socio-economic necessities compelled them to dispose the schemes. Another 12 per cent of the respondents disposed the schemes to acquire new asset and 8 per cent did it to clear old debts.

In respect of animal husbandry schemes 44 per cent indicated that the socio-economic conditions and outstanding debts forced them to dispose of the IRDP assets. 56 per cent of the beneficiaries reported the same reasons such as defective, non-viable and unsuitable nature of the scheme as was reported earlier.

In the case of minor irrigation schemes about one-fourth of the beneficiaries in the developed and less developed blocks and a negligible percentage (10 per cent) in the medium developed block do not possess the schemes given by the DRDA. If we look at the district picture, one-fifth of the beneficiaries do not possess the schemes. The reasons for not maintaining the schemes are mostly the socio-economic necessities of the beneficiaries. The beneficiaries who belong to the less developed block account for this condition. Added to it, lack of working capital, lack of adequate land, defective schemes, (oil engine/electric motor) and old debts made beneficiaries dispose of the schemes.

The total amount received by the beneficiaries, who disposed of agriculture, animal husbandry and minor irrigation schemes, was Rs 4,83,891. An analysis of pattern of expenditure reveals that, a large amount, i e, Rs 2,78,101 (57.4 per cent) was spent on domestic and other socio-economic needs of the beneficiaries. However, a considerable percentage (28.2 per cent) of it was repaid to the financial institutions to clear of IRDP loans. Another 13.4 per cent was spent on purchase of the new assets.

VI

An analysis of impact of IRDP schemes on employment and income of those beneficiaries who retained the schemes is as follows:

It can be observed from Table 17 that average employment generation under all schemes worked out to 96 days. The estimated employment from agriculture and minor irrigation schemes per beneficiary household was 82 and 76 days respectively. The sheep unit has a high potential for generation of employment (300 days). The employment generation under minor irrigation schemes was lesser compared to other schemes. This is due to drought and rig

Table 13: Number of Beneficiaries Who Have the IRDP Schemes in the Selected Villages during the Survey Period

	Kodad	Bhongiri	Chintalapalli	Total
1 No of beneficiaries covered (DRDA list)	296	150	171	617
2 No of beneficiaries covered (census survey)	280	119	148	547
3 No of beneficiaries with whom the scheme is not existing	228 (81.4)	20 (16.8)	56 (37.8)	304 (55.5)
(a) Schemes diverted	28 (10)	6 (5.0)	5 (3.3)	39 (7.1)
(b) Artificial purchasing	12 (4.2)	2 (1.6)	11 (7.4)	25 (4.5)
(c) Not grounded	1 (0.3)	—	7 (4.7)	8 (1.4)
(d) Disposed/died	187 (66.7)	12 (10.0)	33 (22.2)	232 (42.4)
4 No of beneficiaries with whom the scheme is existing	52 (18.5)	99 (83.1)	92 (62.1)	243 (44.4)
(a) Existing completely	40 (14.2)	97 (81.5)	81 (54.7)	218 (39.8)
(b) Existing partially	12 (4.2)	2 (.1)	11 (7.4)	25 (4.5)

Note: The percentages are to the total number of beneficiaries covered (census survey).

Table 14: Utilisation of the Schemes by Different Castes

Castes	Asset Existing	Asset Not Existing	Part of the Asset Existing	Asset/Schemes Not Grounded	Total
SC	40 (24)	114 (68)	6 (4)	8 (5)	168 (100)
ST	43 (54)	34 (43)	2 (3)	— —	79 (100)
BC	82 (38)	122 (56)	12 (6)	— —	216 (100)
FC	53 (63)	26 (31)	5 (6)	— —	84 (100)
Total	218 (40)	296 (54)	25 (5)	8 (1)	547 (100)

Note: The figures in brackets are the percentages to the row total.

Table 15: Utilisation of the Schemes by Different Categories

	Asset Existing	Asset Not Existing	Part of the Asset Existing	Asset/ Scheme Not Grounded	Total	
BB/RIP/RA	3 (19)	12 (75)	1 (6)	—	16 (100)	3
Agricultural Labours	3 (10)	27 (87)	1 (3)	—	31 (100)	6
Marginal Farmers	42 (19)	168 (75)	11 (5)	4 (2)	225 (100)	41
Small Farmers	71 (53)	54 (40)	5 (4)	4 (3)	134 (100)	24
Medium Farmers	63 (69)	23 (25)	5 (5)	—	91 (100)	17
Larger Farmers	36 (72)	12 (24)	2 (4)	—	50 (100)	9
Total	218 (40)	296 (54)	25 (5)	8 (1)	547 (100)	100

Note: The figures in brackets are the percentages to the row total.

technology which reduces water levels in the wells. The category-wise analysis reveals that employment generation is higher in the case of medium and large farmers compared to marginal and small farmers. It is important to note that marginal farmers mostly received sheep unit which generated employment almost throughout the year.

Income Generation: The impact of IRDP reveals that the schemes did not generate sufficient income to the beneficiary households. However, the net income[42] generation under minor irrigation schemes (Rs 446) was more compared to other schemes. In the case of agricultural schemes the net income works out to Rs 293. The beneficiaries of animal husbandry suffered loss of income to the tune of Rs 280. The category-wise analysis reveals that the marginal farmers in the case of agriculture and animal husbandry schemes, and the medium and large farmers in the case of minor irrigation schemes received more income.

Capital Out-put Ratio: The estimated capital output ratio is presented in Table 18. To gain one rupee worth of income from the investment the beneficiary household spent Rs 3.58, Rs 7.02 and Rs 8.76 on agriculture, animal husbandry and minor irrigation schemes respectively. By and large the capital-output ratio was more for small and medium farmers under all schemes.

IRDP and Improvement in Income Levels of Beneficiaries: Of the 96 sample beneficiaries four beneficiaries were non-poor, whose non-IRDP income was more than Rs 6,401. This is a case of wrong identification. Among the target group beneficiaries (92 beneficiaries) only 3 per cent crossed the poverty line (Table 19). These are minor irrigation beneficiaries. About 18 per cent[43] improved their income and 43.3 per cent remained in the same income category. However, the income of 39 per cent of the beneficiaries declined. This trend is more pronounced under animal husbandry scheme followed by minor irrigation schemes. It is reported that high maintenance cost of the scheme, crop failure and low prices for the output account for this phenomenon.

CONCLUSION

The IRDP has been one of the important policy initiatives intended to alleviate large-scale poverty in rural India. The experience indicates that a target-oriented programme is fraught with innumerable problems. Several evaluation studies confirm the wide gap between promise and performance. The macro-level data suggests that the coverage of target groups in Andhra Pradesh has been very low and the impact on incidence of poverty is marginal. The data further suggests that the districts which are relatively more advanced showed better performance than the districts which are backward and situated in less developed regions. This further indicates that benefits percolated largely to the fertile and irrigated areas.

An analysis of the micro-level data at the district level and below also exhibits a similar trend. The blocks which are relatively better off attracted the schemes and loans more than the blocks which are backward and underdeveloped. The village and beneficiary-wise data also reveals that the better off members of the target group located in irrigated belt took advantage of these schemes. It is significant to note that while the agricultural labourer from the better off regions received the benefits, the landown-

TABLE 17: AVERAGE EMPLOYMENT GENERATION UNDER AGRICULTURE, ANIMAL HUSBANDRY AND MINOR IRRIGATION SCHEMES IN THE DISTRICT

Category \ Schemes	Agriculture	AH	MI	All Schemes
	No of Days	No of Days	No of Days	No of Days
1 Agricultural labour	—	—	—	—
2 Marginal Farmers	63	300	21	88
3 Small farmers	83	300	62	69
4 Medium farmers	114	300	81	133
5 Large farmers	83	—	146	138
All categories	82	300	76	96

TABLE 16: NUMBER OF BENEFICIARIES WHO POSSESS THE IRDP ASSETS (SCHEME-WISE) IN THE SELECTED VILLAGES

District \ Schemes	Agriculture		AH		MI		ISB		Others		Total	
	Actual	Per Cent	Actual	Per Cent	Actual	Per Cent	Actual	Per Cent	Actual	Per Cent	Actual	Per Cent
Asset existing	12	16	13	7	182	80	10	18	1	20	218	40
Asset partially existing	47	62	163	89	38	17	44	80	4	80	296	54
Asset not existing	9	12	8	4	7	3	1	2			25	5
Asset not grounded	8	11									8	1
Total	76	100	184	100	227	100	55	100	5	100	547	100

TABLE 18: INCOME GENERATION UNDER AGRICULTURE, ANIMAL HUSBANDRY AND MINOR IRRIGATION SCHEMES

(in Rs)

Category \ Schemes	Agriculture			Animal Husbandry			Minor Irrigation		
	Income from non-IRDP Sources	Income from IRDP Schemes	Capital Output Ratio	Income from non-IRDP Sources	Income from IRDP Schemes	Capital Output Ratio	Income from non-IRDP Schemes	Income from IRDP Schemes	Capital Output Ratio
1 Agricultural labour	—	—	—	—	—	—	—	—	—
2 Marginal farmers	1397	564	3.44	1555	106	5.25	2134	172	7.52
3 Small farmers	2528	227	3.19	1008	−1553	38.03	1566	189	14.46
4 Medium farmers	3887	194	3.86	1161	−931	25.89	2344	537	9.84
5 Large farmers	—	—	—	—	—	—	2891	927	3.37
All categories	2783	293	3.58	1421	−280	7.02	2118	446	8.76

TABLE 19: INCOME LEVELS OF THE TARGET GROUP BENEFICIARIES UNDER DIFFERENT BLOCKS AND SCHEMES

	Block				Scheme			
	DB	MB	LB	Total	Agrl	AH	MI	Total
1 No of beneficiaries	10	38	42	90	12	7	71	90
2 No of beneficiaries slipped down to lower income bracket	1 (10)	21 (55.2)	13 (31)	35	1	5	29	35
3 No of beneficiaries remained in the same income bracket	6 (60)	13 (34.2)	20 (47.6)	39	7	1	31	39
4 No of beneficiaries whose income level is increased*	3	4	9	16	4	1	11	16
5 No of beneficiaries who crossed the poverty line, i e, Rs 6,401 and above	1 (10)	1 (2.6)	1 (2.3)	3	—	—	3	3

Notes: * It includes the number of beneficiaries who crossed the poverty line. Figures in brackets are the percentages.

ing members in the backward regions derived some benefit. The scheme-wise and beneficiary-wise preformance reveals that minor irrigation schemes—which are land-based—have given a better account of themselves than the non-land-based schemes. The non-land-based schemes like cart and bullock, and sheep proved beneficial only where the members owned some land.

The most neglected segment of this development strategy is agricultural labour, particularly of the underdeveloped regions. In most of these cases they have not been able to utilise the schemes and have diverted them for other purposes. It is noticed that the loan amount went into consumption basket. It is natural and logical that the members of the target group whose economic conditions are at the level of subsistence cannot invest the amount in the income generating sectors as day-to-day consumption needs take precedence over other considerations.

The above analysis brings out two dimensions of public policy. These dimensions have not been sufficiently articulated by the earlier studies. The better off regions and the beneficiaries have a built-in gravitational pull. The policy has a propensity to respond to the better off conditions rather than create those conditions for effective implementation of the programme. This indicates the failure of the policy, both in terms of its capacity to intervene and also transform the existing condition in which the poor people have been trapped for centuries.

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43 This includes the beneficiaries who crossed the poverty line.

Mounting Antagonism towards Big Dams

Chandrashekhar Pant
Shripad Dharmadhikary

THIS is with reference to the article 'Mounting Antagonism towards Big Dams' by B D Dhawan (May 20). In general, the tone adopted by Dhawan is that anybody and everybody is today criticising the large dams, while irrigation engineers and planners are maintaining a total silence on the issue. He also implies that if they really start speaking out, then the arguments of the critics would stand exposed as baseless. Dhawan talks about hard critics and soft ones, saying that the hard critics raise objections on discipline-specific grounds and that the soft ones have only a woolly understanding of the issue. These distinctions of hard and soft are, in fact, an artificial creation of Dhawan's imagination. In fact, not only are the critics raising very important objections on discipline specific grounds, but are going much beyond this. It is these critics who have really understood the complex nature of water resources, ecology, environment and the interrelations of all these to the development process of the country. Through their understanding of the issue in a holistic manner, these critics are able to present an integrated, holistic criticism of the problems of large dams in the socio-political-economic context of our country. It is of course impossible to expect that the irrigation planners, trained as they are to stick to their own disciplines and departments, to even begin to understand this holistic viewpoint. No wonder then, that they, and their spokesman (as Dhawan appears to be), unable to grasp these ideas, are forced to take a defensive stand by calling the critics 'woolly'.

Dhawan (BDD henceforth) says that just as the planners cannot be right all the time, so cannot the hard critics. Now this statement is ridiculous, to say the least. As anyone with a little understanding of logic will point out, what prevents the planners from being right all the time? And how does it follow from this that the hard critics cannot be right all the time? These kinds of statements are just evasive attempts to avoid answering the critics. This same absence of logic can be seen later on in the article which says that 'middle paths' (like reduction in the height of the dam) are well suited to a democracy. One really wonders from where BDD got this strange notion about middle paths being suited to a democracy. How can any path, other than the one that is fully committed in the interests of the masses, be the correct one in a democracy? A democratic society does not permit any compromises on the interests of the masses, and wherever such compromises have been made, it is a defeat for democracy.

BDD says that "why irrigation planners are disinclined to a public dialogue on the issues of public concern we need not pursue here". This statement in fact negates the whole article. We believe that this is the crux of the issue. Unless we explore the reasons behind this silence of the irrigation planners, we shall not be able to understand how these kinds of projects are conceived, planned and executed in our country. And unless we understand this crucial aspect, we shall not be able to see the tremendous vested interests that ensure the continuance of these kinds of projects in spite of the solid body of evidence that has accumulated against them. In fact, the reason why the planners are 'disinclined' to speak out is that in an open, fair debate, not only would these vested interests (like the routine ten per cent, foreign trips, lavish meeting in five star hotels, etc) be exposed, but they would also be not able to counter the objections of the critics. In fact, they are afraid that the critics would use the planner's data itself to support their own arguments!

BDD calls upon the planners to share their information with other professionals. In fact, we demand this sharing, not as a defence of the planners, but as a part of our fundamental right to know.

In the specific case of the dams on the Narmada, Sardar Sarovar and Narmada Sagar, which engineer or planner would have dared to put the following official informations on public forums?

(1) While arguing their case in front of the Narmada Water Disputes Tribunal, each state put exaggerated claims of its ability to make use of the Narmada waters, so that it would be allotted maximum share of these. That is how the Narmada Valley Project now consists of over 3,430 dams, a large number of which do not exist even on paper.
(2) 'Narmada Sagar, as conceived so far... is oversized and has adverse environmental influences disproportionate to benefits derived from it'—A very very senior planner.
(3) The 75 per cent dependable run off of the river was overestimated by the Tribunal at 27.2 MAF. It is now placed at 23 MAF—thus the projects were planned with overestimated run off.
(4) The Narmada Sagar dam has been planned without considering the effect (in reducing the water availability) of the dams to be, and already constructed upstream (Tawa, Bargi, Barna and others).
(5) Many critical studies and plans for Sardar Sarovar are still incomplete (or even to be started)—Command Area Development Plan, Compensatory Afforestation Plan, Rehabilitation Masterplan, Catchment Area Treatment Plan, Problems of Salt Water Ingress and so on.
(6) The silt load, which has a direct effect on the life of the dam, has been underestimated at design at 1.55 ha-m/100 sq km instead of the actual observed 5.62 ha-m/100 sq km.
(7) In the cost benefit calculations, the costs of forests submerged have been considered at Rs 15 to Rs 55 per year per hectare! And the life of forests had been assumed at 50 years.
(8) As per the environmental clearance given to the two dams, an important guideline is that the compensatory and penal afforestation should be done in the project impact area. Yet, the compensatory afforestation for Sardar Sarovar is being done in Kutch!
(9) The survival rate for these kind of plantations is not more than 10 per cent. This means that if we really want to compensate the loss of forests, we must plant an area at least 10 times the area submerged—A senior forest official concerned with the project.

These are only examples of the kind of information that the planners have with them. Is it any wonder then that they are 'disinclined' to reveal it? All the above data has been of course obtained from reliable sources.

We have time and again called for a public debate of the kind that BDD talks about; in fact, at least three times have we sent direct invitations to the Sardar Sarovar authorities and have called them for a public debate. However, there has not been even an acknowledgement from them about this. In one of the letters written to Sanat Mehta, he has answered all the other points of the letter but has conveniently forgotten even to mention anything about the invitation for a public debate. Thus, it is very clear why the planners don't want to speak out, as also what the results would be if they do.

BDD then goes on to some of the issues raised by the critics of these projects. Here also, it is apparent that he starts out with a bias towards the irrigation planners and, in trying to answer the objections of the critics, often contradicts himself. Let us look at the issues raised by him.

Environmental Angle

(i) BDD quotes a knowledgeable source as saying that dams have been responsible for only 5 per cent of the total forest loss since independence. Fair enough. But just because we are unable to control the other 95 per cent of the forest loss does not mean that we should go ahead with this 5 per cent. More importantly, it is necessary to understand that these kinds of dams are an integral part of a development process which is responsible for this 95 per cent of forest loss. And the critics who are objecting these dams are at a more fundamental level also questioning this very process. BDD sadly fails to understand this, and thus can advocate a reduction in the height of the dam as a solution! This of course does not in any way answer the fundamental issues raised by the critics.

(ii) About waterlogging and salinity, BDD first accepts that these are serious problems created by canal irrigation, but then immediately adds that the statistics quoted in this regard are of questionable magnitude and relevance.

One wonders whether BDD would find the following 'of questionable magnitude and relevance'—"out of a total of 42 m ha of area under irrigation, at least 10 m ha is affected by waterlogging and salinity". The source is *Government of India Guidelines for Environmental Impact Assessment of River Valley Projects.*

BDD then talks about proper drainage being le to effectively tackle this problem, but at nat cost he does not say. He also tries to say at in arid regions drip and sprinkler irriga-on would be the ideal way of containing sali-ty, but in the footnote says that this cannot used for all crops, and in any case is too pensive.

eismic Angle

BDD says that this is an issue that can be est resolved by geologists and seismologists. obody denies this. In fact, a lot of geologists emselves are raising this issue. As far as the itics are concerned, they have the full right quote the arguments of the experts to sup-ort their case (as earlier in the article BDD uotes his knowledgeable dam builder). To uote only one such example—from a note repared by the National Geophysical Research nstitute, Hyderabad—"the probability of more requent earthquakes of smaller magnitudes compared to 6-6.5) being triggered of by it Narmada Sagar) would be fairly high".

Rehabilitation Of Dam Oustees

It is very revealing that BDD gives the least mount of space to one of the most vital issues. n fact, though the large scale involuntary displacement of people, especially tribals is by tself a sufficient reason to stop building these kinds of dams, BDD does not make any com-ment on this aspect except to say that this human question is now worrying many a sen-sitive soul. That surely is an understatement. n fact, many people, including experts, engineers, social scientists, administrators, an-thropologists, concerned citizens, are now com-ng to the conclusion that proper rehabilitation of such large number of people is just impossi-ble, and these kinds of projects need to be stop-ped. It is obvious that these kinds of projects are planned and executed by people who have never been displaced in their lives, and who have seen the process of displacement and rehabilitation from behind the safety of their air conditioned offices and their red tape bound files.

Other Critics

It is in this section that the very casual and condescending attitude of BDD towards the critics is fully exposed. His use of words like 'sundry groups', 'some are sore' and 'motley group' betray his lack of grasp of the serious-ness of the issues raised by these critics. He talks about the need to 'rectify the imbalance of resource allocation (to large dams)' but 'does not warrant an abandonment of these schemes altogether'.

One wonders whether BDD has the idea of the magnitude of this resource imbalance. "At the beginning of the 7th Plan, there were 181 major and 433 medium ongoing projects with a total spillover of cost of Rs 26,000 crore. The strategy for the major and medium irrigation sector for the 7th Plan is based on prioritisa-tion of projects with adequate funding for com-pletion of projects which are in advanced stage of implementation..." (Annual Report of the Ministry of Water Resources). This is fair enough, but then why push ahead with the Nar-mada Valley Project, only two dams of which are expected to cost about Rs 20,000 crore.

BDD talks about a 'motley group sold on the idea of small is beautiful'. Does he realise that this motley group was led by none other than the Father of the Nation, Mahatma Gandhi, and included individuals like E F Schumacher whom the government of India had called in as a consultant to help plan the development of our country? It is unfortunate that the ideas of these men got lost in the glitter of 'modern' technology and model of development that we imported from the west.

BDD talks about the 'gaping holes' in the arguments in favour of minor schemes. We would, of course, welcome any irrigation engineer to come forward and put forth his/her viewpoint on the same, and expose any gaping holes. However, we are clear as to why the ir-rigation engineers and planners are keeping quiet. (We have already talked about these reasons earlier.) We challenge the planners to expose the gaping holes in the experiments at Ralegaon Shindi, Shukho Majri, Baliraja Dam on the Yerla and other such schemes.

It should be made clear here that the objec-tions to the large dams are not solely on technological grounds, but also on the more im-portant grounds of social justice, equity and the right of access to resources of the nation to all its citizens. There are two points that BDD makes again and again in his article. One is that the planners are silent as yet, and if they speak out, then many of the critics' arguments would come to naught. We have already talked about this, and to us it is clear that the planners are not speaking out because (a) they simply don't have convincing answers to the critics' argument (b) the vested interests and political pressure do not allow them to speak the truth, for we are convinced that this would only go to support the critics.

Secondly, BDD persistently calls for a reduc-tion in the height of the dams, and implies that this is an effective answer to all the objections raised by the critics. However, it is important to note that those of us who are today oppos-ing the Sardar Sarovar and Narmada Sagar, are doing so on certain very fundamental and basic issues, which simply cannot be satisfied by a lowering of the height of the dam. Can BDD tell us how the lowering of the dam height would fundamentally answer the questions of social injustice in terms of distribution of resources, lack of people's participation and their alienation from the development process of the nation, control and management of the resources by and for the elite few, environmental destruction, involuntary displacement on a large-scale, lack of critical, objective studies by the planning agencies, and a decision-making process in which decisions are based on vested political interests rather than on socio-techno-economic grounds?

Today, the opposition to big dams is aimed at exposing this kind of institutionalised, faulty developmental process which is inherently un-just, and is leading to the destruction of the very resource base on which the survival of mankind is dependent. What we need today is a judicious (water) resource management policy that is technically sound, economically feasible, environmentally sustainable and above all, socially just.

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Managing Dissent in North-East

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Is Chinese socialism not prepared to grant even bourgeois democratic rights and/or the right to have non-party people's organisations? 2066

Oilseeds Economy

If one considers the various facets of the oilseeds economy like production, imports, prices and excise rebate on use of minor oils, a curious scenario emerges with the progress of the current season. 2042

Potentially Disastrous

THE reported decision of the Maharashtra government to utilise 2500 hectares of forest land in Dhule district for rehabilitating the oustees of the Narmada Project will be disastrous from the environmental point of view. If the application made by the Maharashtra government to utilise forest land for rehabilitation is approved by the ministry of environment and forests, it will establish a very harmful precedent, and it will be almost impossible to reject future demands made by other state governments for the same purpose. Since the total land requirement for rehabilitating the Narmada oustees amounts to more than 1,00,000 hectares, it would result in the loss of this very large area of irreplaceable natural forests, in addition to the 40,000 hectares of forest land that are likely to be actually submerged by the two dams.

What is most shocking about the Maharashtra government's decision is the fact that there is no shortage of non-forest land. In fact, more than 6,200 hectares of revenue land have already been identified by the Maharashtra government for 'compensatory reafforestation', i e, to compensate for the forests that will be submerged by the Sardar Sarovar Project. Despite the fact that it is possible to rehabilitate the oustees of the Narmada Project on such land, the Maharashtra government has chosen to use forest land for rehabilitation. Probably, another equivalent area may then be identified for 'compensatory afforestation'.

Another surprising fact is that these 2,500 hectares of land in Dhulia district contain more than 5,00,000 standing trees of indigenous varieties as well as a wide range of bird and animal life that cannot, by any stretch of imagination, be replaced by 'compensatory afforestation'. What is most amazing perhaps is the fact that this 2500 hectares of land that is sought to be deforested forms part of the catchment area of the Ukai dam on the Tapti River. Any deforestation of the catchment area of the Ukai dam will inevitably lead to an increase in the siltation of this dam. Perhaps both the Gujarat and the Maharashtra governments are now only concerned about the Narmada and the Ukai dam has ceased to be of importance!

From the environmental point of view, it would be of paramount importance that the ministry of environment and forests, be able to successfully continue to resist the pressures that it has been subjected to in this case.

DEBI GOENKA

Bombay Environmental
Action Group, Bombay.

Civil Liberties and People

A P VITTAL's letter (*EPW*, July 15) exposes not Balagopal's extremist bias but his own limitation in understanding the concept of civil liberties. Being affiliated to a 'political party other than extremists', it was *he* who could not hide his antipathy. Besides, he is not the judge to decide whether Balagopal's organisation has credibility or not.

Vittal has asked 'responsible leaders like Balagopal' to 'ponder over' the issue as to how such a situation (180 people getting killed by the police in AP) has come about, but he does not seem to have pondered over it himself. If he did, he would have realised that it is the government which has been systematically suppressing in a most brutal fashion, the democratic legal struggles being waged by the peasants and tribals of Telangana and other areas under the leadership of these so-called extremists since 1978. Interestingly, even the ruling party functionaries in the region openly deplored the atrocities being committed by the police.

Without exception, every citizen of this world needs civil liberties irrespective of the 'goodness' of a person—a subjective term that is hardly a criterion to determine the eligibility to have civil liberties. It is precisely this point that is sought to be proved by PWG; it is not just Malhar Rao and Chenchuramaiah who need civil liberties but also the ill-fated Ilaiah and Rajamallu and the six harijans of Karamchedu who perished in the carnage led by Chenchuramaiah. It is quite presumptuous on the part of Vittal to equate himself and his colleagues with the whole 'people' who 'justifiably' became indifferent to false encounters. Vittal has never been different. As he himself states, there can be no two sets of civil liberties.

Hyderabad — RAJ KUMAR

A Matter of Conviction

I WAS shocked to read a very objectionable reference to me in an article by Rakhahari Chatterji ('Democracy and the Opposition in India', *EPW*, April 23, 1988). The author refers to my "zeal to please the powers that be" and my "even forgetting to use decent language in describing opposition activity". I challenge Rakhahari Chatterji to prove my recourse to indecent language in regard to the opposition with a direct quote from the paper of mine he has referred to. So far as my "zeal to please the powers to be" is concerned, my colleagues and students who know me better can testify that I have been made to suffer by the "powers that be" in the course of the last eight years that have been a nightmare to me. I hardly know Chatterji, but I would welcome it if he can show a single instance of favour to me by the government at the centre or that in Bihar from where I come. Whatever I write as a political scientist, or for that matter teach in the class-room, are a matter of conviction—liberal conviction—with me.

Delhi — M P SINGH

ECONOMIC AND POLITICAL WEEKLY

Red Herring of Fiscal Deficit

THE annual report of the Reserve Bank of India, released last week, reviews developments in the major sectors of the economy, but it is the central bank's assessment of the monetary and credit situation which naturally calls for the closest attention. Here, it may appear, the bank has been relatively frank. Monetary expansion in 1988-89, it is admitted, at Rs 28,571 crore (17.6 per cent) was substantially larger than in 1987-88 (Rs 22,027 or 15.7 per cent). The rate of monetary expansion, it is also suggested, was higher than what was warranted even by the extraordinary near-10 per cent growth in real GDP in 1988-89 (the result largely of a 23 per cent rise in agricultural production after the decline of the preceding two years) and could thus be taken to have contributed to the robust pace of inflation during the year (7.5 per cent as measured by the wholesale price index and 9 per cent by the consumer price index).

For many years now the burden of the Reserve Bank's song in any discussion of monetary developments has been how in regulating the expansion of liquidity in the economy its hands have been more or less tied by the government's large and growing budgetary deficits. This performance is repeated in the latest annual report. The anxiety to keep the focus on the fiscal deficit has, it must be admitted, led to the chapter on 'Government Finances' being among the best in the report. The discussion of and the data on trends in government finances, the persistent revenue deficits and the contributory factors, the outpacing of development expenditure by non-development expenditure and of direct tax receipts by indirect tax receipts and so on are indeed illuminating. Most interesting of all are the data, presented for the first time, on the fortnightly levels of the centre's budgetary deficit and net RBI credit to the central government. Compared to the contrived year-end figure of budgetary deficit of Rs 5,810 crore in 1988-89 and net RBI credit to the government of Rs 6,503 crore, the average for the financial year as worked out in the annual report was Rs 8,114 crore for the former and Rs 7,309 crore for the latter. The central budget for the current financial year anticipates a deficit of Rs 7,337 crore, but the actual deficit had already exceeded the budgeted amount by the beginning of June.

However, conceding the undoubted relevance of these data, it is time the view propagated by the Reserve Bank on the central role of the fiscal deficit in fomenting monetary expansion in the economy was questioned. Before that it may be pointed out in passing that the Reserve Bank's claim that the secondary expansion in liquidity emanating from the large increase in reserve money generated by the fiscal deficit "was moderated by raising the cash reserve requirements" is largely baseless and is in fact contradicted in the very next paragraph of the annual report where it is admitted that "the unadjusted incremental money-multiplier [increase in money supply divided by increase in reserve money] ... showed a noticeable rise in 1988-89 over the levels in 1987-88". One conspicuous effect of the progressive hiking up of the cash reserve ratio to its current level of 15 per cent has been to send interest rates in the call money market soaring to 30 per cent and even higher from time to time, compelling the Reserve Bank to pump in even more liquidity into the system. (The peak level of refinance from the Reserve Bank utilised by the Discount and Finance House of India in 1988-89 was as high as Rs 902 crore.)

To turn to the substantive issue, the data on the sources of monetary expansion clearly show that in 1988-89 the predominant role in such expansion was the non-government sector's and not the government's. Thus whereas net bank credit, including RBI credit, to the government expanded by Rs 12,715 crore (15.1 per cent), bank credit to the commercial sector soared by Rs 20,531 crore (19.5 per cent). If allowance is made for the decline of more than Rs 1,400 crore in food credit during the year, the disparity between the relative shares of the government and the commercial sector will be seen to have been even wider. There is in addition the expansion of Rs 1,452 crore in bills rediscounted by scheduled commercial banks with other financial institutions which too is a part of bank credit to the commercial sector. If the Reserve Bank has any clues as to why such a massive expansion in bank credit to the non-government sector should have taken place in 1988-89, it does not reveal them, beyond the limp assertion that it was "to some extent" attributable to "higher production and investment activities".

What is also striking is the Reserve Bank's unconcern about the other vital dimensions to the expansion of liquidity than its—by no means convincingly established, as the recent experience of the Indian economy itself shows—link with price levels and inflation. How financial resources are apportioned out from one period to another determines the pattern of control over real resources. Therefore, as important as the size of the overall monetary expansion in 1988-89 is that gross scheduled bank credit appropriated by large and medium industry during the year nearly doubled from Rs 3,797 crore in 1987-88 to Rs 7,005 crore. Large and medium industry's share of total non-food credit expansion in the respective years rose from 35.8 per cent to 41.6 per cent, whereas the share of small industries at Rs 2,307 crore in 1988-89 showed a decline to 11.5 per cent from 13.6 per cent in the preceding year. To get a fuller picture of the financial resources appropriated by large industry, account has to be taken also of the sharp rise in capital issues and in the sanctions and disbursements of the all-India term-lending institutions. Non-government public limited companies raised Rs 3,117 crore through public issues in 1988-89 compared to Rs 1,774 crore in the previous year, the increase being largely attributable to a few large debenture issues. That this trend is going to gain further momentum is evident from the steep rise in consents for capital issues granted by the CCI from Rs 5,278 crore in 1987-88 to Rs 8,029 crore in 1988-89, with the consents for debenture issues going up from Rs 3,737 crore to Rs 6,585 crore. Similarly, assistance sanctioned by the all-India financial institutions at Rs 13,913 crore in 1988-89 showed a rise of 56.9 per cent over the previous year and assistance disbursed was 34.8 per cent larger at Rs 8,526 crore. The point, briefly, is that the monetary authority has to take a comprehensive view of the flow of financial resources from different sources. Once that is done, the sharp tilt in the working of the monetary and financial system in favour of the most powerful and the most privileged segments of the economy stands out bold and clear. Given their appetite for funds, even if by some miracle the government's budgetary deficit were to be wiped out, the monetary authority would have to inject equivalent liquidity into the system through other channels. However, the Reserve Bank of India's rigidly monetarist gaze remains unwaveringly fixed on the fiscal deficit.

'Communication Gaps'

THE central policy of blowing hot and cold towards the Left Front governments of Kerala and West Bengal seems to have stumped second-ranking Congress(I) leaders and ranks who, often not knowing which way the central wind is blowing, tend to commit *faux pas* and become the laughing stock.

A junior member of the union council of ministers, M M Jacob, presumably pressurised by Congress(I) ranks in Kerala, exploded the other day threatening use of Article 356 of the Constitution to oust the Left Front government there. More responsible colleagues of his in the party soon realised that such a threat, on the eve of the elections, was likely to be exploited by the opposition in its anti-centre campaign. The Congress(I) leader of Kerala, K Karunakaran, soon came out with a statement saying that his party would not seek centre's help to oust the Left Front, but would organise movements to achieve that end.

In West Bengal, the state Congress(I), already faction-ridden, has made an ass of itself over the demand for central intervention raised by some of the impudent blusterers who dominate the West Bengal Pradesh Congress(I) Committee. While two junior union ministers from West Bengal, Priya Ranjan Das Munshi and Ajit Panja, have been clamouring for president's rule in West Bengal, the president of the WBPCC(I), A B A Ghani Khan Chowdhury, suddenly last week lambasted those demanding presidential rule, stating that the latter did not understand the problems of his state. Chowdhury is known to be closer than his other West Bengal party colleagues to the constantly changing barometer of Rajiv Gandhi's domestic politics. After blustering against their own leader, Chowdhury, accusing him of sabotaging Congress(I) efforts to dislodge the Left Front, the WBPCC(I) is now retracting. At its last meeting, which was supposed to express no-confidence in Chowdhury, the WBPCC(I) finally came out with the lame plea that it did not officially demand central intervention but simply pointed out that since the state had violated its constitutional responsibilities and failed to maintain law and order, there were sufficient grounds for central intervention. The retraction suggests that the hot-headed youngsters of the state unit had been ticked off by the seniors in New Delhi. Explaining the retraction, a WBPCC(I) spokesman was reported to have stated that there was a 'communication gap' between the state unit and its president, Chowdhury!

The immediate provocation for the Congress(I) demand for central intervention in Kerala and West Bengal has been provided by the CPI(M), which also seems to have drawn into its fold a host of braggarts as its second-ranking leaders and musclemen as its ranks. Devoid of any ideological commitment, and attracted by positions of power and guarantee of protection by the government, these political parvenus behave in the same way as the new generation of Congress(I) politicians and cadres in the Congress(I)-ruled states. In Kerala, they have been embroiled in clashes with CPI and RSS cadres for quite a long time, and could get away with it as long as they did not touch the Congress(I). But recently they beat up activists of the Congress(I)-led Kerala Students' Union—a miscalculation on the part of the CPI(M), which indicates the 'communication gap' between the party's central leadership and the state leaders, between the state leaders and their musclemen, a curious parallel to the 'communication gap' between the Congress(I) top brass and those at the bottom, about which the WBPCC(I) spokesman complained. Realising that it had overstepped, the CPI(M) chief minister of Kerala has now ordered a judicial inquiry into the incident of the beating up of the Congress(I) students—in sharp contrast to its refusal to hold similar inquiries into the scores of incidents of assaults on other political activists in the state.

In West Bengal, the Congress(I) demand for central intervention was triggered off by the CPI(M) assault on the union minister, Priya Ranjan Das Munshi, in the course of a clash between the Congress(I) and the CPI(M) during a meeting near Calcutta. Das Munshi was hospitalised for his injuries—minor, as evident from his release from hospital soon after. But that was enough to provide the Congress(I) with a handle to demand the ouster of the Left Front government. Those in West Bengal who had to suffer during the Emergency the depradations of Das Munshi (who at that time as a Congress student leader was known to have led assaults on opposition party cadres), will not surely shed any tears for him, since he is probably being paid back in his own coin. But the CPI(M) leadership of the West Bengal Left Front should have restrained its cadres—many among whom are suspected to have been drawn to the party because of non-ideological motives like making good under state patronage—from beating up journalists during the Bharat Bandh. The CPI(M) veterans—in their own interests in survival in the parliamentary game—will have to pull up their juniors and cadres so that they do not go beyond the limits. It is a tight-rope walk for the CPI(M)—keeping the middle classes (the vocal section of the electorate, whether in Kerala or West Bengal) assured of security and keeping the Congress(I) at the centre assured of a guarantee that its activists and activities would not be harmed in the Left Front-ruled states. But how is it going to overcome the 'communication gap' between the party's central leadership and state leadership, between the state leadership and the cadres, and above all, between the party policies and the reality?

ANDHRA PRADESH

Suspicions Confirmed

CHILE, El Salvador, Philippines. And now, right here in Andhra Pradesh! The 'vigilantes' and 'death squads', exposed by international human rights organisations, have appeared as the Indian 'avatar' in the STF (Special Task Force).

The three-day drama involving the kidnapping of K Balagopal, general secretary of the Andhra Pradesh Civil Liberties Committee (APCLC), is by now well known to newspaper readers. The Andhra Pradesh home minister's denial and NTR's public posture of innocence notwithstanding, it is palpably clear that Balagopal was waylaid on the evening of August 28 on his way from Khammam to Hyderabad by members of the STF which, as a part of the Andhra Pradesh State Intelligence, was set up some five years ago to counter the CPI(ML)-led peasants' struggle in the northern and eastern parts of Andhra Pradesh. Masquerading under the populist name of 'Prajabandhu', the abductors told Balagopal that they were from the STF and added that they were acting under 'instructions from above' (a claim made probably under the influence of their self-assurance of capturing a 'trophy', but made in an unprofessionally inadvertent manner which should embarrass the instructor from 'above', NTR, if of course he has any sense of embarrassment).

But even if the STF swashbucklers had restrained their enthusiasm to gushingly disclose their identity to Balagopal, they had to give themselves away when, pretending to be 'Prajabandhu' (a name probably chosen under the impression that it could pass off as one of the acceptable voluntary organisations) they publicly laid down two conditions for Balagopal's release. The first condition was that the two police constables, earlier abducted by

the People's War Group, must be released. The second was that no habeas corpus petition should be filed before the courts. Both the demands clearly identified their interests with those of the police. They did not even bother to maintain the pretence, when they straightaway took Balagopal to the police guest house at Khammam.

Balagopal's abduction received widespread publicity and drew prompt intervention by leaders of the National Front (some among whom pressurised NTR to get him released). But there are many others in Andhra Pradesh who still remain 'missing' and are suspected to have been either killed or held in custody by the STF. The STF, it is widely known, functions under chief minister N T Rama Rao. Moving in plain clothes, carrying sophisticated weapons and travelling in government jeeps (without police name-plates), STF personnel pick up young men and women suspected of Naxalite activities, take them to nearby police or forest guest houses and torture them. Sometimes, after they are reported 'missing', their mutilated corpses turn up at odd places. In May 1988, Meghyam, a young political activist was picked up by people suspected to be STF personnel in Mustyalapalli, Warangal. A few days later, his body was found hanging from the power transformer at the main crossing of Warangal. The body was kept hanging for the entire day by the police—as a show of exemplary punishment in the tradition of the Ku Klux Klan.

The suspicion that a clandestine outfit like the STF is in operation has been in the air for quite some time. Balagopal's abduction and the disclosure of the identity of the abductors now confirm the suspicion. While it is almost an axiom now that the legitimacy of established institutions is bound to get eroded under the Congress(I) regime, events in Andhra Pradesh prove that such erosion is no longer confined to Congress(I) states. A report brought out recently by the Delhi-based civil liberties organisation, PUDR, records that in the 308 weeks that NTR has been in power (from January 1983 to May 1989, excluding the four week interregnum when he was ousted), 395 people were killed and 27 still remain missing as a result of the depradations of NTR's police. The latest incident of Balagopal's abduction indicates that NTR has allowed the institutionalisation of a clandestine armed group which is not accountable to any administrative wing, law or constitution but only to one individual. An individual who gives consent to such operations and yet hopes to lead a national front to replace the Congress(I) at the centre owes an explanation to the public. The National Front leaders must press upon him to make a clean breast of his role in the ongoing police atrocities in Andhra Pradesh and to punish the guilty police personnel—if not for anything else, for the sheer need for the opposition to establish its credibility with the voters in the coming elections.

DEFENCE DEALS

Lurid Light

INDIA TODAY'S interviews with General Sundarji and with Lt-Gen H Kaul, who was deputy chief of army staff between 1983 and 1985, are noteworthy also for the lurid light they throw on the prevailing mores and morality in regard to the government's purchases of defence equipment. Sundarji mentions two instances in the process of selecting the 155 mm gun itself. In the first case, he reveals how at one stage the assessment of the four alternative makes of guns was sought to be skewed in such a way that the French gun would come out on top—"it was being tailored to become a one-horse race". The second case refers to the high-powered technical evaluation committee headed by Lt-Gen Mayadas which, Sundarji is convinced, had been set up "with the sole intention of pushing the Austrian gun".

The instance quoted by Lt-Gen Kaul is, of course, much more blatant: one of the contenders for the guns contract sent an intermediary who offered Kaul "Rs 2.5 crore in any currency or bunch of currencies anywhere in the world, in return for a favourable recommendation for their gun". Not only that, the intermediary told Kaul that the company he was representing knew the details of the top secret recommendations Kaul had made to the defence ministry. Kaul complained to the defence secretary disclosing the details of the bribery attempt. But did the government take any action? "Not that I know of", says Kaul and this is now borne out by the statement issued by S K Bhatnagar, then defence secretary and now governor of Sikkim. Bhatnagar's response to Kaul's allegation seems to have been quite remarkable. Like a typical bureaucrat he says he asked Kaul "for a detailed written report" and since, according to him, Kaul "was not forthcoming with the necessary information" he did not evidently spare the matter a second thought.

Sundarji has claimed in his interview that though under-the-counter payments may have been made, the choice of the Bofors gun itself was technically unimpeachable. If so, this must have been something of an exception—given the state of affairs in regard to defence purchases he and Kaul have themselves so graphically described.

WEST BENGAL

Dangerous Trend

THE spate of inter-party violence that has been vitiating the civic climate of West Bengal for quite some time reached its peak with the large-scale disturbance at Beliaghata, a lower middle class area in eastern Calcutta, on August 31, that is, the day after the Bharat bandh. According to *The Statesman*, not generally regarded as a calumniator of the Left Front or the CPI(M), "more than 500 armed CPI(M) supporters resorted to 'sheer vandalism with brazen impudency', as a senior police official described it, for about three hours". About 20 houses, including a few factories and business establishments were plundered. At least 30 people, including a six year old boy, were seriously injured. Two pregnant women were kicked on the abdomen by the CPI(M) men, according to the reports. Subsequently, some CPI(M) spokespersons have tried to palm off these outrages as the doings of some 'anti-socials', which of course is true provided it is added that some of them were under the CPI(M)'s protective wings.

Referring to the Beliaghata incidents and the assault on the union minister of state for commerce, P R Das Munshi, which had taken place earlier on August 27 at a small suburban town, a CPI(M) junior minister in West Bengal is reported to have told a closed door party meeting that these incidents had helped the Congress(I) regain lost ground. Whether the Congress(I) has registered any direct gains may still be questionable, but there is no doubt that the CPI(M) has lost some, notwithstanding the fact that in many, if not most, cases the provocation may have come from the Congress(I).

These incidents came in the wake of a long-drawn violent confrontation between the CPI(M) and the Congress(I) over the control of a major red light area in the city centre in which pimps and toughs were mobilised on both sides. All the while reports of violence continued to come in from the districts as well, in which in most cases the CPI(M) was one of the parties. To cap it all, there were some cases of violence or its threat against various media men—including TV personnel—which have evoked sharp condemnation by a number of journalists' forums.

While newspapers and commentators with an anti-CPI(M) bias have no hesitation in condemning the party's conduct as fascist vandalism, there are few people outside the party's still very wide fold who are prepared to condone the party's role—not only the particular instances of depredations, but also, and even more so, the CPI(M) leadership's pettifogging attempts at evading the party's responsibility in these dastardly actions, not to mention its failure to condemn them in an outright manner.

To any sympathiser or supporter of the Left with any of political sense it is clear that the CPI(M) is fast squandering away the enormous popular goodwill it had earned by and for ridding the state of mindless and senseless violence in the name of politics. Is the CPI(M) really seized with a death wish? Doesn't it realise the vast stake of its own as well as of the country as a whole that are today involved with its conduct? Jyoti Basu, pragmatist par excellence that he is, seems to have realised the danger to his government posed by the recent developments. But these are symptoms of a deep malaise. Mere sermonising or directives from the top may not work.

BUSINESS

VEGETABLE OILS

Many Question Marks

IF one pieces together press reports relating to the various facets of the oilseeds economy—production, imports, prices and excise rebate on the use of minor oils—the scenario that emerges provides a good illustration of confusion getting worse confounded with the progress of the season (October-September). Take first production which constitutes the most crucial element of the scenario and is the key factor influencing the formulation of various policy inputs for the efficient management of the vegetable oils economy.

By about the middle of March, the official estimate of oilseeds production (nine cultivated oilseeds) in 1988-89 had been revised to 156 lakh tonnes against the initial estimate of 145-155 lakh tonnes. A few weeks later, the union food and civil supplies minister, Sukh Ram, stated at the Ahmedabad seminar on rabi oilseeds on April 9 that "a record oilseeds harvest of 160 lakh tonnes may be achieved". On July 20, NDDB chief Kurien stated at a press conference in Bombay that the country expected a record production of 165 lakh tonnes of oilseeds during the current year. And on August 29, the union agriculture minister Bhajan Lal stated at a meeting of the National Oilseeds and Vegetable Oil Development (NOVOD) Board in New Delhi that "aided by monsoon, the output in 1988-89 went up to 178 lakh tonnes which crossed the previous record by 37 per cent".

Revision of crop estimates till the harvest is ready is a normal feature of agricultural statistics even in advanced economies where the crop information system is highly sophisticated. But any significant revision of production figures after the crop has been harvested is a rare phenomenon. The upward revision of oilseeds production figures by the agriculture ministry (from 160 lakh tonnes in April to 178 lakh tonnes in August) calls for some really convincing explanation to command credibility. In any case, such revision so very late in the season reflects poorly on the government's crop information system. The main point that is sought to be made is that it is simply not possible to evolve any meaningful policy inputs if one does not have a proper estimate of indigenous supply.

To complete the supply side, let us have a brief look at reports about edible oil imports. On July 20, the NDDB chief told newsmen in Bombay that the record production of 165 lakh tonnes this season had enabled the country to bring down substantially oil imports to around 3 lakh tonnes from 18 lakh tonnes last year and that as the market intervention agency NDDB had permission to import 1.5 lakh tonnes of edible oils but there appeared to be no need for any import at present. The very next day, the minister of state for commerce, Priya Ranjan Das Munshi, stated in the Lok Sabha that in view of the bumper oilseeds production, the government had ruled out imports of edible oils this year and that it will also not release the 1.56 lakh tonnes of imported edible oils lying in its stocks so that oilseeds prices do not get depressed and growers are not denied remunerative prices. Unless it is a case of gross misreporting, the minister also referred to the fact that bumper oilseeds production had already led to a cut in oil imports from a projected level of 2.3 million tonnes to an actual import of 8,50,000 tonnes only in 1988-89.

On August 19, a New Delhi report stated that India would import one lakh tonnes of edible oils by September-end and that the STC had already negotiated deals for this quantity with Indonesia, Czechoslovakia, Malaysia and Rotterdam. Quoting the Indian commerce minister Dinesh Singh, a report from Kuala Lumpur dated September 1 stated that the STC had been empowered to import 2,00,000 tonnes of vegetable oils for the rest of this year and that India would look into the possibility of securing Malaysian palm oil. Taking an overall view of reports about indigenous production and imports, it is difficult to make any really worthwhile assessment of total supply to properly evaluate the supply-demand equation.

Another issue which has evoked animated discussion is that of the upsurge in groundnut oil prices in the context of sizeable stocks acquired by the NDDB in the course of its procurement operations carried out as a market intervention agency. About the middle of August, the Federation of Gujarat State Edible Oil Merchants' Association—Gujarat is a major producer of groundnut—urged the union civil supplies minister to ask the NDDB to release groundnut oil from its buffer stock of 4.25 lakh tonnes of mustardseed/groundnut oil with a view to check the 'unreasonable and unwarranted' price rise and ensure supply of edible oil to the public in the ensuing festival season at a reasonable price. Some two weeks later, the NDDB and the Bombay Oilseeds and Oil Exchange got locked up in an unseemly controversy over the price issue.

Much of the criticism to which the NDDB has been exposed betrays a lack of proper perception of the role assigned to it under the integrated policy for oilseeds. For, as long as the prices of the two designated oils keep within the stipulated price bands—Rs 20,000/Rs 25,000 a tonne (wholesale) for groundnut oil and Rs 17,000/Rs 23,000 for rape-mustard oil—there is no sound reason why anyone should question the marketing strategy NDDB pursues to make the most of its commercial operations.

And once the champions of the consumers' cause have accepted the upper limit of the price band as fair and reasonable, they can have no legitimate cause to complain against the NDDB as long as prices keep within the upper limit. NDDB cannot be held responsible for the exploitation of the consumer by the retail trade. Going by market reports, only on two days towards the end of the third week of August did the wholesale price of groundnut oil cross the Rs 25,000 a tonne mark and that also for a short while.

Consumers, of course, have reason to feel concerned over the sharp rise in edible oil prices since about the end of July. Compared with the prices which prevailed a year ago, groundnut oil is costlier by about 20 per cent, sesame oil by 29 per cent, cottonseed oil by 16.5 per cent, rapeseed oil by 12 per cent and soybean oil by 11.5 per cent. Indeed, viewed in the

context of the latest oilseeds production estimate of 178 lakh tonnes and reasonably reassuring prospects for the 1989-90 crops, the steep rise in edible oil prices appears rather intriguing. But price movements cannot be always satisfactorily explained because of the subtle interplay of several tangible and intangible factors which often defy analysis.

Last comes the government's important policy decision withdrawing the excise incentive scheme for the use of minor oils in the manufacture of vanaspati and soaps with effect from August 25. The decision is welcome but certainly not for the reason advanced by the government. For the official release simply says that after reviewing the relevance of the scheme in the context of the present edible oils production levels and the levels of usage of these minor oils already achieved in the manufacture of soap and vanaspati it was no longer found necessary to continue the scheme. The statement is not only too vague to lend itself to any precise interpretation, but it gives the altogether erroneous impression as if the scheme has achieved the objective of bringing about the desired increase in the production of rebatable oils.

There exists a huge gap between the potential and actual supply of rebatable oils; estimates of the gap vary from 13 to 17 lakh tonnes. Despite fiscal incentives for the use of selected oils in the manufacture of soaps and vanaspati, hardly 50 per cent of the realisable potential has been exploited. To mention only two instances, the rice milling industry alone can contribute up to 7 lakh tonnes of rice bran oil whereas current production is barely around three lakh tonnes. The present level of cotton production has the potential to yield about 6 lakh tonnes of cottonseed oil but actual production is less than three lakh tonnes.

The withdrawal of the excise rebate scheme is to be greatly welcomed because the scheme had not been properly conceived and in any case it had ceased to serve the purpose for which it had been originally conceived in March 1986. There has been only a marginal increase in the production of rebatable oils after 1987-88. With the availability of rebatable oils exceeding the maximum use under the permissible rebate of Rs 1,000 a tonne in respect of vanaspati, the scheme had lost its relevance. Besides, the different rates of rebate for different oils led to all kinds of malpractices.

While production of rebatable oils virtually stayed put, the vanaspati industry came to accumulate credit of about Rs 100 crore in its books which had been allowed to be used after a lock-in period of one month. The point had been reached where a vanaspati unit, whether it used the rebatable oil or not, continued to get the rebate of Rs 1,000 a tonne of vanaspati cleared from the factory against debit to the 'earned rebate'. Not only that. With the excise duty rebate of Rs 1,000, the effective rate of duty on vanaspati came down to Rs 900 a tonne thereby giving it a distinct competitive edge over refined groundnut oil which carried a duty of Rs 1,500 a tonne.

The vanaspati industry had all along been the major beneficiary of the excise incentive scheme. One does not therefore expect the vanaspati industry as also the producers of rebatable oils to take kindly to the withdrawal of the scheme. The industry has been quick to point out that the withdrawal of the rebate will push up its cost of production by Rs 1,000 a tonne. But what about the subsequent rise in vanaspati prices and the decline in the prices of minor oils? One would not be the least surprised if some of the leading vanaspati manufacturers resort to legal action against the government's decision wiping out the credit lying in their books by way of accumulated rebate. The government will have only itself to blame if it finds itself in the embarrassing position to defend its apparently weak case.

Despite the spectacular increase in oilseeds production in 1988-89 and reassuring prospects of good crops in 1989-90, the need for fuller exploitation of the existing oil bearing resources is not any the less imperative. In order to promote larger usage of rebatable oils, the government could have increased the quantum of excise duty relief and/or reduced the rates of rebate. That the government should have decided to abandon the scheme instead, suggests that it has belatedly realised the conceptual weaknesses in the scheme.

Now that the excise incentive scheme for the use of minor oils has been discontinued, the government will need to do serious rethinking on fresh measures aimed at encouraging the production and usage of minor and unconventional oils. The present level of production can be easily maintained simply by incorporating the minimum use of the hitherto rebatable oils in the manufacture of vanaspati. Such a scheme existed in the past in respect of the usage of cottonseed oil in the manufacture of vanaspati. Offer of direct assistance to producers of solvant extracted oils linked to increased quantity of oil produced would help augment supply. Hikes in incentives for exports of deoiled meals of minor and unconventional oilseeds, hitherto covered by the rebate system, could also prove helpful. It is much better to link incentives to production instead of usage of minor oils.

TWENTY YEARS AGO

EPW, September 13, 1969

Speculation about the nature of future leadership of North Vietnam is understandably rife. The 26-member panel which has been set up can only be a stopgap arrangement. At the same time it seems fairly certain that a collective leadership will emerge in Hanoi. No one man can fill the vacuum left by Ho Chi Minh's death. Most analyses of the Vietnamese political scene appear to be based on the assumption that there are pro-Moscow factions within the ruling Lao Dong (Workers') Party. Naturally the effort is to find out which faction would ultimately prevail and what would be its policies. . . The more relevant question, therefore, is whether Ho's death would mean any change in the North Vietnamese position at the Paris talks. There seems little reason to think that there will be any change. . . This is not to suggest that the Vietnamese leadership is of one mind on all issues. This is also not to suggest that the Sino-Soviet rivalry does not extend itself to the Lao Dong Party. It certainly does. What is suggested is that such differences as might exist among the Vietnamese leaders do not relate to the ultimate goals and the accent on unity which those goals demand.

★ ★ ★

Precious time has been lost since July 9 when the large commercial banks were nationalised. There is still no evidence of the outlines of reorientation of banking. . . The only step taken so far—if that can be called a step—is the creation of a department of banking in the ministry of finance. Its creation marks the reversal of the trend which had been initiated under TTK to hand over nearly all the powers relating to financial institutions to the Reserve Bank. Resumption of these powers by government. . . is a clear indication. . . of lack of confidence in the Reserve Bank's capacity to refurbish the banking system in tune with the objectives of nationalisation. . . The advantage of locating administrative control over all banking activity—including that of development banks—in New Delhi should lie in converting the banking mechanism into a useful adjunct to the budget. . . so that between them the budget and the banks become the principal instruments of Plan implementation. Direct controls through licensing, administrative checks and price fixation, etc, can then be downgraded, for taxes, expenditure and credit policy are much more effective in achieving the desired objectives. In other words, credit planning, not bank housekeeping, should be the main function of the banking department.

THE INDIAN SEAMLESS METAL TUBES LTD.,

Registered Office : 6 E, Ramabai Ambedkar Road, Pune 411 001.

CHAIRMAN'S STATEMENT

Shri J.G. Keswani, Chairman.

Dear Shareholders

Sustained Growth

You would be happy to note that your Company enters its next phase after recent expansion, by crossing the Rs. 50 crore mark in turnover. I am glad to inform you that the next coveted threshold, the Rs. 100 crore mark in turnover, is now reasonably within our reach in the next three years. What is more gratifying is that the Company is laying solid foundation for this envisaged growth with consummate skill in planning and dedicated hard work.

Difficult year – Successful Results

Now, about the year that is over. Though the overall results have been satisfactory, this was in fact a difficult year for the Company. The frequent steep increases in price of raw materials, the massive capital expenditure plans undertaken, the re-location of critical machinery in accordance with new lay-out to meet expansion requirements and the demands made on the technical team for technology absorption were some of the key areas where tremendous efforts have been put in by the employees to bring about the successful results placed before you. On behalf of my colleagues on the Board, on behalf of all of you and on my own behalf,I would like to congratulate each and every employee for his or her excellent work. I am confident that similar efforts will enable us in the coming years to overcome the difficulties that no doubt would arise.

Steel Project

I am very happy to report the most important development of the year viz. the grant of Letter of Intent by Government of India to the Company for setting up its own steel plant. With this, we now appear to have found a long term solution to the problem of availability of raw materials, at the right time and price and in right quality and quantity. The project is proposed to be located in a backward area of Maharashtra and would provide employment to about 300 workmen besides imparting vital impetus for regional development

Expansion and Diversification

The Company's expansion project has been completed according to plan and today it has perhaps the most diversified manufacturing range among the seamless tube makers in the country. The Company has applied for further enhancement of capacity from 30,000 tonnes to 50,000 tonnes a year. At the same time the Company has undertaken substantial capital expenditure programme as part of its commitment to continuous quality upgradation. The successful commissioning of Cold Pilger Mills without any assistance of Foreign Technicians was indeed a major technological achievement. The response from the customers to Cold Pilgered Tubes has as anticipated been very encouraging. Import substitution by the Company in the bearing tube sector can now be expected to be greatly accelerated.

Shareholders' Interest

Before I conclude I would like to assure our Shareholders that while the Company has been following a somewhat conservative distribution policy dictated by requirement of growth and expansion, it would now seek to strike a healthy balance between the needs of the Company and the aspirations of its Shareholders.

Acknowledgement

I would like to acknowledge the support and co-operation we have received from the Government Authorities, Financial Institutions, Bankers, Shareholders, Suppliers and other Business Associates, including Foreign Collaborators. I would also like to thank our customers who continue to place their trust in our commitment to quality and service. I would now take this opportunity to express our sincere appreciation for the excellent work put in by our team at all levels under the able guidance of Mr. B.R. Taneja during the year under review.

Note This does not purport to be a report of proceedings of the 11th Annual General Meeting held at Pune on 2nd Sept. 1989

TELCO

Rising to World Standards

TATA ENGINEERING AND LOCOMOTIVE COMPANY (TELCO) is implementing plans for constructing a modern manufacturing facility at Lucknow. The factory will produce medium and heavy commercial vehicles as well as special purpose vehicles. This plant is expected to play a significant role in the future development and growth of Telco. The company is actively discussing a proposal with Daimler-Benz to manufacture its 'World Concept' range of commercial vehicles. The vehicles would be marketed overseas by Daimler-Benz under its brand and would lead to a technological upgradation of the existing range of vehicles in India. The project would yield substantial exports for the country and would further strengthen Telco's technological base and capability to make vehicles to international standards.

The 'Tata Estate' station-wagon is in the final stages of development and testing. It will be available ultimately in both petrol and diesel versions and will have several sophisticated safety and convenience features which are today found only in cars manufactured overseas. There has been a favourable market response to the Tatamobile 206 Pick-up which was productionised and launched during 1988-89. The vehicle was tested by government agencies and certified as fuel-efficient. Customer feedback has been continuously monitored for effecting further improvements. Though the company plans to produce 5,000 Tatamobiles during 1989-90 in the current year, there will still be a backlog of orders from the bookings which closed in March 1989.

Telco achieved an all-time record sale of 61,691 vehicles (including 10,943 LCVs) as compared to 56,168 (including 8,808 LCVs) in the previous year. For the first time in five years, the growth in the medium and heavy commercial vehicle segment exceeded that in the LCV segment of the domestic market. Amongst the LCVs, the TATA 407 has been widely recognised as the leading vehicle in the LCV market. Exports rose by 63 per cent to Rs 81.40 crore and spare part sales reached a peak of Rs 68.20 crore. A resurgence in excavator sales brought the number of machines sold to 176 as against 168 in 1987-88.

Telco has turned in very good working results with substantial improvement in turnover and profits. Sales turnover amounted to Rs 1,383 crore against Rs 1,163 crore in the previous year and yielded a gross profit of Rs 128 crore against Rs 70 crore and net profit of Rs 70 crore against Rs 27 crore. Increased sales, better profit margins and stringent cost reduction contributed to this achievement. The directors have stepped up dividend by two points to 25 per cent on the enlarged capital. The distribution is covered 2.88 times by earnings, as against two times previously. As the country's largest exporter in the engineering sector, Telco earned foreign exchange of Rs 84.91 crore during the year and its expenditure in foreign currency amounted to Rs 75.29 crore.

The Week's Companies *(Rs Lakh)*

	Telco		Glindia		Asian Cables		Tata Metals	
	Latest Year 31-3-89	Last Year 31-3-88	Latest Year 31-3-89*	Last Year 30-6-88	Latest Year 31-3-89	Last Year 31-3-88**	Latest Year 31-3-89*	Last Year 30-6-88
Paid-up Capital	10501	6431	2000	2000	861	861	401	401
Reserves	30740	17491	4607	3643	1351	1205	292	260
Borrowings	32396	44406	4598	3861	2864	2782	1758	2155
of which Term borrowings	17642	30530	2018	2266	1247	1226	781	850
Gross fixed assets	78829	69764	9222	8183	3794	3674	3523	4188
Net fixed assets	44995	41092	5916	4807	2519	2616	2012	2082
Investments	14004	4955	1755	2212	252	118	1	8
Current liabilities	45475	32208	5801	6144	886	742	594	1394
Current assets	60113	54489	9329	8624	3191	2856	1032	2124
Stocks	30472	25515	6191	4962	1131	1071	514	1478
Book debts	20744	20667	994	941	598	579	375	415
Net sales	138291	116325	19288	21095	5503	6133	4372	6986
Other income	3791	2709	762	1019	361	236	54	98
Raw material costs	79894	67488	11500	12151	3228	3178	1915	3365
Wages	19977	16059	2597	3096	430	492	534	935
Interest	5907	7756	684	556	459	517	135	218
Gross profit (+)/loss (−)	12828	7027	1525	2295	518	623	160	286
Depreciation provision	4315	3822	523	648	220	261	155	226
Tax provision	1510	510	242	650	50	58	—	—
Net profit (+)/loss (−)	7003	2695	760	997	248	304	5	60
Investment allowance reserve	2155	—	—	—	6	181	—	—
Transfer to reserves	2404	1339	360	597	139	48	—	—
Dividend								
Amount P	20	20	—	—	36	36	—	—
E	2424	1336	400	400	67	39	—	—
Rate (per cent) P	15	15	—	—	12	12	—	—
E	25	23	20	20	12	7	—	—
Cover (times)	2.88	2.00	1.90	2.49	3.16	6.87	—	—
Ratios (per cent)								
Gross profit/sales	9.28	6.04	7.90	10.88	9.41	10.15	3.66	4.09
Net profit/capital employed	16.98	11.27	11.50	17.67	11.21	14.71	0.73	9.08
Inventories/sales	22.03	21.93	32.09	23.52	20.55	17.46	11.76	21.15
Wages/sales	14.37	14.66	13.46	14.67	7.81	8.02	12.21	13.39

* 9 months, ** 15 months

GLINDIA

Continued Expansion

GLINDIA is again changing its name and will be called 'Glaxo India'. The company continues to increase its manufacturing facilities. It incurred an expenditure of Rs 16.37 crore on the creation of facilities for the manufacture of the bulk drugs Ranitidine, Cephalexin and Griseofulvin at Ankleshwar, Ranitidine formulations at Nashik and also on the continuing modernisation of manufacturing operations at other factories, including the foods factory at Aligarh.

The company has fared well during the 9-month period ended March 1989 with sales amounting to Rs 193 crore against Rs 211 crore in the previous 12 months and gross profit of Rs 15.25 crore against Rs 22.95 crore. Profit margins, however, have declined considerably. Net profit is Rs 7.60 crore against Rs 9.97 crore previously. The directors have recommended a dividend of 20 per cent, the same as paid last year for 12-month accounting year. The dividend distribution is covered 1.90 times by earnings as against 2.49 times previously.

This outcome looks creditable, having regard to certain adverse factors faced by the company, such as the trade boycott of pharmaceutical products, substantial price reductions imposed on several pharmaceutical products and a temporarily depressed market for veterinary products. Trading conditions are now more favourable and the new year has commenced well. Sales of food products registered an impressive growth. The company's programme to update and modernise manufacturing facilities at its foods factory has made further progress. Plans are being drawn up to further expand manufacturing facilities and these are expected to be implemented over the next two years, subject to the obtaining of necessary government approvals. The launch of two new products, 'BonnyMix' and 'Jak-N-Jil' manufactured by Hindustan Foods, a new venture for the manufacture of extruded foods, has been completed on an all-India basis. Sales of fine chemicals registered a satisfactory growth despite inflationary pressures on input costs.

Several new items have been added to the range of products exported and assistance has been rendered to small scale manufacturers of bulk drugs to export their products. Glindia's foreign exchange outgo was Rs 5.95 crore (including import of raw materials and goods for resale aggregating Rs 4.06 crore) and it earned foreign exchange on exports of Rs 5.17 crore (including exports through merchant exporters and through rupee trade arrangements).

The company's joint sector project in Uttar Pradesh, Vegepro Foods and Feeds, set up for the processing of soyabean, has made good progress. The refinery was commissioned in January this year. The solvent extraction plant was commissioned in May last and the second stage of the project is in progress. Likewise, considerable progress has been made in the joint sector project in Karnataka, K G Gluco Biols, where commissioning trials for dextrose monohydrate and liquid glucos will commence shortly.

ASIAN CABLES

Faring Better

ASIAN CABLES has fared better during the year to March 31 last as compared to the preceding 15-month period. Sales have been Rs 55.03 crore against Rs 61.33 crore previously and gross profit is Rs 5.18 crore against Rs 6.23 crore. These figures, however, show reduced profit margins. Net profit is Rs 2.40 crore (Rs 3.04 crore) which provides a 3.16 times earnings cover to the 12 per cent dividend as against 6.87 times to the 7 per cent paid for the previous period.

The installation of further equipment for the manufacture of specialised cables and the results whereof, together with benefits of cost control and other measures for enhanced efficiency are reflected in the results. The cable division exported cables worth Rs 9.2 crore. The company has been recognised as an 'Export House'. Total outward remittances of foreign exchange amounted to Rs 10.6 crore.

The Wiltech division continued to consolidate its share of the growing twin blade and shaving systems market. The existing technical agreement with Wilkinson Sword, under which equipment was imported in 1981/82 and also total knowhow for the manufacture of shaving blades, systems and razors was provided, has been renewed for a further period of five years effective 1.5.1987. The process of technology absorption continues apace providing ongoing modifications and improvements being introduced by the collaborator. Exports during the year totalled Rs 12 lakh. For the current year an export order totalling some Rs 85 lakh has been secured and it is also proposed to export twin blades. Extensive sampling of products in potential export markets has been undertaken and communication established with various Chambers of Commerce. Assistance of Wilkinson Sword in identifying export markets for Wiltech products is also specified in the renewed agreement. Access is also being proposed to the export market development fund of the Exim Bank for fully exploiting potential markets. Foreign exchange usage was of the order of Rs 124 lakh.

TATA METALS AND STRIPS

From Textiles to Steel

TATA METALS AND STRIPS, formerly Ahmedabad Advance Mills, transferred the Textiles Division and its related assets and liabilities located at Ahmedabad to New Ahmedabad Advance Mills (NAAM) from close of business on December 31, 1988 under a scheme of restructuring approved by the shareholders. The consideration of about Rs 35 lakh for transfer of that division was paid and satisfied by NAAM by the allotment to the equity shareholders of the company of one equity share of Rs 10 fully paid-up of NAAM for every equity share held in this

IN THE CAPITAL MARKET

Madhusudan Industries

MADHUSUDAN INDUSTRIES is entering the capital market with an issue of 12 lakh equity shares of Rs 10 for cash at a premium of Rs 20 per share. The issue is for part financing the cost of expansion of the company's ceramic tiles and vanaspati units, for technological upgradation of its sanitaryware unit and for setting up of a full-fledged R and D centre at its ceramics division. The company is already expanding its ceramic tiles capacity from 3,500 to 7,000 MT per annum and in the second phase of expansion the capacity will be further raised to 14,000 MT per annum. The capacity of the company's solvent extraction unit is being raised from 25,000 MT to 45,000 MT per annum and a further expansion to 60,000 MT per annum is on the anvil. According to the company's projections, sales will rise from Rs 68.22 crore in 1989-90 to 84.13 crore in 1990-91 and Rs 88.42 crore in 1991-92. In these three years net profit after tax is projected to go up from Rs 1.68 crore to Rs 2.65 crore and to Rs 3.29 crore and earning per share from Rs 5.60 to Rs 8.33 and to Rs 10.97. The issue will open on October 3.

company. Based on the valuation report of an approved and registered valuer, the company has adopted this valuation of its lands at Navsari and Sisodra. The value of lands, after revaluation, is Rs 406 lakh, as against the book value of Rs 49 lakh, showing a surplus of Rs 357 lakh.

The operations of the Metals Division yielded a profit, but after adjusting the loss of Rs 120 lakh incurred by the textile division during the period July to December 1988 the company showed a net profit of only 5 lakh. On account of provision for the tax liability of past years, a deficit of Rs 20 lakh has been carried to the balance sheet. The operations of the hot rolling and cold rolling units showed further improvements during the year with an increase in the production of hot rolled strips and cold rolled carbon steel strips. Significant gains in terms of productivity and cost savings, particularly in the areas of fuel and power, were recorded. Owing to the uncertain stainless steel market, the emphasis has been on marketing higher tonnages of carbon steels and the company has been able to successfully market a larger quantity of carbon steel.

VBC FERRO ALLOYS

New Project

VBC FERRO ALLOYS' directors have recommended a dividend of Rs 2.50 (25 per cent) for 1988-89 (15 months) compared to a dividend of Rs 2 for 1987 (12 months). The company's sales in 1988-89 were Rs 15.32 crore (Rs 13.05 crore in 1987). Gross profit was Rs 1.65 crore (Rs 1.98 crore) and profit after tax Rs 80 lakh (Rs 1.19 crore). The proposed dividend for 1988-89 is covered 1.80 times (3.21 times).

The company's working in 1988-89 was affected by severe power cuts ranging from 30 per cent to 80 per cent for a period of 10 months. In view of the adverse power situation in Andhra Pradesh, the company has installed an imported captive diesel generator plant with an aggregate capacity of 9.08 MVA at a cost of Rs 3.50 crore. The licensed capacity of the company to manufacture 10,000 TPA of ferro silicon has been re-endorsed to 15,000 TPA.

The company is embarking on a major diversification programme to manufacture 36,000 TPA of low phosphorous pig iron for which it has obtained the necessary licence. The project is estimated to cost about Rs 14.80 crore. The company proposes to import equipment for the project worth Rs 2.09 crore from the Soviet Union on 10-year deferred credit terms. The balance cost of the project is proposed to be met by the issue of debentures/bonds subject to the consent of the CCI.

NOTICE

LARSEN & TOUBRO LIMITED

It is hereby notified for the information of the public that M/s. Larsen & Toubro Limited propose to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of section 22 of the Monopolies and Restrictive Trade Practices, Act, 1969, for approval to the establishment of a new undertaking. Brief particulars of the proposal are as under:

1. Name and Address of the applicant	: LARSEN & TOUBRO LIMITED Registered Office: L&T House, Ballard Estate Narottam Morarjee Marg Bombay 400 038
2. Capital Structure of the applicant organisation	: As on 31.3.89
Authorised Capital	: Rs. 75,00,00,000
Issued Capital	: Rs. 60,74,88,440
Subscribed Capital	: Rs. 60,74,88,440
3. Management Structure of the applicant organisation indicating the names of the directors, including managing/wholetime directors and manager, if any	: The Company is managed by the Managing and Wholetime Directors subject to the supervision and control of the Board of Directors.

Names of Directors:

1. Mr. D.H. Ambani	— Chairman
2. Mr. M.D. Ambani	— Vice-Chairman
3. Mr. U.V. Rao	— Managing Director designated as Chief Executive Officer
4. Mr. S.R.R. Subramanian	— Managing Director designated as President
5. Mr. D.L. Pradhan	— Wholetime Director designated as Vice-President
6. Mr. S.P. Kashyap	— — do —
7. Mr. C.R. Ramakrishnan	— — do —
8. Mr. S.D. Kulkarni	— — do —
9. Mr. M.P. Wagh	— — do —
10. Mr. Y.H. Malegam	— Director
11. Mr. R.M. Gandhi	— — do —
12. Mr. Klaus Henseler	— — do —
13. Mr. A.S. Gupta	— — do —
14. Mr. S.E. Dastur	— — do —
15. Mr. S.S. Marathe	— — do —
16. Mr. S.N. Shende	— — do —
17. Mr. M.L. Bhakta	— — do —
18. Mr. A.D. Ambani	— — do —
19. Mr. N. Ganga Ram	— — do —
20. Mr. A. Binder (Alternate to Mr. Klaus Henseler)	— — do —

4. Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division	: The proposal relates to the establishment of a new undertaking which will form a part of Larsen & Toubro Limited.
5. Location of the new undertaking	: Krishnadevipeta, Visakhapatnam Dist., Andhra Pradesh. We are also prepared to consider any other location suggested by Govt. based on availability of raw materials.
6. Capital Structure of the proposed undertaking	: Same as that of the applicant organisation
7. In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/ articles, indicate	: :
i) Name of goods/ articles	: Sandy Alumina
ii) Proposed Licensed Capacity	: 1 million tonnes per annum
iii) Estimated Annual Turnover	: Rs. 470 crores at stabilised production.
8. In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover etc.	: Not applicable
9. Cost of the Project	: Rs. 1080 crores
10. Scheme of Finance, indicating the amounts to be raised from each source	: Rs. Crores
i) Term loans/ Debentures/ Foreign currency loans	: 810
ii) Internal Generation/ Equity Issue	: 270
	1080

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein

Dated this 25th day of August, 1989

S.D. KULKARNI
VICE PRESIDENT (FINANCE)

Calcutta Diary

A M

The cynics are still full of Tiananmen Square. One night at Tiananmen Square, however, does not constitute history. History takes a longer view of both heroes and traitors. Consider the case of Klaus Fuchs, who died some months ago in the GDR, full of, as they say, years and honours.

WHY turn into commonplace an issue of great philosophical import? True, the precise usage of the expression 'traitor' has always been a little uncertain; it was, and continues to be, a catch-all. One can be a traitor in the conventional sense, that is, to the nation. Traitors of this species, if one is to believe this country's prime minister, are dime a dozen; they therefore cease to be interesting. The reality is however hardly that simple. For one can be a traitor to friends too, or to a cause, or to an ideology—or at least to a particular interpretation of the ideology. The problem an ideologue faces—the classical problem, you might almost say—is over the decision he or she has to take; conscience no doubt is king, but what should be the verdict of conscience when the critical moment of decision-making arrives? Does one turn a traitor to one's country, to one's friends, or to one's ideology? By its very nature it is going to be an act of great betrayal, but whom does one betray, the cause, the country, or one's personal friends? Or could it be that one ends up by turning a traitor to each and all?

Consider the case of Klaus Fuchs, who died some months ago in the German Democratic Republic, full of, as they say, years and honours. Son of a liberal-minded cleric and a neurotic mother, Fuchs drifted from the youth wing of the Social Democratic Party to the Communist Party in his late teens, and escaped from Germany the day the Reichstag was set on fire in 1933. He ended up in England. The British establishment took care that this young refugee from Nazi persecution was provided with all the opportunities of higher education. Fuchs turned out to be one of the most brilliant theoretical physicists of his generation; he did research in Bristol, moved to Edinburgh, and ended up in Birmingham. On the commencement of the second world war, he was chosen to join the small group of scientists whom the government asked to carry on clandestine research on the problems of nuclear fission. Once the United States joined the war in December 1941, the separate British and American research activities, concentrating on unravelling the secret of the atom which could lead to the manufacture of a bomb of extraordinary destructive capability, were placed under a collaborative arrangement. Fuchs, who had meanwhile become a British citizen, was amongst the handful of British scientists who were sent across to New York to work on the now famous Manhattan project on the nuclear bomb. After a while, he was transferred to Los Alamos in New Mexico, where the actual work of assembling the bomb was taking place under the overall guidance of Robert Oppenheimer, culminating in that fearful, magnificent implosion in early 1945, to describe which Oppenheimer had to take recourse to the Upanishads: 'brighter than a thousand suns'. The atomic bomb arrived. It was duly detonated to annihilate Hiroshima and Nagasaki. Japan surrendered, the war ended, and Fuchs moved back to England to join the newly established atomic energy research laboratory at Harwell as head of its theoretical physics department.

Fuchs was a bachelor, a quiet, reserved individual, whom wives of colleagues liked to mother, in Bristol as well as Edinburgh, in Birmingham as well as Los Alamos, and later at Harwell. His scientific brilliance was widely acknowledged, and, despite apparent passivity on his side, relationships were formed and friendships established. None amongst his colleagues or their families knew, or even guessed, the secret he carried within himself. He had remained a communist all along, a passionate ideologue, who believed that the Soviet Union was the only hope for human civilisation. He therefore considered it his duty to pass on, on a regular basis, to representatives of the Soviet Union detailed information on the kind of work concerning the nuclear bomb that was being pursued in Britain and America. He had established contact with Soviet agents while in Birmingham itself, and he kept transmitting highly classified information, including detailed formulae and diagrams relevant to the manufacture of the bomb, from New York and Los Alamos. Contact with the Soviet agents thinned out when he joined Harwell, but it was not altogether terminated. It is largely due to detailed briefings from Fuchs that the manufacture of the Soviet bomb could be advanced by as much as a couple of years. In the time scale of the furious cold war that was on in the late forties and the early fifties, that was an incalculable gain for one side, and an incalculable loss for the other.

Fuchs was found out in 1950, after the Americans were able to break the war-time Soviet wireless code and unscramble the messages that had passed during the war years between Moscow and the Soviet embassy in Washington. Confronted with the charge of espionage, he straightaway confessed. He was almost anxious to come clean, and he came clean. It was at that time suggested that his readiness to confess was perhaps on account of his anxiety to save from trouble his colleagues and friends at Birmingham, New York, Los Alamos and Harwell, all of whom would otherwise have continued to be under the cloud of suspicion; he had already betrayed his adopted country, the country which had been so good to him, but he did not want to compound that guilt by creating difficulties for his friends who had, in good faith, accepted him in their bosoms. His affirmation that he operated on his own and had no collaborator would bail out all those who had, at some time or other, worked with him or offered him hospitality: this, Fuchs felt—at least it was hinted that this was how he felt—was the minimum he could do; besides, now that he was in any case

caught, acting in this manner would in no way compromise his ideology, so his conscience was clear on that score too. Fuchs made a full confession. He was sent up for trial and was given the maximum sentence under the relevant statute, rigorous imprisonment for fourteen years. One-third of the term was taken off for good conduct, and Fuchs was released at the end of ten years. He flew off to the German Democratic Republic, where he was received warmly and offered a number of prestigious academic and research appointments one after another.

Till now, it is almost a conventional story, an archetypal story of an espionage agent doing the work assigned to him, getting caught, being thrown to prison and quietly migrating on his release to the country on whose behalf he had spied. The only point of departure is the fact that Fuchs did what he did not on account of money, but because of ideological convictions.

This particular case however had other ramifications. Fuchs had confessed to the British authorities. Under the law, he could not be extradited to the United States, and the American administration was in no position to bring him to book. Fuchs nonetheless agreed to be interrogated, *in British prison*, by the American Federal Bureau of Investigations. Were he to refuse to be questioned by the FBI, the latter would have been in a jam. In fact, because McCarthy was already on the rampage in the United States, anti-American sentiments were ascendant in Britain, and there was an uproar in parliament at the news that the FBI was being allowed to interrogate a *British* prisoner. But since Fuchs had *volunteered* to speak to the American agency, the controversy died down in due course.

To the Americans too, he came clean. Once more, it could be that he was tortured by his conscience; he was perhaps afraid that, should he hold back anything, or provide the impression he was holding back, his former colleagues in the United States would not be left in peace by the FBI; that was the period when the American mind was obsessed by the theme of 'guilt by association'. The instant issue for him, then, was not to play Judas to his friends. In the process, though, Fuchs did something whose moral consequences keep reverberating till this day. Anxious to convince the agency that he was co-operating with it to the fullest extent, he identified for the FBI a photograph of his only Soviet contact in the United States, a person whom he knew as 'Raymond'. Thanks to the clue provided by Fuchs, 'Raymond' was tracked down; he turned out to be Harry Gold, a part-time chemist and part-time order-supplier residing in Philadelphia. Through Harry Gold, the FBI reached out to yet another Soviet atom spy, David Greenglass. And it is on the testimony of these two—testimony which, many suspect, was replete with perjury—that Greenglass' sister-in-law and her husband, Ethel and Julius Rosenberg, were sent to the gallows.

So it cannot really be said that Fuchs was able to work out the optimum solution to his moral problem. By the manner he co-operated with the FBI, he perhaps succeeded in saving his scientist friends in the states and their families from harassment and social ostracisation. But precisely because he did that, the Rosenbergs, whom he did now know and yet who were his ideological colleagues, had to die. He chose not to be a traitor to his firends. By virtue, of this particular decision on his part, he however chose to be a traitor to his ideology. Did he choose right? Was he, once having made the choice, at peace with his conscience? Even assuming his conscience ceased to persecute him—about which we do not know—the larger philosophical question remains: was he right?

Once the Fuchs episode reached its finale, at least one other point was clinched. Fuchs had a constructive responsibility for the deaths of the Rosenbergs, who, by all accounts, were magnificent communists, calm and strong and tenaciously loyal to their ideology till the very end. By the same measure, Fuchs was a lapsed ideologue; it was on account of the specific manner he resolved the dialectics of his conscience that two noble and worthy comrades were denied their further living. But the ideology, and the apparatus which supports the ideology, were forgiving enough. A comrade is liable to commit errors, even costly errors. He is a comrade nonetheless. At the end of his period of incarceration, Karl Fuchs, who had meanwhile been divested of his British citizenship, was not a lost soul. His comrades in the German Democratic Republic had shelter and research-cum-academic assignments ready for him. There was a fresh beginning waiting for him, a beginning which, gently and quietly, brought home the message that you and I might occasionally weaken and betray the cause, but the cause does not betray us, the cause is much more generous than our subjective alarums will induce us to concede.

The cynics will not agree. They are still full of Tiananmen Square. One night at Tiananmen Square however does not constitute history. History takes a longer view of both heroes and traitors.

APPOINTMENTS

Panchayati Perestroika?

V R Krishna Iyer

The lack of the required majority in the Rajya Sabha has forced the prime minister to stage a strategic retreat until the next session of parliament in October. This interval may be the time for a dissection of the much bruited panchayat and nagarapalika bills which are of common genetic code, structural mould and political goal.

THE sound and fury of the panchayati controversy has abated for a while. The euphoric clap-trap by the prime minister's claques in parliament, aided by the command performance of the electronic media and other engines of publicity, about the uniqueness of Rajiv Gandhi's eureka of panchayati raj, on the one side, and the epileptic opposition challenging, with dubious unity, the claim of 'Power to the People' as histrionic, not historic, as baloney, not bona fide, and screaming with alarm that state autonomy would be shot down by the central Czar using democratic decentralism as a deadly stratagem, on the other, leave the masses dazed and dumb. Because the prime minister's brute majority is short of the constitutional minimum by a few who have yet to be magneted into his fold, he has staged a strategic retreat until the next October session. This lucid interval may be time for an autopsy of the anatomy of the much bruited panchayat and nagarapalika bills which are of common genetic code, structural mould and political goal.

The claim made for the Constitution (Sixty-Fourth Amendment) Bill (and for the Sixty-fifth) is unbelievably breath-taking. Lord Rippon revived village panchayats of Rig Vedic vintage and feudal parentage. But its colonial mintage, under bureaucratic bondage, made for local bodies sans self-governing souls. However, for the cornerstone of the ideological edifice of local self-government, in its dynamic incarnation, we must turn to Gandhiji. Mahatmaji gave the message of gram swaraj as integral to poorna swaraj. Pandit Nehru, with his developmental concern, institutionalised panchayati raj, as an instrument, but with poor success. Indira Gandhi, with some scepticism though, imparted a participative dimension to it for socio-economic transformation, but the states did little justice to these self-governing units. And the third generation ruler, Rajiv Gandhi, with dauntless double-speak, now proclaims revolutionary salvation for the rural (and urban) masses through his panchayat and nagarapalika bills with an election-year yen for populism. In a passionate fit of (manuscript?) peroration, the prime minister told the House (on 7.8.1989):

> We seek through these bills to vest power in the only place where power rightfully belongs in a democracy—in the hands of the people.

If taken at its verbal value, the Russian October Revolution of 1917 will pale before this Indian October (?) Revolution of 1989. So let us scrutinise this serendipitous organ of grassroots democracy seriously, although the credentials of the author debunk his radical verbalism. For instance, did he, as president of his party, ever hold elections in recent years? Democracy must begin at home. Were the chief ministers from his party—or PCC chiefs, for that matter—mere Delhi impositions, with political puppetry writ large? Was his style of inducting and jettisoning central ministers an autocratic process? His imperious track record, from driving cars to performing in parliament and managing the nation's affairs as if it were India (Private) Limited, contradicts all known democratic norms. And how about the callous frequency with which he superseded state legislatures? However, when parliament debates a constitutional amendment we owe it to that great institution to discuss the issue responsibly. Not the playwright but the play it is that matters.

Certain fundamentals must be remembered before discussing the bill and the claims made for it. The Rig Vedic and medieval panchayati outfits of nostalgic fancy are casteist fossils and are irrelevances because the functional dynamism expected of them now is developmental participation, as a democratic right, geared to the new decade's challenges. Therefore, forget that boast first. The second factum is that the root concept of the panchayati system, as a unit of self-government, is derived from Gandhiji's vision.

> My idea of village swaraj is that it is a complete republic, independent of its neighbours for its own vital wants, and yet interdependent for many others in which dependence is a necessity... The government of the village will be conducted by the panchayat of five persons, annually elected by the adult villagers, male and female, possessing minimum prescribed qualifications. ... this panchayat will be the legislature, judiciary and executive combined to operate for its year of office.[1]

The credal essence of gram swaraj is its character as village republic, with elections based on adult franchise and powers judicial, executive and legislative adapted to that micro-level. Lenin's Soviet and Gandhi's *gram swaraj* are ideological comrades! The Constitution, in Article 40, has mandated, as a principle fundamental in the governance of the country, the organisation of panchayats endowed "with such powers and authority as may be necessary to enable them to function as units of self-government". Pursuant to this constitutional command, most states have legislated into existence panchayats of sorts.

Why was panchayati raj not made mandatory and operational but accommodated only as a policy directive, notwithstanding its Gandhian halo? Because Ambedkar condemned these feudal, feud-stricken, localist, communalist sinks of medieval vintage where the weaker sections were the victims. There were others too—perhaps, even Lal Bahadur Shastri—who were sceptical about these polluted organs for other reasons. A compromise formula (Article 40) was the conversion of the panchayati concept into a mere commendable project depending on time and circumstance.

Our founding fathers thus emphasised two factors. The first was that without a network, on a national scale, of units of full-blooded local self-government with participative power, a viable and vibrant democracy was impossible. So they made it fundamental in the governance of India. This political desideratum would be romantic farrago unless corrective attention was paid to the Ambedkar caveat against the reactionary, faction-riven, mafia-overrun composition of panchayat regimes. A socio-economic offensive, oriented on values of social justice, land distribution and human liberation are conditions precedent to gram swaraj. This is the meat of the matter. With all our boasts and all our hopes, gram swaraj will not take off until socio-economic egalite becomes a fact of village life. Even so devout an admirer of Rajiv Gandhi as Vasant Sathe recently wrote:

> To that extent it will become more democratic. But the pertinent question will be as to what power will these Panchas exercise in the day-to-day socio-economic life of the people or the community living in these villages. Unless this becomes clear, in our scheme of revival of the panchayat system, mere revival of the institution would not help and it would be a superficial and redundant exercise. The issue is so basic and big that the very magnitude of the problem scares the planners, economists and administrators and they want to skirt it and circumvent it by avoiding the issue. The tendency is just to think superficially and simplistically of providing an elected institution and making elections mandatory to these panchayats under a central law. The

fact that panchayat system has not succeeded and survived mainly because of its having become irrelevant to the socio-economic life of the village in an industrial society is conveniently ignored and it is being felt that merely by providing an elective institution, the problems of people living in village can be solved.[2]

Nehru, democrat, socialist and man of the masses and of tribals, knew this truth and its blistering absence in rural India. Singhvi's Committee neatly tells us:

> The Community Development Programme was launched in 1952. The blocks came to be established as units of development administration. The National Extension Service was established soon thereafter with a view to reinforce the administrative network to tackle the problems of growth and development at different local and functional levels. At that stage there was, relatively speaking, only nominal public participation through nominated representatives of the public. Soon, lack of public involvement and participation began to be perceived as an impediment in the successful implementation of the Community Development and National Extension Service Programmes. Based on that perception, the Second Plan document concluded that "unless there is a comprehensive village planning, which takes into account the needs of the entire community, weaker sections like tenant-cultivators, landless workers and artisans may not benefit sufficiently from assistance provided by the government". Referring to the aim of the National Extension Movement to reach every family in the village, the Second Five-Year Plan reported that in order to fulfil that aim it was necessary to have "an agency in the village which represents the community as a whole and can assume responsibility and initiative for developing the resources of the village and providing the necessary leadership. Indeed, rural progress depends entirely on the existence of an active organisation in the village which can bring all the people including the weaker sections mentioned above into common programmes to be carried out with the assistance of the administration."[3]

The fundamental error was the failure to realise the importance of village initiative, village democracy, village economics, village government without bureaucratic incubus, beyond simply being tools of developmental projects dictated by technological bosses and planning experts. This spinal weakness deprived panchayats of their dynamism and reduced them to caste cliques and politicised talking shops.

The Balwantray Mehta Committee (1957) cognised this fatal flaw and found that:

> Development cannot progress without responsibility and power. Community development can be real only when the community understands its problems; realises its responsibilities, exercises the necessary powers through its chosen representatives and maintains a constant and intelligent vigilance on local administration.[4]

It was with this objective that the team recommended an early establishment of statutory elective local bodies and devolution to them of the necessary resources, powers and authority.

The above committee commended a three-tier scheme and highlighted the following failings:

(1) The panchayats in general *do not truly represent all the elements in village life, including* the haves and *havenots*.

(2) There are *internal factions and feuds* which are sometimes of old standing. The *number of panchayats* torn by *factions* or in which squabbles are rampant *is large*.

Nehru, with crimson hope, inaugurated the new breed of panchayats in Nagaur on October 2, 1959 describing this experiment as "the most revolutionary and historical step in the context of new India".

The flush of great expectations faded when the momentum was lost and long procrastination of elections, frequent supersessions, flourishing political intrigues, slow decadence and disarray, with no devolution of powers coupled with financial starvation, functional ennui made these gram raj organs ceremonial ciphers, feudal pools of communal feuds and happy hunting ground of power-brokers.

A review of these pathological creatures by the Ashoka Mehta Committee (1977) revealed a lurid picture:

> In sum, an overview of the national scene would indicate that the activities of PRIs [panchayati raj institutions] were meagre, their resource-base weak, and the overall attention given to them niggardly... PRIs are dominated by economically or socially privileged sections of society and have as such facilitated the emergence of oligarchic forces yielding no benefits to weaker sections. The performance of the PRIs has been vitiated by political factionalism rendering developmental thrusts either warped or diluted. Corruption, inefficiency, scant regard for procedures, political interference in day-to-day administration, parochial loyalties, motivated actions, power concentration instead of service consciousness—all these have seriously limited the utility of panchayati raj for the average villager.

The committee, however, was not prepared to view panchayati raj as 'a god that failed'. It noted the following merits:

(1) Politically, it became a process of democratic seed-drilling in the Indian soil, making an average citizen more conscious of his rights than before.
(2) Administratively, it bridged the gulf between the bureaucratic elite and the people.
(3) Socio-culturally, it generated a new leadership which was not merely relatively young in age but also modernistic and pro-social change in outlook.
(4) From the developmental angle, it helped rural people cultivate a developmental psyche.[5]

This historical backdrop will be complete if we gather the present status of panchayats as grassroots sub-state units. Singhvi gives a lovely precis:

> After the Balwantray Mehta Study Team reported, legislation was enacted in different states except in the state of Meghalaya and Nagaland and UTs of Lakshadweep and Mizoram. According to the committee set up by the Planning Commission which reported in 1985, a three-tier system has been adopted in 12 states and 1 union territory, two-tier system exists in 4 states and 2 union territories. Electoral system also differs from state to state. In terms of structures, electoral procedures, powers and functions, there is a considerable variety in the panchayat institutions adopted by the states. There are, today, more than 2,17,300 village panchayats in the country covering over 96 per cent of about 5.79 lakhs inhabited villages and 92 per cent of the rural population of our country. There are about 4,526 panchayat samithis of different nomenclature at the block, taluka or tehsil level. There are about 330 zilla parishads covering about 76 per cent of the districts in the country; each zilla parishad has on an average 13 to 14 panchayat samithis and about 660 gram panchayats.
>
> Though there are variations from state to state, it may be broadly stated that the functions entrusted to panchayats include village roads, community wells, maintenance of public parks, tanks, irrigation works, public hygiene, drainage, and other civil services. In some states, they are also responsible for primary education and are entrusted with functions relating to rural industries primary health care, medical relief, women and child welfare, maintenance of common grazing grounds and other community lands and properties and provision of inputs of agricultural production. The extent and tempo of the involvement of panchayati raj institutions in basic planning and implementation of development projects is also subject to wide variations from state to state and even within the states. Most panchayati raj institutions appear to suffer from grave insufficiency of resources which generally devolve upon them from assignments in the land revenue and water rate, or additional surcharge on cess on land revenue and water rate and various grants by the state governments; in some cases revenue is derived from octroi and assignment of forest revenue. Some of the panchayati raj institutions also derive income from taxes on buildings and non-agricultural lands or from surcharge on stamp duty on transfer of immovable property. Variable in terms of yield, but not unimportant in the lives of Indians in rural areas, there are local taxes, fees, cesses, tolls, licence fees and other similar levies, on trades, industries, water supply, sanitation, lighting, markets, bazars, and *haats*, rest houses, bus stands, cart stands, camel parking, vehicle parking, animals, cattle ponds, fish ponds, slaughter houses, ferries, bridges, cattle grazing lands and commercial crops. The list of subjects on which levies may be made may not appear to suffer from brevity but the sum total of yields and collections do suffer from chronic paucity particularly in the context of the responsibilities which

are or ought to be entrusted to panchayati raj institutions and their significant bearing on the quality of life in our rural areas.[6]

These generalities apart, some poignant rural realities of village India and slum India need to be appreciated before assessing the panchayati paradise promised under the bill. There are around 160 million dalits (SC/ST) in our country whom we may call the Fourth World within the Third World. With them in mind Ambedkar observed:

> Thank God the Indian Constitution did not adopt the Indian village as the base of the constitutional pyramid of autonomous administrative units with its own judiciary, legislative and executive.

Could there be justice to the *pariah* in gram swaraj where it is controlled by superior castes? His allergy was to the Indian ghetto and the *antyajas* outside the Hindu social order. Is not this social horror still real in many states? Until that disappears, any power to the panchayat would only be aggravating the afflictions of the weaker sections. He dichotomised village demography into the upper classes and the untouchables, there being no democracy between the two. What haunted him was the persecution of the untouchables in the villages where they were rightless, disorganised, bonded labourers and suffered from the dependencia syndrome, where the dominant classes lorded over the life of the lower brackets. Graded inequality was the grim reality. Ambedkar's opposition surely will be shared by the scheduled castes and scheduled tribes and other weaker sections even today. The romantic picture of rural democracy was criticised also by Charles Metcalfe, a civil servant of the East India Company. After all, in all conscience, do not the 'touchables', the majority, live *in* the village, while the 'untouchables', the suppressed sector, live *outside* the village? Economically too, the touchables are powerful while the untouchables have the status of hereditary bondsmen. Where gross disparities, social and economic, handicap large groups, political panchayatism is opium. First things first.

On a deeper probe, Gandhiji's panchayati dream makes big assumptions, fulfilment of which is condition precedent to an egalitarian village management. His vision was naive:

> The government of the village will be conducted by the panchayat of five persons annually *elected by the villagers, male and female* possessing minimum prescribed qualifications. These will have *all the authority and jurisdiction required*. Since there will be no system of punishments in the accepted sense, this panchayat will be the legislature, judiciary and executive combined to operate for its year of office. Any village can become such a republic today without much interference...[7]

In *The Harijan* (July 28, 1946) he wrote:

> We must have a proper picture of what we want, before we can have something approaching it. If there ever is to be a republic of every village in India, then I claim verity for my picture in which *the last is equal to the rest*, or, in other words, *no one is to be the first and none the last*.[8]

He fiercely opposed caste and said that Hinduism and village swaraj would perish, if the curse of caste flourished. He stood for land distribution in panchayati raj and regarded zamindari as evil. Clearly, Gandhiji envisioned conditions of a casteless village with equal rights and elected panchayats, without prescriptions from above and condescension from the apex. Once these prescriptions and proscriptions become actualisations, his notion of village republics may become acceptable. But in Rajasthan and Bihar, not to speak of other states, untouchability is a blistering fact of life where women are sold or are slaves or face sati or devadasi fate. It is dangerous to dabble in glittering slogans, departing glibly from rural poignancies.

Symbolic of the sombre lot of dalit women *even* today is the prevalence of bonded labour and worse, the carrying of wet human excreta by SC women. *The Deccan Herald* reported recently:

> According to Mr N M Adyanthaya, INTUC president, on June 14 in Bangalore the prime minister gave "an assurance that the union government will enact a law banning the carrying of night-soil throughout the country.

What does it matter for a chandala girl, whose little wage is earned by carrying head-loads of wet human excreta, or for a bonded labourer who survives on a landlord's estate, to be a harijan benamidar on the panchayat board with reflex actions when kulak bosses send signals? The hard realities and harrowing inhumanities writ large on Indian social life must condition the revitalisation of panchayati raj.

The Problem

It is a categorical imperative of the rural dynamics of development and democracy that the masses must participate *as of right* in the processes of self-government and planned development. The saga of village India has been surrender to social injustice through the centuries. Today the twaddle about the 21st century and high-tech miracles apart, India lives in her villages and villages live simultaneously in several centuries. People's involvement in national reconstruction is *non est*. Power to the people today means, in many states, power to the caste leader, latifundist, local contractor, political power-broker, lumpen goonda, smuggler, racketeer, and mini-mafiosa. When you reserve seats for scheduled castes and tribes in villages with dominant classes, middle men and dadas, it gives scope for stooges. The name of the game is puppetry. If they revolt they will be shot. In Bihar—and other states too—if the village dalit demands minimum wage he is liquidated. If the bonded family is released by court or other officer, rehabilitation money is swallowed systematically by operators and the family is back in servitude. If the tribal asks for his forest land his life is lost. If he agitates, the police-landlord coalition breaks his back. If women in sati country or devadasi district or where tribal girls, as in Madhya Pradesh, are trafficked in weekly fairs, how can they be free in reserved seats? The consequence may be fatal. If the untouchables in Rajasthan or elsewhere seek entry into Nathdwara or some other temple their life will be in peril. The panchayat power too is untouchable and unapproachable for these primitives, except as puppets. By way of aside, is it not a fact that *sati* persists and *sati* shrines flourish? Is it true that the prosecution of the rabid caste-Hindus, who attacked the harijans when they marched into Nathdwara, has been since dropped? Who has faith in your law where the lawless get away with it? Land reforms are a dead letter in Rajiv Gandhi's India; implementation of ceiling on urban land is tokenism, these laws being but a paper tiger. The villagers are socially meek and politically weak. In this noxious landscape, elections lose potency and candidature is benami; women and dalits suffer the dependencia syndrome. More money to panchayats and more power to sarpanches means more power to the power-brokers, more money to middlemen. Panchayati raj has alcoholic potential in primitive societies and mafia politics. A quantum jump from the currently illiterate backwardness and communal domination, aggravated by proprietariat pressure over the proletariat, to the basic decencies of politics and guarantees of human dignity, distributive justice in land ownership, gender justice, collective will to demand the civil rights minima under the law—until this desideratum is actualised in law and life, gram swaraj is a tantalising mirage. The criminalisation of politics and politicisation of criminalistics add gravely to the terrorism of gram raj.

At this stage, one may usefully formulate the conditions on the ground and the imperatives of a prospective legislation to establish a fair rural deal.

Panchayati raj, as such, is a national component of democratic decentralisation—a consummation devoutly to be wished. Currently, the nation suffers from over-centralisation *vis-a-vis* the states. The union list is being gradually aggrandised by taking over more items from the State List beyond what the founding fathers considered good. Indian constitutionalism, over the decades, has been gradually gravitating towards the vanishing point of federal jurisprudence. When suddenly the prime minister, the prime culprit of super-centralism, pleads for decentralism he is suspect. Panchayats fall within Item 5 of List 2 (State List). Everything to renovate, revamp and restructure panchayats and nagarapalikas is even now within the legislative power of the states. The Sarkaria Commission, alive to the

denudation process, has not suggested any constitutional amendment for strengthening local bodies *except as a last resort*. A model national bill, circulated to the states, may well work the trick if financial baits and other pressures are applied. This is a familiar method. Secondly, it is possible to persuade a few states to move under Article 252 and enable parliament to legislate for the states on panchayati raj. These have not been tried and there is no particular hurry to rush through a constitutional amendment on a matter which is the primary concern of the states. National consultation, not confabulation with collectors, country-wide debates involving economists, jurists, sociologists, politicians, activist groups among tribals and women and other experts are the prerequisites. Hasten slowly, not hurry suspiciously, if broad consensus, not bulldozed legislation, is the desideratum. When a megalomaniac in protem power weeps for gram swaraj Dr Johnson's wit comes to mind. If a butcher says his heart bleeds for his country (says Dr Johnson), be assured, there is no uneasy feeling in his bosom! Even so, some good grounds are given in the prime minister's speech in parliament which we must examine objectively. The reasons given are that the states are guilty of not holding regular elections and of superseding indiscriminately local bodies whose terms have not expired. The reasons for these aberrations are often political. There is force in the prime minister's argument that:

> The essence of democracy is elections. Elections to panchayati raj institutions have been woefully irregular and uncertain. A mandatory provision in the Constitution is sacrosanct. A statutory provision in the state law does not have quite the same sanctity. We propose through this bill to enshrine in the Constitution regular, periodic elections to panchayati raj institutions. We also propose through this bill to end the other sickness which has overtaken panchayati raj in many parts of the country, that is, the sickness of unending suspensions and dissolutions. In the absence of any compelling provision to re-constitute panchayats within a reasonable period of time by democratic elections, suspended panchayats have remained suspended for years on end and dissolved panchayats have remained dissolved for up to a decade or more. In the existing municipal law on the subject state legislatures have given the executive authority such wide powers to abort the institutions of panchayati raj, and delay reconstituting them that these institutions have been leached of their ability to stand on their own as representative forums of the people's will. Their existence has depended less on the mandate of the people than on the whims of state governments...
>
> Our bill would make it mandatory through the constitution for all panchayats dissolved before the expiry of their term of office to be reconstituted through democratic elections based on adult suffrage within six months of the dissolution to complete the remaining term.[9]

Culpability in postponement of elections and superseding panchayats, etc, belongs mainly to the Congress governments and it is regrettable that the president of the Congress Party, whose royal fiats have been taken lying down by his party echelons, should now feel that he cannot persuade his party governments to become paradigms and hold periodical elections to panchayats and must, therefore, resort to constitutional compulsions by way of amendments with so much song and dance as if he were history's Columbus, since Lenin, to discover People's Power. There is motivationally more than meets the eye in this matter. Even so, let us assume that the delinquent states, Congress or non-Congress, deserve to be disciplined into holding periodic elections and must be forbidden from superseding recklessly and for long. A constitutional amendment may, to this limited extent, be the only option. Truly evasion of polls to local bodies is a besetting sin of most ruling parties.

Political puerility is writ large on the proposed amendment. While the constitution, though paramount, is not immutable, its amendment is not a plaything for political juveniles nor a stratagem to obliterate the Legislative Lists wrought, after careful thought, by our founding fathers. Is it not unfair to our Constitution to monkey with it as often as some cerebral irritation provokes a supremo to chop or change its provisions through instant amendments? Is it not injustice to the *supreme lex* to weaken the extant state autonomy and directly reach down to grassroots clientele to gain political mileage and tempt the rural proletariat with slogans like Power to the People and paradise for the unemployed.

Nevertheless, why not restructure *gram* democracy, make it real and seize power for the pariahs of society through dialectically engineered panchayati perestroika?

Notes

1 *Harijan*, July 26, 1942.
2 Vasant Sathe, 'Panchayati Raj: Its Validity', *Yojana*, January 26, 1989, p 16.
January 26, 1989, p 16.
3 Department of Rural Development, Draft Concept Paper on Revitalisation of Panchayati Raj Institutions, November 28, 1986, para 3.4.
4 Ibid, para 4.1.
5 Quoted in *Bhavan's Journal*, Vol 35, No 24, July 31, 1989, p 44.
6 Department of Rural Development, op cit, paras 4.4 and 4.5.
7 M K Gandhi, *Socialism of My Conception*, 1966 edn, p 140.
8 Ibid, p 143.
9 Proceedings of the Parliament, May 15, 1989.

Bullets instead of Rice

In the evening help came to the starving people in the form of gun-toting CRPF men. They began brutally attacking the women with rifle butts and then opened fire on the defenceless crowd. The chief minister of Tripura justified the CRPF action, claiming that there was no other alternative.

THE first day of the monsoon session of the Tripura legislative assembly was marked by a storm of protests, by the opposition Left Front members, over the cold-blooded action of the CRPF at Damcherra village in North Tripura district on July 27, which left four starving people dead and injured nine others, for their 'heinous' crime of asking for rice free of cost after enduring starvation for months on end.

Like the other interior areas of Tripura where the tribal population predominates, Damcherra, a sleepy little tribal hamlet, in North Tripura district has been reeling under an acute food shortage over a year now. The all-pervading food crisis besetting Tripura is no doubt due, partially at least, to her lack of self-sufficiency in food production. The central government too cannot be absolved of the crime of keeping the state on the brink of starvation by systematically depriving it of its quota of rice. Needless to say, the coalition government, instead of demanding its rightful share has been maintaining a subservient silence at this discriminatory treatment and has been taking care to sustain the illusion of a fairly comfortable food stock position everywhere in the state. However, the acuteness of the crisis, especially in rural areas, is the creation of the corrupt ration shop dealers owing their allegience to the Congress(I). Taking advantage of the scarcity of rice, they sell their quota in the black market at exorbitant prices while the poor people do not get rice at fair prices from the ration shops. Obviously, these machinations take place with the blessings of the powers that be. Aggravating the already critical situation in the hilly interior of the state is the total non-availability of work for the rural poor under poverty alleviation schemes despite the much-touted Jawahar Rozghar Yojana. The total indifference of the coalition government to its responsibility of giving work and providing the poor with a source of income has led to the latters' lack of purchasing power and made their crisis all the more acute. It has been reported that at least 20 starvation deaths have taken place in the state since the coalition government took over. The firing on unarmed and starving people by the police and the CRPF in Damcherra on July 27 is the culmination of the long saga of starvation and death that has stalked the state during the last 18 months of Congress(I)-TUJS misrule.

Damcherra village is a marketing centre in Kanchanpur block in North Tripura district and adjoins Mizoram. Along with other remote tribal villages in the block, it has been reeling under an acute food and work shortage for the last one month at least. Although records show that rice has been procured regularly from the food godown at Damcherra, by the local ration shop dealer, who is a known Congress(I) henchman of the area, the ration card holders have been unable to get rice from the shop, which is open only once a week. According to the local people, the rice from the ration shop has regularly found its way to the black market in Dharmanagar, the nearest town, where rice fetches an exorbitant price. So, the ration card holders at Damcherra have to come away empty-handed most of the time, even when they are lucky enough to have enough money to buy their rations. In Damcherra because of the lack of work in the area, it is impossible for the people to afford even ration rice when it is available. Obviously, buying rice at black market rates prevailing in the Damcherra market is out of the question for them. It is alleged by the local people that the empty shelves in the ration shop at Damcherra are due to the fact that the chief minister of Tripura had removed ten tonnes of rice from this ration shop and, accompanied by the ration shop dealer, had taken a helicopter ride to Mizoram to distribute this rice to the voters there as a part of the Congress(I)'s election campaign in the state. The wheeling and dealing allegedly indulged in by the ration shop dealer because of his high political connections does not seem to be a fabrication because he has amassed a huge fortune far in excess his legal earnings.

Be that as it may, the fact remains that unable to bear their near-starvation condition any more, about six to seven hundred starving tribals of Damcherra and surrounding villages, irrespective of their political affiliations, had staged a spontaneous march to the Damcherra police station (the only government office in the area) at 11.00 a m on July 27 to ask for free rice to feed themselves and their starving children. Although no political party had organised the rally, a local TUJS leader took the responsibility of acting as the mouthpiece of this motley crowd. The OC of the police station, pleading his inability to meet their demand, sent a radio message to the SDO at Dharmanagar and the DM at Kailashahar asking for instructions. He received a wireless message from the SDO of Dharmanager giving an assurance that men would be sent to Damcherra within two to three hours. The hungry crowd then slowly moved towards the Damcherra food godown after requesting the police authorities to register their names for the issue of two kgs of rice per head and waited patiently for the SDO's men to bring them relief. It was only at 5.30 p m that help came to the starving people in the form of a truck load of stengun and SLR weilding CRPF men under the leadership of the SDPO. On seeing the kind of help that had been sent, the waiting crowd naturally became upset. It is possible that a few stones were thrown at the armed men and attempts were made by some hungry women to break open the doors of the godown as the crowd was at the end of its tether. The CRPF retaliated brutally by suddenly attacking the women with rifle butts and then firing indiscriminately on the unarmed and fleeing crowd with the intent to kill. This is obvious from the fact that most of the injured and the dead were shot in the back and not in the leg. The firing was not preceded by a lathi charge or the bursting of tear gas shells.

While talking to pressmen at Calcutta airport on his way back to Agartala from Delhi, the chief minister justified the action of the CRPF, claiming that there was no alternative but to fire on the mob which was intent on murdering the paramilitary and police personnel under the leadership of the CPI(M). He did not even care to find out what had actually happened at Damcherra when he was away in the capital. It is believed that Nagendra Jamatia, the TUJS minister in the coalition ministry, who was the acting chief minister, had ordered the firing on the starving and unarmed tribal men and women though his party ostensibly upholds tribal interests.

A disinformation campaign was also cleverly mounted by the government against the CPI(M)-dominated ADC for the chronic food shortage prevailing in the Damcherra area, although providing work to the people and food in the ration shops, in the ADC areas, falls within the jurisdiction of the state government. Moreover, the ADC has been drawing the attention of the state government to the acute food crisis prevailing in the Kanchanpur area and has been taking measures to ease the situation within its limited powers.

Never before in the history of Tripura has such a cold-blooded murder of innocent and starving men and women taken place for the 'crime' of wanting food. The Left Front as well as the TUJS and the TNV supremo, Bijoy Warangkhawl, are all demanding a judicial enquiry into the incident. The guilt of the government is proven, not only by its action in the house on the first day of the monsoon session of the assembly, but also by the fact that it is dead set on covering up the incident with a magisterial enquiry conducted to safeguard the interest of the government and hide the truth.

Worsening Balance of Payments

The persistent strains in the balance of payments reflects the incapacity of the economy to reduce the import surplus not by curtailing investment and the level of economic activity but by raising the rate of domestic saving.

THE current account deficit on India's external payments which had widened to Rs 5,030 crore in 1986-87 from Rs 2,317 crore in 1981-82 deteriorated further to Rs 6,293 crore in 1987-88, according to the latest annual series on balance of payments statistics published by the Reserve Bank of India in its April 1989 *Bulletin*. The data are stated to have been presented in a 'revised format' but nowhere has the nature of the revision been explained except for a footnote to the effect that "some more details have been provided with effect from October 1984 issue of the *Bulletin*". How does the inclusion of additional information amount is a change in format?

In relation to the Gross Domestic Product the balance of payments deficit now stands higher at 2.1 per cent, having risen from 1.6 per cent in 1981-82.

The widening of the deficit was brought about by a decline in the net invisible receipts from Rs 3,524 crore to about Rs 3,000 crore in 1987-88, even as the deficit on merchandise account narrowed to Rs 9,296 crore from Rs 9,354 crore, reflecting a slightly faster rise in exports. The value of imports on government account during the year was higher than that on private account. However, compared with the level in 1981-82, value of imports on private account showed a spectacular rise from Rs 5,257 crore to Rs 12,643 crore or by about 140 per cent (see table). The imports on government account rose by 51 per cent in the same period. Yet the balance of trade on private account showed a higher surplus of Rs 3,753 crore than Rs 1,918 crore in 1986-87. Thus the deficit on trade account continues to be made up of increasing imports on government account.

The major support to the balance of payments is provided by 'private transfer payments', an important invisible item on the current account. These receipts are predominantly repatriation of savings and remittances for family maintenance by Indian nationals abroad. The net receipts under this head were Rs 3,498 crore in 1987-88, up from Rs 2,976 crore in 1986-87 or Rs 2,221 crore in 1981-82. Investment income, which is largely in the nature of interest and discount on foreign exchange reserves held by the RBI slipped to a deficit of Rs 1,249 crore in 1986-87 and of Rs 1,734 crore in 1987-88. This item was in surplus to the tune of Rs 339 crore in 1981-82, although foreign exchange assets held by the RBI at that time were lowest in the past 12 years at Rs 3,354 crore. The negative position that has emerged in recent years is largely on account of higher outflow of interest and charges to the IMF, on loans received as part of external assistance, on external commercial borrowings by Indian enterprises and on FCNR deposits. As the details on the capital account reveal, there has been a marked rise in liabilities due to inflow of capital on both private and official account, entailing larger investment income payments. Net receipts on account of tourism was higher at Rs 1,368 crore as compared with Rs 1,236 crore in 1986-87. Net income from transportation which includes freight on exports, remittances received from Indian steamship/airline companies and Indian branches of foreign steamship/airline companies, etc, was in deficit to the tune of Rs 246 crore as compared with Rs 60 crore in 1986-87.

The capital account of the balance of payments indicates the manner in which the deficit on the current account is funded. The capital account also throws light on transactions relating to India's foreign financial assets and liabilities. The data are classified into three broad sectors: (a) private, (b) banking, and (c) official. There has been a significant rise in the capital inflow on private account in recent years. Between 1981-82 and 1987-88, the rise in such inflows was from Rs 118 crore to Rs 2,238 crore.

Larger long-term loans to private enterprises and institutions, commercial loans raised by the non-financial private sector, commercial borrowings of non-banking financial institutions such as the ICICI and deposits received under the Non-Resident (External) Rupee accounts and Foreign Currency (Non-Resident) accounts (excluding interest payment on them) are the major factors responsible for the sharp jump in net capital inflows on private account. Net inflow of official capital representing loans and credits granted by foreign governments and international institutions to government of India and state governments, external borrowings by public sector undertakings and loans from the IMF Trust Fund was also sizeable at Rs 6,831 crore as against Rs 1,257 crore in 1981-82. With regard to the liabilities to the International Monetary Fund there was repayment to the tune of Rs 1,209 crore in 1987-88 in contrast to net drawal of Rs 602 crore in 1981-82.

It may be parenthetically pointed out that the changes in the balance of payments position presented here in terms of rupee values are exaggerated both on the credit side and the debit side by the significant depreciation of the external value of the rupee. Between 1981-82 and 1987-88 the Indian currency fell against the dollar by 32 per cent, the pound by 33 per cent and the German and Japanese currencies by 50 per cent and 65 per cent respectively.

Many dark areas are discernible in India's external payments scenario. Faster rise of imports (140 per cent in the past six years) than of exports (111 per cent) on private account together with the rise in imports on government account have led to a 52 per cent rise in the trade deficit which was about 3.2 per cent of GDP at current prices, with imports around 9 per cent of GDP and exports about 5 per cent. Higher imports with a depreciating rupee have added to domestic inflation and raised the cost structure. This experience should serve to emphasise that an exchange rate depreciation is not the short-cut to achieving and maintaining a competitive position in world trade that it is often thought to be. The support provided by the surplus on the invisible account is rather tenuous as it is largely based on private transfers and to some extent on tourism. There is now a net outgo of foreign exchange on account of all other current account transactions. The rising net outflow on 'investment income' account is indeed especially worrisome. This seems to be the combined effect of the progressive substitution of low cost official capital with high cost private capital (including foreign currency deposits) and the decline in the level of foreign exchange reserves.

The balance of payment deficit is equal to the excess of domestic investment over saving. In the larger context, the persistent strains in the balance of payments reflects the incapacity of the economy to reduce the import surplus not by curtailing investment and affecting economic activity but by raising the domestic savings rate, creation of surpluses of exportable commodities and import substitution.

TABLE: CURRENT ACCOUNT OF INDIA'S BALANCE OF PAYMENTS

	1981-82	1987-88
I Merchandise Account Deficit (a − b)	−6121 (4.2)	−9296 (3.1)
(a) Exports	7765	16396
Private	7765	16396
Government	—	—
(b) Imports	13886	25692
Private	5257	12643
Government	8629	13049
II Invisible Surplus (a − b)	+3804	+3003
(a) Receipts	5812	9278
(b) Payments	2008	6275
III Current Account Deficit (I + II)	−2317 (1.6)	−6293 (2.1)

Note: Figures in brackets are percentages of GDP at current prices.
Source: Reserve Bank of India.

Humbling the Mighty: A Small Beginning

Sujit K Das

Due to pressure from various national and international campaigns, the government of India banned 25 categories of drugs in 1983. Affected companies obtained stay-orders from different high courts and continued to market their harmful drugs.

COME, let's boycott these five anti-social drug companies. This slogan took shape after the All India Drug Action Network (AIDAN), a national platform of drug action groups, decided to launch a boycott campaign against recalcitrant drug companies who are bent upon marketing unscientific hazardous drugs which were banned by the government of India (GOI). Drug Action Forum, West Bengal (DAF), a constituent of AIDAN, has not limited this boycott-call to mere press statements. DAF has approached various organisations of the medical profession, mobilised the grassroots organisations of people's science movement and health movement, motivated a number of trade unions, and spread the message over the state of West Bengal with posters, leaflets, street corner meetings, etc. The campaign quickly gained momentum and made tangible impact. But let's briefly recount the sequence of events, to provide the context.

Background

Though medical science recognises about 500 drugs, the Indian market sells more than 60,000 items of drugs. Unbelievable but true. Due to pressures from various national and international campaigns, the GOI banned 25 categories of drugs in 1983, on the ground of these being irrational and hazardous. A few affected companies obtained stay-orders from different high courts and continued to sell their harmful drugs. Meanwhile in the same year, a public interest litigation had been filed by a lwayer, Vincent Panikulangara, in the Supreme Court demanding banning of all drugs identified as irrational by the statutory body, Drug Consultative Committee. True to the spirit of the Indian judicial system, the cases in the high courts and Supreme Court dragged on. When the latter case was eventually taken up for hearing in November, 1986, the Supreme Court expressed its shock and indignation at this inordinate delay. Justice R N Misra asked the GOI, "What steps are you taking to show your concern for public health? So long as you were not aware it is alright. Thereafter it is murder."

The justices of the division bench expressed surprise that 'the high courts should have granted stay orders in such matters' and came down heavily on the union ministry of health, the Medical Council of India, the Indian Medical Association and the drug controllers of states, observing that they have, 'betrayed complete lack of interest in public health and welfare' by not filing any reply for over three-and-a-half years since the court notice was served on them.

After speedy hearing, the Supreme Court delivered its judgment on March 3, 1987: A few relevant comments from the judgment:

> We must at the outset clearly indicate that a judicial proceeding of the nature initiated is not an appropriate one for determination of such matters... The technical aspects which arise for consideration in a matter of this type cannot be effectively handled by a court. Similarly the question of policy which is involved in the matter is also one for the union government—keeping the best of interests of citizens in view to decide. No final say in regard to such aspects come under the purview of the court... We would like to indicate that it is for the government on the basis of expert advice to decide whether use of poisonous medicine may not be reduced; afterall administering the warning is not a sufficient excuse to circulate poison by way of medicine.

Referring to the government ban orders remaining inoperative on account of injunctions granted by high courts, the judgment said:

> We have, therefore, thought it proper to suggest that the central government may get impleaded in the pending proceedings, if they are already not parties and apply to the high courts. We sincerely hope that when any such application is moved before the high court where a dispute of this type is pending, the high court would make every endeavour to expedite the disposal of the proceedings and have the same disposed of as early as possible and preferably within a period of two months from the date when it is approached so that the dispute may end. If there be any difficulty in giving effect to this part of the judgment, the central government has leave of this court to make an appropriate application for directions.

Present Case

In November 1986, the GOI, announcing certain new measures in its revised drug policy, said that,

> Among other things it would go into the question of rationalisation of existing formulations in the market including the banning of formulations of harmful nature and better control over introduction of new drugs

and disclosed that one of the measures would be 'banning of non-essential and harmful drugs'. Accordingly in October 1987, the 'sub-committee to weed out irrational/harmful formulations' proposed banning of 12 categories of drugs and held hearings with the concerned drug companies giving them ample time and opportunity to make their defence. In November 3, 1988, the GOI banned two categories of drugs—fixed dose combination of chloramphenicol with other drugs and fixed dose combination of corticosteroid with other drugs—on the grounds that these drugs have no therapeutic justification and their use is likely to involve risk to human beings. These two categories of drugs are sold in the market in a few dozen trade (brand) names, each company selling its product under its own fancy name. Five drug companies, viz, Dey's Medical, Roussel, Mac Lab, Lyka Lab and Indoco Remedies promptly obtained stay orders from different high courts and continued marketing. True to their earlier conduct, the drug control authorities of the central and state governments have not shown much enthusiasm in fighting the cases in the courts during the last nine months. Finding no other way to save the lives of innocent consumers, the drug action groups have called for a boycott of all products of these five companies until they stop marketing their harmful drugs.

Why Banning?

Fixed dose combination of chloramphenicol with streptomycin (CS) is recommended by the sellers for the treatment of diarrhoea and all sorts of gastro-intestinal infections. The leading brands are Enterostrep, Lykastrep, Chlorostrep, Streptoparaxin, etc. Fixed dose combination of corticosteroid with other drugs (CX) is promoted for umpteen varieties of ailments including asthma and allergic disorders. The leading brands are Cortasmyl, Betneton, Histapred, Perideca, etc. All these formulations are neither mentioned nor recognised as 'drugs' in the text books of medical science and hence, are not taught to the medical students. These are the inventions of the traders who teach the doctors about its virtues. CS is not effective against diarrhoea; chloram-

phenicol can cause aplastic anaemia, a fatal side effect; indiscriminate use of chloramphenicol may lead to drug-resistance of micro-organisms which might and do cause fatal epidemics. That is why, in medical science, chloramphenicol is strictly recommended for use against only typhoid fever and certain other uncommon infections which do not respond to other anti-infectives. CX is also an unscientific drug, not recognised by medical science. Corticosteroid is a very useful drug, often life-saving, but causes serious, sometimes irreversible, side effects. When combined with other drugs, patients are frequently administered those other drugs with simultaneous consumption of corticosteroid though the latter is not needed. Hence corticosteroid is never recommended for use in fixed dose combination with any other drug. In India, there is no system of reporting or recording adverse reactions from drug consumption, but even then adverse reactions due to CS and CX have already been reported and widely known in academic circles. Hence, the ban.

Impact of the Campaign

Two years ago, DAF sent an appeal signed by 270 doctors to 52 drug companies to stop marketing of CS. Only two multinationals—Parke Davis and Boehringer-Knoll—responded by withdrawing their brands of CS (Chlorostrep and Streptoparaxin respectively) from the market, but the Indian manufacturers simply ignored it. Soon after the present boycott launched by DAF, representatives of Dey's Medical Company met DAF and appealed that since Dey's Medical is a Bengalee company and DAF also being a Bengalee organisation, the boycott campaign should stop; Bengalees should not jeopardise the vital interest of fellow Bengalees. Being unable to persuade DAF with such argument and alarmed at the adverse effect caused to the business as DAF's campaign gained momentum, Dey's Medical served a legal notice on DAF in July, 1989 stating that unless DAF immediately stops the campaign, the company 'shall be left with no alternative but to seek legal remedy including claim for heavy damage'. Undeterred, DAF has intensified the campaign. On the credit side, however, Mac Lab (CS) and Indoco Remedies (CX) have informed that they have stopped marketing their harmful products and DAF has exempted them from the boycott. Lyka Lab (CS) has informed that they have stopped manufacture but is continuing the sale with the object of clearing the accumulated stock. Boycott of Lyka Labs is continued. Roussel has not yet responded.

Quo Vadis?

A simple action of banning of harmful pseudo-drugs and thus getting rid of a constant threat to the lives of masses of unsuspecting people has now turned into a very complicated matter. Consider the roles of different parties. In the context of the judgment of the Supreme Court referred to above, the high courts' action in issuing stay orders appears to be patently injudicious. Even ignoring the said judgment, the high courts' decision is exceptionable. When a doubt is raised regarding the safety and efficacy of any consumer product—and more so in case of drugs, what does a sensible person do? Use of the commodity is stopped forthwith and then investigations are conducted to find out the truth. Only after it is established that the doubt is baseless and the commodity is safe, consumption is resumed. But what the high courts did was to remove the barrier against circulation of the drugs whose safety and efficacy has been questioned and have thereafter allowed the contending parties to argue their cases to decide whether the drugs were really safe or not. One pertinent question has been raised in concerned circles: will the honourable judges or for that matter, the management personnel of the concerned companies now dare to consume these drugs themselves or recommend these for their relatives? Be that as it may, let us face the reality. The drugs, which are not recommended by the text books of medical science nor taught to the medical students, which do not find any place in the WHO list of essential drugs, which defy all principles of rationality, which are found to cause fatal side effects, which are not registered for marketing or sale in any country where a comprehensive drug legislation is implemented, and which are banned even in Sri Lanka, Pakistan, Nepal, Bangladesh, etc, are allowed to be sold here in India with the aid of the judicial process. Other abetting parties are the authorities of the central and state governments. These authorities issue licence to unscientific drugs, then, under pressure from scientific opinion, ban those drugs, and show extreme reluctance to fight legal battle when the ban-orders are rendered ineffective by stay-orders of courts. In the context of the above-mentioned Supreme Court judgment, the GOI's reluctance to take the matter over to the Supreme Court is also inexplicable, unless one suspects that the state bureaucracy is in league with the machinations of the drug companies. The medical profession is also a party to the crime. The conduct of the medical profession in the matter of promoting unscientific harmful drugs is scandalous, to say the least. The medical profession not only provides legitimacy to unscientific drugs but, in general, acts hand-in-glove with the unscrupulous drug companies in subjecting innocent patients to fatal risks for sheer commercial gain. Even now, leading personalities of the medical profession shamelessly represent drug companies in public forums. The moral degeneration of the profession will be apparent from a single example. A leading gynaecologist of national repute defended one drug company's stand against banning of the dangerous drug E-P Forte in a public hearing, though in the popular text book on Gynaecology authored by him, E-P Forte has not been recognised as a drug. It is only recently, that consumers have ceased to remain mere silent-victims and come forward to fight for their rights. This boycott programme has no precedence except one abroad when, a few years ago, the medical profession in the Scandinavian countries boycotted Ciba-Geigy and forced the multinational to concede defeat. Boycott appears to be the last resort available to the drug action groups, to protect the lives of the consumers. DAF, however, has not envisaged the boycott programme to be taken up and faithfully implemented by the entire medical profession, nor does DAF expect to carry the message through to the vast number of consumers. The expectation is limited and it has borne fruit. Two companies have already retreated, a good number of doctors have been persuaded to see reason and join the boycott programme, a hue and cry has been raised by the mass media, particularly the news dailies, and the authorities are facing embarrassing questions. The mighty drug companies and powerful forces like the government and medical profession now see that the days of their unchallenged reign are gone. The drug industry will, henceforth, face exposure and resistance, and its happy hunting ground of profit-making at the cost of human lives is now under threat. It is a lesson for all social action groups to learn. A note of caution, however. It is only the beginning. Even if the present boycott programme fully succeeds, the struggle does not end there. The Indian market sells numerous unscientific harmful drugs.

Workers, Unions and 'Sick' Industries

A Case

Basudev Ganguly

The story of how owners and unions colluded behind the backs of the workers to liquidate a 'sick' industrial unit, in the process contravening the Calcutta High Court's explicit directives.

ONE of the biggest aluminium fabricating companies in this part of the world used to be Aluminium Manufacturing Company (AMCO) situated at 2 Jessore Road, Dum Dum, Calcutta. Some 1,100 workmen were working in the company on May 13, 1984 when it was closed down. In July 1986 the Industrial Reconstruction Bank of India, the United Commercial Bank and the State Bank of India appealed to the Calcutta High Court to permit sale of the company's movable and immovable assets to enable them to recover their dues. In response to the appeal the court arranged for the company to be auctioned by notice.

On July 3, 1987 a company called Oriental Sales Agency (which had been floated just on May 12, 1987) bought AMCO with a bid worth Rs 1.5 crore which had been actually lower than another offer of Rs 2 crore made by Amar Steel Industries. Justice Manjula Bose of the Calcutta High Court accepted OSA's offer because it agreed to all the conditions imposed by the court. In the court's own words, "the court made it clear to all the intending purchasers who appeared before the court that the sale was to be for the purpose of running the factory in as much as the workers' interest was required to be kept intact and the factory could not and would not be allowed to be dismantled for the purpose of selling the same in pieces and/or lots".

Though ostensibly OSA agreed to the court's stipulation and bought AMCO on July 3, 1987 promising employment to all workers who had been on the payroll on the date of closure in 1984, what followed is a completely different story. OSA has dismantled AMCO's plant and machinery and demolished the factory sheds and buildings precisely to sell them "in pieces and/or lots". Today in place of the giant factory sheds of AMCO there is left only a wide open ground. 1,100 workers have gone under; more than 50 have already died from hunger or have committed suicide, behind this tragic denouement lies not only OSA's greed but also the betrayal of the workers by the so-called Joint Action Committee, a joint body of CITU and INTUC.

AMCO was a British company established in 1922. The British Aluminium Company sold this factory with sheds and machinery to Purusottam Das Pasaria, supposedly for just Rs 1 lakh, in 1968. Pasaria had the money but he did not seriously intend to run an industrial unit like AMCO. All the same he was allowed to borrow Rs 30 lakh by the UCO Bank between 1968 and 1970 on the plea of modernising AMCO's plant. He did nothing of the sort. A decade later the company's dues to the UCO Bank taking principal and interest together, amounted to Rs 129 lakh. Much before that, in 1971, Pasaria had offloaded the company to the Industrial Reconstruction Corporation of India (IRCI) as he thought the company had been made enough sick and it was time to evade any responsibility of repaying the huge loan.

The IRCI, on the basis of the report of an enquiry committee appointed by it, considered AMCO worth taking over as the committee had found that the company could become viable if it were run by an efficient management. Between 1972 and 1981 the IRCI sanctioned Rs 377 lakh to AMCO in instalments. Except for an amount of Rs 8 to 10 lakh for building the forging plant and partially modernising the tool-room, the rest of the money was given as monthly doles. There was no scarcity of orders, but the management never cared to find out why the company was not doing better, nor did the IRCI seem to bother for 10 long years, even though an enquiry committee formed with representatives of banks and other financial institutions had submitted its report in 1979.

The IRCI always tried to pin all responsibility for the non-viability of the company on the workers and so it kept ordering the management to reduce the workforce, once in 1974, then in 1976 and finally in 1980. In 1980 the IRCI announced a voluntary retirement scheme under which those who retired would be given a maximum of 10 months' wages and one of the retiring employee's wards would be given a casual job. Some 65 workers opted for the scheme and though they were given their financial dues, no wards of theirs were taken into the casual workforce. Finding the response to the scheme not encouraging, the IRCI conducted a secret enquiry in 1980 by a company which did not visit the factory or talk to workers' representatives to judge the real situation in the company. Nonetheless the enquiry came up with the finding that some 400 workers were surplus and the productivity of the remaining workers had to be increased.

The earlier enquiry report of representatives of banks and financial institutions had viewed the situation differently. It had found that AMCO could be made profitable if it could be relieved for five years of paying interest on the large sum borrowed by P D Pasaria before the takeover by the IRCI. The IRCI did not pay any heed to this suggestion. The director-in-charge of AMCO expressed optimism in different letters and reports that there was no dearth of orders and that if production rose to Rs 30 lakh per month AMCO could come out of the red. AMCO had its own design office, modern tool-room for making sophisticated dies and other accessories, skilled manpower and a well-equipped plant. Tatas and Jessop relied on AMCO for their non-ferrous casting jobs nearly all the year round. AMCO was well placed to take on job-work for railways, defence, shipping, the aviation industry, etc. But in a letter of November 30, 1981 to IRCI, the director-in-charge of AMCO stated that the company had lost an order for Rs 1 crore from the ordnance factory, Kanpur, because of lack of funds and many more orders worth crores of rupees could not be accepted because of the same reason.

Finally, the IRBI (IRCI's new name) declared the closure of AMCO on May 13, 1984 and washed its hands off all responsibility for the 1,100 workers' lives. And in 1986 it went to the Calcutta High Court for recovering the money it had so far spent on AMCO.

In the second act of this drama, AMCO was put up for disposal by auction. In all 10 offers purporting to purchase AMCO were received by the joint receivers, but only three were valid as they were accompanied by the required draft for Rs 5 lakh. Among the three bidders Amar Steel Industries offered the highest bid of Rs 2 crore "but the court did not accept the said offer inasmuch as the court considered the interest of the workers to be of paramount importance and a matter to be considered along with the interest of the company. Inasmuch as it was the hard labour of the workers which had created the company to exist all three years, now that the company faced closure, it would not be right to throw them out on the street." Now, Oriental Sales Agency jumped at the opportunity

and pretended to accept the court's terms. The court accordingly passed an order in favour of OSA stipulating that the purchaser had "to re-employ all the workers who had been on the payroll" and further that OSA will "consult both the unions' representatives and will try to take expeditious steps to see that the workers are able to settle down as soon as possible and the factory is opened as expeditiously as possible". But that expeditious moment never came.

In fact OSA had fooled the court by suppressing the fact that it had already consulted both the unions' representatives and reached an agreement with them without even waiting for the court's order. OSA proceeded to dismantle the plant and machinery and the factory sheds, structures and buildings and to sell them as scrap. This constituted contempt not only of the high court but also the Supreme Court because the banks and the IRBI had gone to the Supreme Court in appeal against the decision of the Calcutta High Court and the Supreme Court had upheld the high court's decision.

What was the role of the unions during this period? The AMCO Employees Joint Action Committee had done virtually nothing after the factory's closure except for taking out a lone procession and holding a few meetings at the Dum Dum town hall. When in 1986-87 the AMCO case was referred to the high court the unions' interest was re-kindled. In the beginning of 1987 the news was spread by the unions among the workers that a Punjabi capitalist was going to invest Rs 350 crore in West Bengal starting with AMCO and the Motor and Machinery Company, Dum Dum. In this way the union began building up the image of Oriental Sales Agency as a potential saviour of the company in the minds of the workers, though OSA had not even been born then. OSA was registered as a private limited company on May 12, 1987 with an authorised capital of Rs 56 lakh but a paid-up capital of Rs 1.50 lakh only, contributed by three persons, Anup Dhar, Jayaprakash Bansal and Radheshyam Agarwal. And what is most astonishing, OSA and the unions had already signed an agreement on June 16, 1987—more than a fortnight before the auction held by the Calcutta High Court. The existence of this agreement was suppressed before the court.

The unions had led the workers to believe that when OSA took over AMCO, it would pay back-wages of 10 months and all workers below 55 years would be re-employed. Actually OSA's agreement with the unions specifically stipulated that "in the event Calcutta High Court accepts offer of the purchaser and confirms the sale of the entire assets... the said union, in consideration of Rs 66 lakh paid by the purchaser to the said union, as and by way of compensation to the ex-workmen, will make over vacant and peaceful possession of the entire assets... without any claim, demand or disturbance and the said union will also assist and render all co-operation to the purchaser..." This is the part of the preamble to the agreement. The agreement laid down very precisely that upon payment of the first instalment of compensation, the purchaser would be entitled to remove old finished and semi-finished goods including raw materials lying at the factory premises; that on payment of the second instalment the purchaser would be entitled to remove old, obsolete/dilapidated and junk plant and machineries lying in the factory premises; that on payment of the third instalment "the purchaser shall be at liberty and have the right to demolish and dismantle all the buildings, factory, sheds and structures"; and finally that the union "will see that no person creates any nuisance and/or obstruction in and around factory premises at the time of dismantling and/or demolishing the buildings, factory and sheds and structures and re-building of the same and/or running any goods, plant and machinery from the factory premises" and that the union "will see that after payment of compensation money as afforesaid, nobody shall make any demand or claim of any nature from the purchaser for any reason whatsoever".

It is thus clear that the OSA and the unions had determined in advance what they would do after taking possession of the company's assets. The agreement was signed on behalf of the unions by Subhash Chakraborty, a minister in the West Bengal Left Front government, Lal Bahadur Singh, state secretary of BPNTUC, and Ajit Chowdhury, secretary of the CITU at the AMCO factory. It was alleged that Subhash Chakraborty used his political influence to push through the arrangement. Significantly, the news of AMCO's sale to OSA was publicised prominently in *Ganashakti*, the Bengali Daily of the CPI(M), which described it a great opportunity for AMCO workers. And now AMCO is a piece of vacant land.

A large number of workers and a few dissident CPI(M) members, it must be added, have been fighting against this conspiracy. They tried to prevent OSA from demolishing and dismantling the AMCO factory and removing materials from the factory premises. These workers have formed the AMCO Workers' and Employees' Solidarity Committee and through it they have got a stay order on June 5 this year from the Calcutta High Court which pronounced that "the court is disinclined to pass any order save and except the court makes it clear that the factory has been sold for the purpose of running the same as a going concern and the assets of the factory for the purpose of running the same should not be dismantled".

But in the two years since the factory was sold the damage has all been done. AMCO has disappeared as have the workers' jobs.

Micro-Organisms, Bio-Technologies and Environmental Protection

N N Mehrotra

Cases of deaths in neonatal and paediatric wards due to hospital acquired infection are not rare. Little concern is exhibited with regard to the safe disposal of hospital generated wastes which are highly toxic and infectious.

THOUGH mankind has for centuries been using micro-organisms, plants and animals to produce food, beverages and other material, new techniques of genetic manipulation have offered great potential for their mass-scale utilisation in many more areas. Thus, the development and application of these techniques of 'new' bio-technology (BT) are likely to have considerable impact on a large number of commercial products and processes in areas ranging from medicine and agriculture to processing industries and manufacturing. Simultaneously, however, these may also pose certain environmental and health risks. On the other hand some of these technologies can also be utilised for environment management/improvement. New BT is therefore like a double edged weapon where one has to be conscious of the following facts: (i) Whether some of these 'new' micro-organisms, plants or animals, if released in the environment could proliferate indiscriminately to cause negative impacts. (ii) Whether some of the powerful new substances produced through BT could also prove harmful?

While we already have a reasonable number of units using industrial micro-organisms (distilleries and fermentation units including those involved in antibiotics production) our environmental legislation has not shown any specific concern for the above. Besides, there are a large number of R and D centres and research units which often employ many of these micro-organisms and bio-technological products with little concern for health and safety of its workers or of the environment around. Some of these laboratories do use highly pathogenic organisms and viruses also. While the purpose of this paper is not to create horror in the minds of the people as well as the policy planners, it may be better to have preventive consciousness regarding accidental or deliberate release of living micro-organisms and other safety aspects on the use of biotechnologies and its products. Not only the public, but even the scientists at large seem to be either complacent or over-enthusiastic about the use of such technologies. An informed debate on such aspects is necessary in the relevant quarters.

There have been some studies in the western countries about health risks due to exposure of such research workers [1 and 2] and about the risk of using biotechnologies [3, 4, 5, 6 and 7]. However, despite an increase in biotechnology reserch and development activities in India in the last decade, sufficient concern has not emerged about the health and safety aspects. Though there have been occasions in the past where international companies [8] and organisations like WHO are reported to have been involved in research with health and security implications (e g, research on genetic control of mosquitos), no clear guidelines seem to have been developed for regulation of research in such sensitive areas. Even the newly proposed Environment (Protection) Act, 1986 is not adequately concerned with such issues since the micro-organisms (or other bio-technological products) do not find any specific mention either in the definition of environment pollutants or of hazardous substances. The research laboratories or R and D centres also do not find any specific mention in this regard and hence remain unaffected by any proposed regulations.

The National Biotechnology Board did prepare some guidelines in 1983 to be voluntarily followed by the laboratories involved in recombinant-DNA work. A fresh draft of guidelines has been prepared by a committee of the newly created Department of Biotechnology (DBT) which are being finalised. Though these committees have been constituted in several institutions, no assessment of their role so far, is available. However, it is expected that the Prevention of Food Adulteration Act (1954), Drugs and Cosmetics Act (1940) Industries Act, Poisons and Toxins Act, and Insecticides Act (1968) will continue to take care of various regulatory aspects. Thus, for example, genetically engineered microbial pesticides will still be registered with the Central Insecticides Board. Though they may seek some additional toxicity and other data on these agents, inadequate assessment (by these agencies) of the complex nature of risk may not be able to bring out appropriate results.

Institutions Causing Microbial Hazard

For the purposes of simplicity establishments that pose the threat of microbial and biotechnological pollution can be divided into three categories. This classification may also help in the impact assessment of their respective problems in a clearer way.

I

Industries Involving Micro-Organisms and BT Products

Some of the major industries using micro-organisms are antibiotics producing units, distilleries or those involving fermentation for production of other chemicals. Besides increasing BOD through the discharged effluent, untreated discharge from antibiotics plants, for example, can create a problem of development of antibiotics resistant species of micro-organisms due to the presence of small quantities of the antibiotics in the discharge. The problem of high BOD or increased (and acquired) secondary infections in the fauna downstream of the discharges has to be faced in other plants. Health and safety considerations (including potential risks) of the workers in the new BT companies has been a concern the world over. Though the country as yet does not have industrial units involving genetically engineered micro-organisms, the day may not be far when industrial units start discharging such micro-organisms into the environment. Special precaution has to be taken to ensure 'no leakage' of sensitive plasmids like Ti, or bugs producing larger quantities of toxins or other pathogenic material (necessary for vaccine preparation, for example) in the environment. Similarly, the introduction of new bio-insecticides, pesticides and herbicides or those of monocultures of plants at the industrial level may have impacts on ecological balance.

Though most of these problems may come under the ambit of the water, land or air pollution control acts, any effective control of such pollution will require a better (and often technical) expertise and appropriate risk and impact assessment strategies.

II

Hospitals, Nursing Homes and the Like

Cases of deaths in the neonatal and paediatric wards of even the best of our

hospitals due to 'hospital acquired infections' are not rare. Though the concerned authorities often do take steps, the question of the requisite speed and efficiency of these steps can often be raised. Another aspect of our hospitals of which little concern is exhibited relates to the safe disposal of waste generated. Thus, many well equipped hospitals are not careful enough in disposing their highly toxic and infectious wastes, generated from dressings, placentae, umbilical cords, aborted foetuses, surgically removed tissues and organs and such other material. Increasing use of disposable plastic syringes and needles, etc, generates equally large heaps of infected material alongwith other plastic catheters, blood and glucose transfusion bags and such other material harbouring infections.

At the moment there seems to be no specific central act or guideline to ensure safe and decontaminated disposal of all such waste. Specific rules may be required for implementation by various levels of hospitals, starting from primary health centres and maternity homes to big referral hospitals having hundreds of beds. There also have to be specific legislations for a large number of private abortion clinics and nursing homes.

III

R and D Institutions in Biological Science Research

A large number of research departments in universities and laboratories in R and D institutions use the following category of hazardous chemicals and micro-organisms which are also released in to the environment.

(a) Radioactive chemicals;
(b) Hazardous chemicals like Benzene and Toluene, explosive and corrosive chemicals (including mineral acids) and other toxic chemicals;
(c) Pathogenic and not so pathogenic micro-organisms;
(d) Infected and non-infected animals, insects, etc; and
(e) Recombinant DNA incorporated micro-organisms.

While scientists, technicians and other laboratory staff as well as the environment around them run the risk of health hazards, no legislation or regulations exist in the country either on the use or transport of most of these substances, except in the case of radioactive chemicals. Even in the case of radioactive chemicals the only restriction is from the Bhabha Atomic Research Centre which certifies a user (individual or laboratory) of its capability to use (handle) such substances and also provides services for screening of the exposed testing films to ensure limited exposure of those involved with such work. While it does organise supervision of such working facilities (mostly on request), it rarely conducts any surprise monitoring of such laboratories. The scientists are, however, free to import such radioactive substances from abroad which are available to scientists without any restrictions. Even for transport (or postal despatch) of such substances, no specific guidelines are followed.

On the other hand, no guidelines or legislations exist for safe handling including transport and/or disposal of other categories of substances and micro-organisms. Details of various categories of micro-organisms and the type of problems that these can create have been prepared by agencies like National Institutes of Health, USA, OECD, etc. Since the biological sciences research is being boosted in the country (including the setting up of a department of Biotechnology in 1986), it is appropriate that early action is taken on such important matters of health risk of researchers as well as environmental risk in general.

International Approach to BT Regulation

International concern for regulation of bio-technology arose from public fear and speculations regarding unknown risks associated with its use or the ethical considerations of issues like 'gene therapy' or introduction of cloned animal (or even human) species. However, potential excessive regulation of the BT industry was found to have a likely adverse impact on long-term economic stability of this growing industry on one hand and the concern for international competitiveness, on the other. This was particularly important in light of the fact that large investments were already made in this nascent industry without having any significant returns in terms of new products. Thus, for example, the US's Domestic Policy Council Working Group on Biotechnology recognised the need for regulations that protect the environment, but at the same time, do not excessively hinder the domestic biotechnology industry in its ability to compete in the international market place. The effort therefore is to achieve international harmonisation of the BT regulations. In particular, efforts have been made in this regard by both the OECD and EEC countries, besides UN organisations namely UNIDO, WHO and UNEP, etc [5, 6 and 7]

So far as individual countries are concerned, the approach taken by different countries varies considerably in scope complexity and degree of comprehensiveness. Various countries have, therefore, developed specific legislations, regulations or guidelines depending upon the attitudes of their people (particularly the policy makers and those groups who influence them) towards the issues of risk and safety, regulations on health, safety and environment, national policies on research, technological and industrial development or ethical aspects of BT. Thus, according to a comparative study, significant involvement by industry and academia was observed in the development of guidelines and regulations in a few major competitive nations of the world[9]. According to this study, Japan appears to be the leader in developing and promulgating biotechnology-specific regulations and guidelines 'and will continue to be active in this area'. France, on the other hand, was not found to be taking an active approach to regulation of BT. This was also corroborated by my personal discussions with a large number of leading biotechnologists and biotechnology-based firms in France. While several Japanese ministries have been addressing issues of jurisdiction and co-ordination in this regard, France and FRG were less concerned about them. Within EEC countries a Biotechnology Inter-Service Committee has been constituted to formally represent these issues. In the US, a co-ordinated framework has been developed for regulation of BT, involving various departments and agencies [10].

Since little data is available on impact assessment of biotechnologies and its products, most government policy-makers and regulators depend upon the affected industries themselves to provide scientific and technical advice on these matters. As a consequence, voluntary or consensus

standards are likely to become more prevalent, especially in France and FRG. While the recombinant-DNA research guidelines are being liberalised in almost all the major countries, Japan, France and the US have particularly revised their guidelines to promote rapid commercialisation of BT. While most countries depend upon their existing environmental and product approval legislations for introduction of new BT products into the market, deliberate release of applications of genetically engineered plants and organisms is being restricted where potential risks associated with release into the environment are yet to be assessed. Most countries have concentrated on developing regulations and guidelines covering commercial development of health care products, viz, drugs, biologicals and diagnostics being produced through BT.

OPTIONS FOR INDIA—SOME SUGGESTIONS

Since India is at the threshold of BT research and at least some industrial houses are taking keen interest both in the areas of agriculture as well as health care products, it cannot afford to be complacent (which it apparently is not, judging by some of the efforts of the department of Biotechnology) regarding the issues of regulation of BT. It is particularly important in the light of the fact that little expertise is being developed within the country on long-term impact assessment or potential risks to health and safety of such BT products. Attention is therefore, required to be focused on careful examination of the data submitted in this regard by the industrial houses/other agencies from the countries exporting these technologies (or even collaborative research programmes) to India. The case of an inadequate machinery of the Drug Controller of India should be ample indicator for this concern. The following suggestions have therefore been made considering the present Indian reality.

(1) There has to be sufficient legislative provisions for control of both the industrial units and R and D centres. Though the control in the case of R and D centres could be more appropriately vested in the department of biotechnology (since they are also involved in co-ordinating and financially supporting most of R and D in this area), the regulation of the industrial (and field trials) units should be the task of the department of environment (DO Env), with adequate support of specialist scientists and testing impact assessment facilities (possibly from a cell in DBT under a recombinant DNA Advisory Committee—RDAC).

(2) Insofar as biosafety considerations in R and D are concerned, detailed guidelines of NIH, UNIDO/WHO/UNEP, EEC, Japan, OECD and other countries do exist about the classification of various micro-organisms and biotechnologies and their regulation. Based on our own experience, as well as those from these countries, as described here, detailed guidelines can be prepared where the laboratories need to be monitored not only through voluntary information from the laboratories on specified questionnaires but also occasional random checks on the lines of NIH/FDA of the US. Thus, voluntary information should be sent by these units to the department of biotechnology on the nature of research, the potential risk and the steps taken by them to ensure safety of the workers as well as the environment. Popularisation of guidelines in this regard should be done by the Institutional Biosafety Committees and the random checks by teams of experts from the department of biotechnology (under RDAC) should intially be to motivate rigorous follow-up of these guidelines.

(3) Insofar as the industrial and field use of such micro-organisms and BT products are concerned, the regulation has to be through regular monitoring of health and environmental safety at various levels starting from notification and licensing. Moreover, the principle of strict liability has to be followed with appropriate modification of what is proposed in the Environment (Protection) Act, 1986 in clauses 8 (which also includes hazardous micro-organisms in its purview) and 9 (regarding provision of all the relevant information, as has been committed in the environment and health impact assessment of the concerned BT done by the organisation, to the DO Env, the failure of which will not permit continuation of such activity).

(4) Adequate infrastructural support has to be created by the department of environment (or any authority proposed in the act of 1986) to ensure not only effective inspection and monitoring but also to prepare environment impact and risk assessment reports with respect to micro-organisms and BT products.

(5) There has to be mandatory registration and notification for new r-DNA modified organisms of category II and III before any permission can be granted for their industrial or field applications. The same has to be followed for their imports also.

(6) With regard to the waste disposal of biotechnological processes, similar methods have to be followed as in the case of conventional biologicals as envisaged in the EPA. However, detailed guidelines need to be developed for these and hospitals and nursing homes, etc, have to be brought in under the purview of such legislation.

(7) As regards handling, storage and transportation of hazardous biologicals and BT products, detailed guidelines for labelling of the package, etc, have to be developed and strictly followed with appropriate changes in Railways and Posts and Telegraph Acts.

(8) Regarding the disposal of waste generated by medical and health institutions, updating the existing Public Health Act and ensuring the introduction of adequate measures to be undertaken by all states and union territories for the safe disposal of waste generated by medical and health institutions is urgently required. Since the impact of public health measures taken in a given state is not restricted to the state alone, the centre will have to take the initiative in this regard. In particular, there is a need not only to develop guidelines for control of infection generated inside medical and health institutions but also to ensure safe disposal of wastes generated by them. There is in addition the need to plan and monitor control measures for all such infections.

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Final Act of June Fourth China

Govind Kelkar

The profile of June Fourth China started to emerge in December 1978 at the Third Plenum of the 11th Party Congress. It was then that Deng having seized power launched new policies of economic reform and political orientation—abandoning the line of class struggle.

DURING the student movement, China appeared, both to sympathetic observers of what was going on there for nearly two months and to severe critics of Deng's economic reform policies, a country where students with the support of scientists, intellectuals, journalists, workers and small vendor-cum-entrepreneurs, had almost managed to grasp political power and were now trying to challenge the reformist regime by giving birth to a new socialist system—one that would be opposed to the mode of running a degenerate state in socialist garments and would allow greater individual freedom and democratic rights. This was followed by a frenzy of state repression of the movement, PLA bullets, a massive massacre of the people, crushing of the 'Goddess of Democracy' in Tiananmen Square and the fall of the Communist Party of China's (CPC) general secretary, Zhao Ziyang, reportedly for his lenient attitude to the student movement. How do we understand this crisis of a socialist state?

The official position of the CPC, after the crackdown on June 4, alleged that the students aimed "to overthrow the Communist Party and Socialist system and to turn China into a bourgeois republic". It may well be partly true. Students and their supporters have abandoned all hope in the CPC and its socialist system, at least in anything like its present form. The striking students along with scientists, journalists and petty entrepreneurs as well as workers were disappointed with the growing corruption, speculation in colour TV sets and desire for foreign cars in the higher echelons of the party and the bureaucracy. They, nevertheless did not plan or ask for the overthrow of the present regime in China.

The students defined their role as 'communist fighters' and their banners read "People have the right to know all the facts, the right to discuss, participate and supervise state affairs"; "To lose the people is to lose all"; "Give proper evaluation to the student's movement"; and "We demand nothing but our nation's prosperity and strength". Evidently, what the students demanded was not the end of socialism. According to Xinhua reports, in early May, their slogans included: "Support the Communist Party"; "Support Socialism"; "Support the Constitution and Reform"; "Advance Democracy"; and "Oppose Corruption". Evidently, what the students demanded was not the end of socialism but some rectification of the existing system in China, including the head quarters of the party and bureaucracy, and also democratisation of the system. These measures, by any yardstick, are not an antithesis of socialism or inimical to the ideology of Marxism-Leninism and Mao Zedong thought. Clearly, therefore, the Deng Xiaoping-Li Peng regime has no ideological justification for killing dissidents and launching a witch-hunt against leaders of independent trade unions or autonomous unions. This only suggests the desperation of a totally alienated state attempting to secure its existence and "socialist legitimacy" by shooting students and their supporters.

Importantly, the People's Liberation Army (PLA) was ordered to defy its ideological formulations, prescribed by none other than Deng himself: "Do not hit or swear at the people". Paradoxically, now cadres have been asked to promote love for the army and unify peoples' thinking on the basis of Deng's speech on June 9, 1989 where he "made a profound analysis of the cause and nature of the counter-revolutionary rebellion and the correctness of the measures" adopted.

One should note at this point that there has been a radical change in the official interpretation of the student movement. Around May 13, when students began a hunger strike to protest against the Chinese authorities' slow approach to a dialogue with them, the student movement was officially described as "patriotic in nature" and it was clarified that the regime "will not penalise students for their radical words and actions". The official media, particularly those geared to the outside world like *China Daily* and *Beijing Review* carried positive reports on the student movement. For instance, *China Daily* of May 18, carried a bold photograph of the demonstrators, with a headline "A million march in support of students". Below the photograph was written the following:

> More than a million people in Beijing march to Tiananmen Square to show their sympathy and support for the student hunger strikers who entered the fifth day of their fast yesterday. The marchers, including teachers, scholars, journalists, officials, workers and self-employed, urged the leadership to respond immediately to students' demands so as to end the fast as soon as possible.

It was around this time that students were reported to be converging on Beijing by train, at an estimated rate of 50,000 a day, to back their fellow students, at Tiananmen. Trains tended to arrive more punctually and students, carrying banners and placards, were travelling free with the support of railway workers. They were reportedly coming from the neighbouring city of Tianjin as well as the more distant provinces of Heilongjiang, Jilin, Liaoning, Hebei, Shanxi, Anhui, Hubei, Shanaxi, Jiangsu, Guangdong, Inner Mongolian Autonomous Region and Shanghai. During these very days (May 17-18), the party media reported that general secretary Zhao Ziyang, on behalf of the central committee and the state council affirmed the students' patriotic spirit in calling for democracy and law, opposing corruption and striving for further reform. On May 22, during his visit to Canada, Wan Li, chairman of the standing committee of the National People's Congress, told the press, "We will firmly protect the patriotic enthusiasm of the young people in China". However, within China, the movement was officially called 'turmoil' around May 19-20, and Premier Li Peng advocated the use of strong measures to restore order. Soon after, it was reported that the PLA in their uniforms and with tanks had started entering Beijing. Then followed the June 4 massacre (killing somewhere between 300 and 3000 people), and the arrest of leading activists and the execution of many of them. It is not intended here to give a chronological account of the June 4 army action or discuss the details of party factions in the CPC. It is very evident, however, that the CPC leadership and government were certainly divided over the treatment of the student movement. After the crackdown, the Deng Xiaoping-Li Peng group which managed to remain in power, denounced the student movement as a 'counter-revolutionary rebellion' and praised the PLA for its loyalty to the socialist state and for its swift action against the dissidents.

CONTOURS OF A CRISIS

The profile of June 4 China started to emerge in December 1978 at the Third Plenum of the 11th Party Congress of the CPC. It was then that Deng Xiaoping

seized power and launched new policies of economic reform and political orientation—abandoning the line of class struggle. The party's effort to promote equality and socialism by using the superstructure were criticised as the policy that created 'chaos' and leftism like that of the Cultural Revolution. Instead a traditional approach of promoting socialism by developing the productive forces was adopted. The programme of four modernisations overlooked the possibilities of its demands on the political system and on regenerating inequalities in society. Besides, Deng's primary concern with economic reform did not necessitate a reassessment of the status of a centralised CPC and a professionalised army. Instead there was only the frequent reiteration of empty dogmas that party members and cadres were expected to support. Some China scholars wondered, if Deng Xiaoping was leading China away from socialism.

Since 1978 China has undergone a profound change in its political economy and organisation. China experienced not only a radical decollectivisation but also the beginning of a new development cycle. The three-level ownership—the people's commune, the production brigade and the production team, with the last as the basic accounting unit—had been found unfit for the growth of Chinese economy and was discarded. Political power of the township government and the management role of the village committees were reinstated. Besides, the contract system or the responsibility system, which was implemented for economic reasons, led to enormous increase in incomes of Chinese peasants but their surplus income has been used mainly for consumption, including the construction of 'double-storey' housing rather than productive investment. The accumulation of private wealth as a result of these policies permitted the rise of a group of successful managers, but channels for upward mobility were not being expanded.

The establishment of the Special Economic Zones has been another distinctive feature of the new reform policies, which represent at the outset the construction of an economic system based on capitalism. Of course this was accompanied by a proclaimed socialist ideology. The official explanation for introducing the Special Economic Zones was the need to push the growth of the capital-intensive, high technology sectors. These zones, officially representing the market mechanism, were to run along with other programmes for science, education, culture and tourism, which were being developed along socialist and patriotic lines.

The Communist Party and government of China concluded that the country was still in the primary stage of socialism on the basis of its own specific historical conditions. The new economic reform was a process of moving China from its natural and semi-natural economy to the commodity economy. They, therefore, accepted all the essential elements of improving 'the productive forces in quality and quantity'. The key to developing socialist commodity economy was to raise the productivity and commoditisation of agriculture and improve the living standards of the people. In the primary stage of socialism, the relations of production, which tend to carry traces of the old society, are not 'pure' and are of a transitory nature. The Chinese Communist Party and the government therefore saw no deviation from socialism when they encouraged different types of ownership to co-exist, with public ownership remaining predominant, and in allowing income from private capital and production materials on the principle of 'each according to his work' as the dominant form of distribution. What the leadership failed to see, however, was that the reform policies have increased the distance between the political apparatus of the ruling class and the common people.

The present Chinese leadership appears to be interested in establishing a superstructure that seeks the development of productive forces and the commodity economy. China's economists and theorists have made efforts to reassess contemporary capitalist societies and have acknowledged the latter's contributions to solving two major problems of classical capitalism: the poverty of labourers and the stagnation of the development of productive forces. Given this nature of 'socialist' culture and political economy of China of the 80s, what socialist credentials do the official elites have to turn around and accuse the students of deviating from socialism and seeking bourgeois democratic rights?

Significantly, 'moral crises' affecting the youth have been frequently reported in the Chinese press since 1979, which was not the case in the pre-economic reform period. There has been a general awareness and official recognition of two related problems: large urban unemployment and widespread loss of faith in socialist ideology among the youth and students. However, no attempt has been made since the late seventies to encourage political education among the youth or to generate faith in socialism. The institution of political, ideological meetings was discarded as 'ultra left' and wasteful for China's modernisation programmes.

In order to deal with the rise in unemployment in cities and the growing 'youth delinquency' in the countr Chinese social scientists and the offici elites have repeatedly suggested th women should be given only part-tin jobs and that they should devote mo time to household chores and the 'raisir of good children'. The Women's Feder tion successfully resisted these efforts ar criticised such policies that envisage women's return to household drudger and child-tending as being 'incompatib with socialist modernisation'.

Significantly, women's resistance an protest preceded the student movemen Women workers and students were th first to question the adverse impact of ne economic reform policies that threatene their marginalisation in politics an decision-making and promoted discrim nation against them in employment Women's organisations, in their efforts t further mobilise women for their ow cause, were supported by feminist student and intellectuals. Likewise, in early 1985 a number of young women through thei protest writings in the magazine *Fujia Youth* angrily ridiculed male assumption of the 'meek, weak and sweet wife'.

In response to the suggestion that 'woman should be a virtuous wife an good mother', several women asked me to aspire 'to uphold traditional morality and strive to become 'virtuous husband and good fathers'. Some critics of women' dependence on men and their inferio social existence declared 'women is not th moon. She need not depend on the ligh of others to shine'. They further suggeste that if men were to assume more respon sibility for housework, then women woul become more equal within their familie as well as in society.

Student Demands

The student protest began on April 1 after the death of Hu Yaobang. The coordination among some 30 campuses permitted cohesive action for two major demands: (1) democratisation; and (2) the end of corruption. As the movement gained strength and support from other sections of society and as the government showed an increasing inflexibility in conceding their demands, there appeared growing evidence of the students' protest against the leadership and its mode of governance. Demands were raised for the resignation of Li Peng and Deng Xiaoping. These demands did not however determine the character of the student movement. What the students really questioned was the alienation of the Chinese state from the people—its centralised, authoritarian, undemocratic character, the potential use of force as an answer to the demand for a dialogue with the people,

and rampant speculation in consumer goods by the official elite.

The student demands should not be mistaken, however, either for an attempt to overthrow the present regime of China and its brand of socialism or for the return to a Cultural Revolution type of socialism. Their demands seemed closed to bourgeois democratic reforms in China and very much in tune with the new economic reform policies. There seemed, indeed, strong support for the full play of the market forces and for the new economic reforms to run their course. Thus it was commented in *China Daily* of May 8, 1989:

> Looking back one realises that there are things far more critical to China's reforms and development than student slogans and grumblings. Sooner or later, all China will have to ask: Can the ever-increasing price subsidies eventually harness inflation? Can guaranteed welfare promote labour productivity? Can farmers keep producing when their business is unprofitable and meagrely funded? Can teachers and researchers continue their careers with all their hardships? Can bureaucracy, corruption and irrational decision-making be controlled without a public supervision mechanism?

Wang Dan, the Beijing University student leader, in response to a question about whether he supported the leading role of the CPC, said, "You can say I support correct leadership of the Communist Party" and emphasised the word 'correct'. Further, a group from Quinghia University showed much indignation when they were asked if they opposed the Communist Party. One of them said, "We are not against the government, just against the way it is run. It is a question of the party atmosphere of corruption and bureaucracy".

The June 2 Hunger Strike Declaration (issued by four student leaders just before the shooting began) proclaimed the students' right to fight for freedom, democracy and human rights, saying, "we are not in search of death, we are looking for real life". The declaration, however, denounced the mode of class struggle, "we must completely get rid of the political culture of class struggle", and "get rid of the tradition of pure ideology making, of sloganising, of objectifying, since these are empty demagogy". The declaration further stressed the need

> to get rid of old political culture and adopt a new political culture which should have (1) democratic procedures and participatory institutions—rather ten devils to check each other than one mandarin with absolute powers; (2) the accountability of the state to the people; (3) the right to recall those leaders who have made serious mistakes; and (4) legitimate autonomous and unofficial organisations which should generally form a non-official political force as a check to government decision-making that is the essence of democracy.

Obviously the students did not want a return to a purer form of socialism, e g, the ideology of taking class struggle as the key link, and were opposed to the 1966-76 Cultural Revolution that "inflicted so much suffering on China". Neither did they want a reversal of the new economic reforms or a return to the collectivisation process. What they did really seek was the reform of the existing Chinese state so that it would halt its growing alienation and introduce a system of accountability to the people through strengthening public supervision.

In discussions and writings during the six-seven week period, there were numerous references made to the May Fourth movement of 1919, which although a bourgeois democratic movement, nevertheless provided a crucial ideological background for the formation of the CPC in 1921. The May Fourth Movement was discussed as a critical step in saving China from foreign aggression and from the clutches of a demoralised state. Interestingly, the Chinese media referred to the principal leaders of the movement, Chen Duxiu and Li Dazhao, who were also the founding members of the Communist Party. These quotations indicated that (1) the state is not above everything else, nor does it enjoy supreme power over the people; and (2) since the west was 'dynamic' and 'progressive', China could use western institutions as reference points in improving its polity and economy.

Interestingly, during their dialogues with government officials, the striking students had raised questions about why state investment in agriculture had dropped over the past few years; about insufficient educational expenditure; about speculation in colour TVs and their marketing; and how to control the import of cars and promote the country's own auto industry.

The character of the student demands and the subjects of their dialogues with government officials, however bourgeois democratic they might be, have by no means proved a threat to China's existing socialism. Besides, is Chinese socialism not prepared to grant even bourgeois democratic rights and/or the right to have non-party people's organisations?

Changing Terms of Discourse

A Poser

Manoranjan Mohanty

An examination of terms of discourse assumes importance in establishing whether post-colonial societies have been able to alter the terms which were fashioned under colonial control. The intellectual processes propelled by colonial regimes derided indigenous systems of knowledge and nurtured natives incapable of comprehending their own history and culture. Post-colonial states normally had little choice other than consolidating inherited systems.

TERMS of discourse like terms of trade are usually favourable to some and unfavourable to others. Once the latter realises the situation they would seek to alter the terms and make them less unfavourable to them. They would strive for making the terms of discourse more balanced, equitable and perhaps democratic. There are now discernible voices in the third world that question the prevailing terms of discourse and it is time we acknowledge the significance of their challenge.

Terms of discourse are the conditions governing the intellectual arena, the basic parameters defining the theories, the concepts and the methods of analysis. There is a political character embedded in the terms of discourse because the framework of knowledge itself places some systems, institutions and groups in more advantageous positions than others. The element of power thus enters the discourse. Here it is useful to use the presently popular word 'discourse' because it explicitly refers to two or more participants in the business of knowledge. Besides, discourse has a particular concern, a particular theme at each level which can be put together to provide an aggregate picture. It is convenient to see the political placement of parties to a discourse. Discourse can be carried on in oral or written medium, literary, or other modes of communication, it may just express itself in the life pattern of groups of people. But in each case once the effort is made to map the discourse, or to characterise it, one of the things that is necessary to identify is the terms of discourse.

The reason why it is important to study the terms of discourse is the question whether the post-colonial societies have been able to alter the terms of discourse which emerged under colonial aegis during the past two centuries. The intellectual processes which were propelled by colonial regimes derided indigenous systems of knowledge. The educational system nurtured generations of natives who were incapable of knowing their own history and culture adequately. The post-colonial states normally had little choice other than consolidating the inherited systems. The nationalist leadership defined their development goals within the same terms of discourse. Only when there were serious problems on the ground and new social movements grew up raising new kinds of questions in the late 1960s and 1970s challenges to the prevailing terms of discourse were visible. While the 1980s saw more of these movements, there also appeared a trend of aggressive reassertion of the western liberal terms of discourse by some third world leaders, conspicuous among them the leaders of India and China.

It is interesting to trace the process of intellectual encounter between colonialism and the indigenous elite. The Indian experience more or less represents the general pattern in other colonial situations. It begins with practically a discourse among equals and gradually the terms change in favour of colonialism. Eventually a new framework of knowledge gets predominant position in the colony and survives the transfer of power. This framework would acquire a new character depending on the nature of the anti-colonial struggle.

In the early phase of colonialism a political defeat of the native rulers at the hands of the colonisers does not immediately put the local intellectuals in an inferior position. In the first half of nineteenth century there were many Hindu and Islamic intellectuals who with their mastery over the classics of India and their knowledge of Indian history confidently engaged in debates with the westerners. The Indians who obtained English education in India or in England had among them some who knew both the knowledge systems fairly well. Many of the reform debates during that period reflected relatively equitable terms of discourse.

As the decades passed and political power got consolidated and English education spread a new elite began to emerge. For this elite English education was not a tool to strengthen its understanding of its environment and the roots of the human condition. It was the inculcation of a new value orientation that assumed the superiority of the western civilisation. In fact the tragedy of the new education system was such that it did not impart a proficiency in the methods and techniques of knowledge, but stressed the sympathetic understanding of western philosophy, science, economics and politics among others.

This development was challenged by three strands of intellectual activity. One was the movement for religious revivalism which counterposed its construction of an idyllic Hindu past to the claims of the west. It had a mobilisational function, but lacked a matching rational approach. It could therefore be easily sidelined by the western challenge. But revivalism remained an important trend in Indian society significantly contributing to the growth of communalism in later years. Some like Vivekanand, Dayanand and Bhima Bhoi represented the second strand in the late nineteenth century. They re-constructed the Hindu worldview critically assessing the rationality of various concepts and practices. There was a dialogue with the west by whose culture they were not overawed. Vivekanand propagated what he thought was India's message to the decadent west. Through these efforts Indian nationalism acquired a cultural and historical base. At the same time it became clear that the views of India's past could be variously constructed. It could reflect the Brahmanic terms of discourse that not only missed the multi-religious, multi-cultural character of ancient India by exclusively emphasising a certain Hindu image, but falsely asserted the Brahmanic view as the view of the whole society. The reformist outlook of Ramakrishna Mission and Arya Samaj partly acknowledged this. The Mahima Dharma of Bhima Bhoi started as the religion of the Adivasis and Achhuts (untouchables) for autonomous self-realisation. The third form of challenge came from literary works in the second half of the nineteenth century in practically every language in India satirising western mores, mocking at the westernised elites' poor imitation of their colonial masters. Bankim Chandra of Bengal and Fakir Mohan of Orissa had their counterparts elsewhere. These writers often themselves were officials of the colonial state. But that did not prevent their self-satirisation. The literature of these

writers presents a complex picture reflecting the evolving trends in the cultural encounter. But with hindsight we can today see how powerful was their challenge to the western terms of discourse.

By the turn of the century all three trends are overcome by the force of colonial cultural offensive. This offensive was part of an increasingly sophisticated operation of the colonial state. But on the whole it was almost successful in convincing a major portion of the elite of the supposedly civilising mission of the British colonial rule in India. But the battle went on nevertheless. Gandhi's *Hind Swaraj* was perhaps one of the last authentic texts by an undefeated mind who was thoroughly acquainted both with the Indian and the western traditions. By the 1920s there is the emergence of the English educated in bureaucracy as well as in the professions now in a sizeable number. This section now begins to define Indian nationalism in the western terms of discourse. There are the attractive concepts of freedom, equality and democracy which had been popularised through the movements in Europe during the past two centuries. They became the carriers of the package of liberalism and capitalism which the colonial regime forcefully propagated in India. Nehru fast emerged as the spokesperson of this outlook. Having been exposed to Fabian ideas in England he brought into the discourse some progressive elements. He was convinced that for India to grow into an independent, self- reliant powerful country the path of the industrial revolution was a must. Eventhough it was a patriotic, anti-colonial outlook, its notion of nationalism was in a sense derivative of the western liberal approach. In the final years of the freedom struggle this line gained prominence as a result of a number of developments which we need not consider here.

After independence this line of thought—nationalism defined in western terms of discourse—was institutionalised. With the further ascendance of English education and operation of parliamentary democracy, constantly having the western experience as the reference point, the dominant framework of knowledge of the colonial era got firmly grounded in the state process.

Marxism and Discourse

Marxist ideas had an important function in the colonial situations. They provided a critique of colonialism by placing it in the history of capitalism. The exploitative character of the capitalist political economy was exposed. In fact, the internal contradictions of the capitalist system were comprehended in detail. The great liberal values now looked different. Marxism now explained how a socialist revolution was necessary in order to realise freedom and equality for the masses.

Besides being a critique of capitalism Marxism was a new method of looking at life and history. That reality has to be understood as the dynamics of a historical process in which humans were involved in exploring nature was the starting point in this method. In the process of this exploration social formations grow among which class is the most crucial category. There is an interacting relationship between forces of production and the relations of production. When an old system of social relations does not fit the demands of a new production situation it is sought to be transformed. These notions form the method of dialectical and historical materialism. Its significance lay in the discovering connections among disparate phenomena and comprehending the totality of a system or a historical process as well as the specificity of a particular situation. It helped in unravelling the ideological roots of social theory. In doing so it exposed the body of liberal theory in pointing at their capitalist assumptions.

The framework of knowledge which the colonial state had promoted in India could now be subjected to a class critique. Colonial terms of discourse were seen as essentially being capitalist terms of discourse. Was it that neat a package, many people asked? Because the colonial state had protected major strands of Indian conservatism and even encouraged communal ideology. Hence many saw a combination of pre-capitalist and capitalist terms in the knowledge system advanced by the state. Constructs of indigenous culture were subjected to class analysis. It had been assumed by many that what was claimed as Indian culture was the heritage of both the upper castes and the lower castes, the wealthy and the dispossessed, the powerful and the subjects. With the help of Marxist method it was possible now to question such discourses on culture, eventhough the colonial as well as the post-colonial state never welcomed this questioning. In this challenge to the rulers' terms of discourse there was obviously a challenge to the authority of the rulers.

Marxists in India, however did not follow the logic of this method further to unravel the character of their history and culture. The specificity of Indian social institutions, like tribal social formations, castes, religious practices, gender relations, remains unexplored. Most of these were explained away either as vaguely pre-capitalist practices or in terms of 'Asiatic' or 'Oriental' formations. One must emphasise the fact that in exposing the class character of the state and its policies Indian Marxists have made a significant contribution. But they have not been able to alter the prevailing terms of discourse. It may be said that since they have not achieved state power they could not succeed in changing the terms of discourse. But the paradox is that their inability to present an alternative framework of knowledge may be one of the reasons for their failure. A dialectical and historical framework of knowledge imbibing the culture and history of the working people of India, grasping their symbols and images and subjecting them to critical examination may perhaps challenge the prevailing terms of discourse.

This is not a plea for indigenous colouring of western liberal or Marxist theories. Even the standard Marxist formulation of 'creative application of universal truths of Marxism to the concrete conditions' to some extent begs the question. We are yet to discover universal truths. The dialectical and historical materialism only opens an enquiry seeking truth. Much of the prevailing knowledge has a parochial geographical base in the western world. To make knowledge universal requires comprehension of historical experiences of non-western societies. Not just for testing theories generated in the west, but generating theories and contributing to the world fund of knowledge. Marxist method provides greater opportunities for discerning historical specificities. But it has not been adequately used. As a result, to many in the third world Marxism appears to be part of the western framework of knowledge operating the post-Enlightenment terms of discourse.

Subaltern Discourse

In recent years the subaltern studies have emerged as a significant challenge to the prevailing terms of discourse. The set of historical studies on colonial India focus on the struggle of the oppressed as they themselves would perceive it. It is a critique of the elitist view of history. Marxist historiography had missed the subaltern viewpoint eventhough it had attempted a class analysis of historical processes. The subaltern scholars accuse the earlier historians of ignoring the autonomous voice of the masses, their often spontaneous resistance to oppression, their idiom of protest and the political significance of this range of activities. Organised movements, leadership and their ideologies have preoccupied the historians for long. The subaltern scholars point out that the realm of the people at the grassroots level provides greater clues to the understanding of the social process than the organisational claims.

Like the 'pedagogy of the oppressed', the subaltern perspective exposes the prevailing terms of discourse as elitist. The framework of knowledge underlying both nationalist and Marxist histories of colonialism and nationalism in India was elitist, eventhough the Marxists analysed the class character of various develop-

ments. The struggle of the peasants and workers no doubt finds a place in the account, but only in terms of the leadership's view of them. The subaltern studies also look for the modes of cultural behaviour of the masses in the context of their resistance to oppression. That draws our attention to an unexplored arena of mass activity. Therefore, this trend of scholarship has made an important contribution to the changing terms of discourse.

Yet a question is raised whether the subaltern scholars are not operating within western framework of knowledge. If the liberals operated on the premises of bourgeois nationalism and the Marxists derived their inspiration from party-led workers' struggle in the wake of the industrial revolution, the subaltern discourse springs from the ideology of folk resistance also framed in the western historical context. The terms of resistance discourse are very much derived from western history and ideas and even when Indian people's specific cultural modes are discussed they are seen through the prism of these terms.

Discourse of 'Alternatives'

While the subaltern scholars exposed the elitist character of existing knowledge the critics of the dominant development models came out with a number of objections to the claims of the western modernisation theory. The two most serious charges are that the western development model, adopted by the third world elites, have resulted in authoritarian state structures, and secondly, it has caused a steamrolling process suppressing the diverse cultural urges of indigenous people. The other well known criticisms include the creation of disparities even when productivity rises and the ecological disasters that these development policies have led to. In the name of secularisation authoritarian policies have been implemented which have led to alienation of cultural identity groups. The slogan of science and technology as the essence of progress has given rise to a 'silicon state' under which banner the ruling classes have ruthlessly carried out their strategy of development to consolidate their power. This development strategy is part of the world process which creates structures of dominance and dependence and generates forces of militarisation. Hence the urgent need for 'alternatives' to this dominant development strategy.

Since the mid-1970s we have a trend of thought in India propelled by the reactions to the Emergency and further encouraged during the Janata period when a debate on India's development strategy raised many new and interesting questions. Since then the trend has grown in response to the series of catalytic events in India in the recent years. The civil liberties and democratic rights movement, the campaign for minority rights, women liberation movement, the ecological movements and the campaign against state repression have strengthened the critique of the prevailing development theory.

The alternative perspectives first of all expose the western cultural roots of much of these ideas and then invoke indigenous traditions to provide authentic modes of construction of society. Gandhi's critique of the western civilisation is an important tool of this analysis and in fact his thought has become a baseline for a range of alternative notions of change. Rationality which is supposed to inform the western development theory is questioned as a particular culture's notion counterposed to notions of rationality in other cultures. Thus there are alternative sciences and alternative rationalities. Going down to the grassroots level we can see how people are resisting the state-backed development strategy. Their movements which are questioning the prevailing development paradigm are also challenging the parties, organisations and intellectuals who share that outlook. The alternative perspective involves an attempt to comprehend their language, their modes of struggle and their symbols and images of living.

This trend is yet another powerful element in the changing terms of discourse. It too exposes the western roots of many of these theories which claim universality. Its critique of technological rationality has significant implications for evolving new terms of discourse that can avoid positivist deviation. That new forms of hegemony at different levels have resulted from this development model has been spelt out elaborately by these scholars.

Where this perspective slips into subjectivism is in dealing with rationality. In its enthusiasm for attacking positivist rationality and science it throws away the possibility of rationality that may cut across cultures and science that may be true in many lands. It does not distinguish social organisation of technology from technology, rationality of a decision from rationality. This is related to a lurking hesitation to identify the class basis of this development strategy. Eventhough these scholars have criticised capitalism and imperialism as dominant world processes, in the same breath they criticise socialism saying that the state systems of both have unleashed the same processes of development, secularisation and militarisation on a worldscale. Granting that socialist states evolved bureaucracies and caused alienation it may not be sound logic to ignore their class character as distinct from that of the capitalist states. Besides the search for alternatives in the indigenous tradition has led them to see tradition in an undifferentiated way. They see the pluralities of traditional symbols, but not contending streams among them, reflecting social struggle. This has often led to glorification of indigenous tradition, often homogenised into more or less the Hindu view of life. Thus it has gained acceptability among the conservatives despite protestations by the alternative proponents that their theory is not conservative rationalisation of tradition. On the one hand the alternative perspective heavily relies on indigenous tradition and on the other it does not present a class critique of the system (the criticism of state has often centred on leadership's decisions, style and choice rather than its social character). Hence this eloquent intellectual trend seeking alternative remains a permissible dissidence within the ambit of capitalism both at the national and at the international level. At the same time this trend belongs to the forces of democratisation of terms of discourse.

What we see around us is an intellectual turbulence arising out of people's democratic upsurge. Throughout India there are movements of various kinds which do not fit our intellectual categories. In the western systems capitalism has reasserted some of its classical properties after half a century of structural adjustment. Socialist systems have experienced catalytic changes since the twentieth congress of the CPSU and the Chinese Cultural Revolution and are undergoing significant restructuring at present. The post-colonial world created its own rigidities based on the inheritances of the colonial past. When the old categories are getting exposed new rigidities are likely to emerge. A subaltern perspective, an alternative science or an argument stressing the autonomy of the ethnic dimension may be a creative theorisation at one level, but pushed to an extreme it can grow into a new rigidity. The radical critique of development and militarisation in the west in the late sixties developed its own rigidities facilitating a conservative social science backlash. The theory of socialist modernisation in China under Deng Xiaoping has similarly questioned each and every formulation of the Cultural Revolution. That experience has to be kept in mind.

What we are looking for is a bunch of keys to unlock the structures of power underlying the prevailing framework of knowledge. Scattered keys are being thrown around exposing the terms of discourse, now colonial terms, now bourgeois terms, now Brahminic, and so on. How to link up these hegemonies, string together a bunch of keys to democratise the terms of discourse, is the question. That is inevitably part of a larger democratic struggle. In that struggle creative theory plays a role by revealing the terms of discourse and replacing them by terms that may be both democratic and true.

Political Economy of European Socialist Systems

Arun Bose

Marxism and Political Economy of Socialism by K K Das Gupta; Sterling Publishers, New Delhi, 1989; Rs 225.

THIS 400-page book is tightly packed with detailed information about the how's and why's of 'real life' European socialism, i e, of the communist-party-managed socialist systems of the USSR and the 'people's democracies' as continuously *evolving* systems (only Albania is entirely excluded from its scope). The book belongs, essentially, to the genre of compendia, and *not* of analysis (whether like V S Dadayan's *Macroeconomic Models* (1981) or his latest work of pure analysis interwoven with gripping statistics and social comments *Orbits of the Global Economy* (1988)). Nonetheless, the book is flavoured, almost at every point, with a Marxian view of the world of socialism: the author's own as well as of those many writers living in communist-managed socialist countries who have tried hard to adhere to such a view.

The author emphatically rejects the opinion, which he attributes to Paul Sweezy, that Marxism is relevant for understanding and ending capitalism, but not very relevant for building (or defending) socialism. Many of his fourteen chapters also focus on the extent to which, explicitly or implicitly, whether in a laboured and tortuous manner or not, the discussions of socialism in power in these countries have repeatedly fallen back on Marxian concepts and tools of analysis. So the book is rightly given the title *Marxism and the Political Economy of Socialism*, although private judgments of readers may differ on the quality of both the Marxism and the political economy of socialism which is revealed. Indeed, if there is a deficiency in scope, it is that it hardly pays any attention (critical or otherwise) to landmark contributions of Barone, Taylor, Lange, Chayanov, Kantorovich, Nove and Ellman which represent perceptive non-Marxian approaches to a serious study of the economics of socialism. Of course, this class of omissions can be justified. These writers have received much attention and Das Gupta is anxious to focus on other writers, living in socialist countries, about whose work hardly anything is known in India (partly because in India there is an ingrained habit of looking at communist-managed socialism through English or French spectacles). On the other hand, omission of all references to the works of the ill-fated Preobrazhensky, Bukharin, Fel'dman, as well as Dadayan's 1981 work is puzzling. Dadayan's may be 'too abstract', but the same cannot be said of the works of the others.

Though published in 1989, the book is strictly pre-perestroika and pre-glasnost. There is not even a single reference to these two words in the book, nor about the impact of these two key words on all discussion of socialism and capitalism, ever since they were adopted officially by the ruling CPSU as the basis of all thinking and practice in the mid-eighties. But the relation of the somewhat 'dated' subject-matter of this book and the impact of perestroika and glasnost is all-important. At the very least, it compiles the many, sometimes bizarre, details of the numerous *different* starting-points of these rather sensational developments. Contrary to widespread impressions, perestroika and glasnost did *not* drop from the skies, nor was it engineered only by a CIA-KGB unholy interchange, nor is it the fall out of de-Stalinisation or (as is less widely believed) Mikhail Gorbachev's determined bid to counter-intimidate an anti-Gorbachev majority in the CPSU Central Committee (probably after his speech at Vladivostok in 1986). Perestroika and glasnost have a long pre-history, both in the USSR and the people's democracies. Das Gupta's book gives us useful glimpses of this pre-history.

Backdrop Models

It is fairly well known that from 1917 the Russian Bolsheviks were driven by a millenarian vision of a socialist alternative to capitalism. What the available literature, including some which receive no attention in Das Gupta's book reveals is that in some cases consciously and explicitly, and in other cases half-consciously and without acknowledgement, the Bolshevik activists (including very active intellectuals) took the help of macro models of the Marxian political economy of capitalism to work out by daring intellectual improvisations, macro models of the political economy of an evolving and developing socialism. This process started in 1917, and has continued almost without a break ever since (in spite of many sharp discontinuities introduced by Stalinisation and de-Stalinisation and partial re-Stalinisation) and has also developed not only imitatively but in highly original ways, in almost all the people's democracies.

In most cases, there are acknowledgements to Marx (and Lenin, who never failed to acknowledge Marx as the source). It is easy to list at least eight such models:

(1) 'Material balances models' which made a total break with English (though not French) political economy and bourgeois neo-classical economics of all kinds, by putting in the centre of the picture of 'the circular flow of economic life'—the two-way interdependence of sectors (in place of the *'one-way avenue* from factors to products'). This was the basis of the Soviet GOELRO electrification plan drawn up by a commission headed by Gleb Krizhizhanovsky in 1920.

(2) Marx's schemes of extended re-production under *capitalist* property relations adapted to discuss the necessary proportions between output of department I (producer goods) and of department II (consumer goods) for the accelerated development of a socialist economy with minimisation of 'disproportionality crises' which are unavoidable under capitalism. This became the standard doctrine over a long period, and is derived from Marx's *Capital* volume 2, and buttressed by Lenin's *On the So Called Market Question*.

(3) An improvised model of 'primitive socialist accumulation', adapted by Preobrazhensky (and endorsed for a time by Bukharin), which was improvised by analogy with Marx's theory of primitive capitalist accumulation to validate the change-over from the formula C-M-C to M-C-M in *Capital* volume 1. This supplied the rationale for the *practice* of Soviet collectivisation (though *not* of the original statutes of collective farms, which were violated by political and terroristic fiat) as also of the bias against markets and trade in a socialist economy, which persisted till very recently.

(4) Marx's models of the 'imperialism of free trade' and of protection under capitalism, which were more or less independently re-discovered in controversies over interpretations of NEP (New Economic Policy) in the 1920s.

(5) The Marxian model of 'the whole of the (national) economy organised like a single giant trust', endorsed by Lenin in *State and Revolution* and put into practice (along with a fragment of the 'primitive socialist accumulation' model) in the era of war communism, and (perhaps) during the Nazi occupation of one-third of the territory of European Russia.

(6) Code-named 'the Law of Value', Marx's model of transformation of (labour-embodied) values into prices of production (*Capital* volume 3), and to a much lesser extent, Marx's discussion (also in *Capital* volume 3) of the transformation of 'Market values into Market prices'—have been reference points for almost all discussions of socialist pricing of the Marxian kind in the USSR and the people's democracies. (However, Marx's theory of absolute ground rent *contraposed* to the Ricardian theory of differential rent without which his 'theory of value' cannot be understood in its final

approximation, has suffered from gross neglect.)

(7) Marx's model of 'socialism, the first stage of communism' where absolute and relative scarcities enjoin a commodity economy based on the principle of 'from each according to his powers, to each according to his work', sketched in his *Critique of the Gotha Programme*, has been the reference point of all discussion of the role of incentives and wage-income differences in socialist economies.

(8) Lenin's model of capitalism where competition has been replaced by industry-wide monopolies as the 'material basis' of socialism, foreshadowed in some of Engels' *Notes on Capital*. This has been the ideological basis, seldom explicitly acknowledged, of the strategy of amalgamating firms into Big Economic Organisations (BEOs) in the USSR, Poland, Hungary, the German Democratic Republic, Bulgaria and Romania extensively discussed in Das Gupta's book.

The material compiled by Das Gupta in his narrative is sometimes related to the logic of these Marxian models of socialism explicitly, and sometimes not. But they make better sense when related to one or the other of these models. The change-overs from one of these models to another in European socialist societies have been instances of 'revolutionary restructuring' or perestroika, with mostly negative political openness or glasnost, according to the changing circumstances of international and national politics, economics and technology, in the past 70 years. There have even been brief spells of positive glasnost, especially when the Bolsheviks allied briefly with the Left Socialist Revolutionaries in a coalition government in November 1917, or when in the twenties the Bolshevik Party refused to allow inner-party struggles to be converted into outer-party struggles with death penalties, imprisonment for life and exile imposed on victims of a majority dictatorship within the Bolshevik Party (or other parties belonging to the Communist International).

Thus, the materials brought together in this book remind us that the current perestroika is by no means the first, nor is the current glasnost (to which, however, Das Gupta's compilation relates only very indirectly, if at all) without some precedent. What also comes through from this compilation is that there has never been a serious debate as to whether there have been conceptual and logical flaws in any of these Marxian models of socialism which need to be corrected, and which can be corrected. However, his concluding chapter 'In Lieu of a Conclusion' does render a service by meeting this problem head-on, by sizing up the now extensive literature of socialist and Marxist dissidence, and by exploring the possibilities of applying the Marxian concept of alienation to assert that "The reform in the superstructure which aims at transcending the alienation of the party from the masses and that of the state from its citizens to pave the way for a harmonious interaction between the base and the superstructure, has to come from within and not by an overthrow of the present socialist system" (p 398).

At the time of writing this review, this may sound like a pious hope. Has not the CPSU, 'alienated from the masses' taken the first fateful step towards restoration of capitalist property relations and exploitation by parasitic rent collection by decreeing long-term inheritable rights to sub-lease farmland and factories (taken on lease in the first instance from the state for collective self-employment)? Has not the Chinese CP marched much further and misappropriated the concept of 'openness' to legislate for a regime of iron control over Chinese politics by an all-powerful inner-party majority which however, 'opens up' China to every form of exploitation by international and national capital? However, there is also evidence that if the 'alienated' Soviet and Chinese masses refuse to remain helpless prisoners of existing 'present-day socialism' they are also unlikely to jump from the frying-pan of 'existing socialism' into the fire of crisis-ridden world capitalism where, to paraphrase Marx slightly, not even the 'golden chains' but the rusty or polished iron chains of capitalism await most of them (except for a few bourgeoise workers and peasants). The explosive word 'corruption' has become the focal point of political-economic reform in China, which has set hundreds of thousands of Chinese students and also thousands of workers (one of whom has already been sentenced to death) marching. The process has also begun in the Soviet republics, more in the non-Russian republics, but also in Moscow, Leningrad and in Kiev in the Ukraine (where conservative defenders of the fundamental right of the party to be corrupt are losing in some key elections). The drive of the masses to curtail communist corruption of power is unlikely to defy the laws of nature and enthrone permanently capitalist property relations which ensure the right to corrupt and be corrupted. Das Gupta's prescription for solving problems of alienation 'within socialism' may turn out to be a prognosis as to how events will shape, as well as a prescription as to how he would like them to take shape. For 70 years repeated attempts at perestroika and glasnost have been like irreversible present-day events casting giant shadows before.

Country Specificities

As already mentioned above, the scope of Das Gupta's study is very wide: the whole of communist-managed Europe, except Albania, is covered.

The facts presented clarify several issues about pre-perestroika and pre-glasnost developments in these countries since the end of the second imperialist world war (which, it is now clear was ultimately imperialist on all three sides: the Axis side as well as on the side of the dominant partners, capitalist and the communist, of the 'anti-Hitler coalition': heroic attempts to transform it into an all-peoples' war were only partially successful).

He reminds us that neither the German Democratic Republic (where, with the now almost forgotten Berlin uprising, which shook Bertold Brecht was the first corrective to a socialism imposed by the victorious Soviet Red Army), nor in the Hungarian uprising against a corrupt regime of Hungarian communist puppets of an essentially social-imperialist Soviet communist regime, nor even in the Polish upheaval of workers led by the Solidarity movement, has there been a mass movement for the outright restoration of capitalist property relations. Even the Solidarity movement, Das Gupta informs us, "never questioned the socialist character of the state and society" (p 226), and goes on to substantiate this claim fairly convincingly by quoting Solidarity documents which are hardly known outside Poland (p 227). What will perhaps surprise most readers is Das Gupta's considered verdict, repeated even in his concluding chapter, that, contrary to the almost universal impression in the west and in India, even Yugoslavia, which has gone farthest in experimenting with the chimera of *'laissez-faire* socialism' (which is as much a contradiction in terms as *'laissez-faire* capitalism', something which neither Adam Smith nor the physiocrats ever preached), has not tried yet to restore capitalist property relations within Yugoslavia, as much as China, or even the USSR (with its sub-leasing decree) has done. By documenting the little-known facts of Romanian economic reforms (with *no* political reforms whatever) he drives home the point that even the most conservative communist-managed regime in existence (with the possible exception of Albania) has not been entirely immune to at least some attempts to invoke 'change to resist change', which has never succeeded elsewhere (least of all in Poland or Hungary) to fend off genuine change indefinitely.

However, what has just been noted is in sad contrast to what appears to be a large blind spot as regards the serious attempt to 'humanise socialism' by the Czechoslovak Communist Party under the leadership of Dubcek, which probably had at the time a higher proportion of workers as members than any other ruling Communist Party (with the possible exception of the CPSU). If ever there has been a serious attempt from within a ruling CP to disalienate the party and to establish a genuine socialism under the collective self-management of producers, and to challenge, without adventurist excesses, Soviet social imperialism imposed on the basis of the Brezhnev doctrine, it was this one. But the entire episode is dismissed by the author in a cryptic, non-committal reference to the 'situation of 1968 ultimate-

ly leading to Soviet intervention...and the ouster of Dubcek' (p 251).

OBJECTIONS

There are some other omissions in the book to which objections can be raised. There are also some arguments which are hard to understand, and still harder to accept. Some of these are advanced by scholars in communist countries, which have been recorded without criticism by the author. Others relate to the author's own remarks.

To the first category belong several statements on technical economic matters. The most remarkable is an argument by N A Tsagolov, introduced by Das Gupta as 'the eminent Soviet economist' which seeks to treat variable and fixed capital as being on the same footing with a distinction being made between 'advanced and actually utilised capital in a year (which) are not the same except in rare cases' when the turnover period is one year (p 71). For some purposes, one may simplify analysis by assuming a uniform one-year turnover period, and that the wage (i e, variable capital) is advanced for one year. But in that case, it is also 'utilised' over one year unless the worker is a bonded labourer. Another is the amazing statement of Soviet scholars quoted in German translation dated 1974 that the 'transitional stage' of the lower stage of communism or socialism referred to in Marx's *Critique of the Gotha Programme* refers to (1) the period of restoration of the socialist economy 'to the level before the revolution', and (ii) *ergo* 'there was a transition period from 1917 to 1937 in USSR satisfying the contention in the *Critique of the Gotha Programme' (sic)* (p 50). In this case, of course, Das Gupta does record that he 'does not agree with the contention that the period from 1917 to 1937 conforms to what Marx described as the transitional phase' (p 50). But then, Das Gupta is ambiguous on the all- important question of whether ground rent should or should not be included in socialist price formation (pp 272-73, 305) and he puts forward an at best unnecessary, and at worst convoluted argument that 'utility' in standard economic parlance is not the same as 'use values' in Marxian terminology (p 279), and that the latter express 'physical and mental satisfaction of a person' which are not *(sic)* 'reflections of subjective factors as utility is' (p 280). What then are 'subjective factors' connected with satisfaction? Psychic satisfaction which is neither 'physical nor mental'? What will perhaps worry a Marxist political economist more than this esoteric hair-splitting is the author's ambiguous position on the untenable phrase 'non-capitalist path of development', although he does challenge Soviet Scholars who try to legitimise the concept in a misapplication to "the transition of (contemporary) developing countries (such as India) to socialism through bypassing the capitalist stage of development by harking back to Lenin's characterisation of pre-capitalist Turkestan's transition to socialist property relations"(pp 66-67). Does he reject this false, non-Marxian perspective or not? It is the considered view of the reviewer that there can be no such thing as a 'non-capitalist development' in the epoch of world capitalist imperialism which is not socialist in terms of Marxian concepts, and the question of its empirical verification does not, therefore, arise.

PHILOSOPHY

Finally, it is now clear that Marxists and Marx-interested social theorists, including the 'activistic' ones, must engage in radical re-thinking in the search for new starting-points for communist-managed socialist societies at every level: technological, economic, political, and, not least, philosophic. Das Gupta does go deep into philosophic questions, but there are some disconcerting remarks. What does he mean by saying that "The theory of knowledge which answers... the question of what we understand by the term 'reality' in a given set of conditions,... did not remain the same for the two systems" after the establishment of "different economic systems", after which "It became generally accepted...that the reality cannot be the same or unique...it became segmented into different systems with dissimilar world views (weltanshauung) for interpretation. But interpretation of the course and nature of socio-economic development does not depend on world views alone, but on important conceptual and practical questions as well. This is what has been accepted in this analysis" (p 1). In other words, this long statement seems to say that 'world views' (weltanshauungs) are emphatically not to be confused with 'views of the world' (which subsumes knowledge of all clashing 'world views', and *also* all concepts, *as well as* all (objective) 'realities out there', outside the mind). But if this is so, how can the author *also* say that "...the essence of one of the important modifications of the law of value in socialism" is the one by which "the so called 'metaphysical' category of 'value' (or socially necessary labour expenditure embodied in a unit of a commodity) by conscious effort is led to correspond to a real category (i e, the planned price)" (p 318)? Does the author endorse the extreme de-constructionist Althusserian doctrine that there is in the last analysis an 'impassable gulf' between metaphysical 'world views' and social realities about which these world views are concocted? If so, is he not agreeing with rather than rejecting the 'generally accepted view', with the disastrous corollary that no one who accepts capitalism can ever be convinced to become a socialist, since there is no way by which anyone can cross from the 'world view' of bourgeois knowledge to the view of the world of socialist knowledge?

Das Gupta closes his book with a welcome stricture against 'radicalism in the west' whose radicalism often "boils down to inconsequential scholasticism and attacks on...'existing socialism' ", because "they are more keen to transfer their stagnant 'intellectual technology' whether it is Marxism,

socialism, anti-Marxism and anti-socialism to the third world" (pp 398-99). This needed saying, and I can understand his indignation. Many years ago, I came across such a western radical's review of a book written by an Indian on Marxian political economy (with specific applications to the conditions of developed and underdeveloped capitalisms and socialisms). *Inter alia*, this western radical questioned the right of an Indian to analyse conditions under developed socialism, without, of course, forgoing his own right to do so! But it is fortunately not true that all western radicals are like Kalidas when he was trying hard to cut off the branch of the tree on which he was sitting. It is not quite true that all of them enjoy attacking 'existing socialism' because 'it does not spell any danger for them'. There are some who do realise the danger for them if socialism is obliterated, since they are urgently concerned to escape from the black future of developed capitalist societies. They criticise 'existing socialist societies' more in sorrow than in anger, as does Das Gupta himself.

Student Movement Revisited

Philip G Altbach

"Democracy Is in the Streets": From Port Huron to the Siege of Chicago
by James Miller; Simon and Schuster; pp 431, $ 19.95.

THE radical student movement of the sixties in the United States has had an ambiguous legacy on American culture and politics. It raised the political consciousness of a generation and contributed significantly to an 'oppositional mentality' that was reflected in music and social relations as well as in politics. It drew on a wellspring of idealism which also manifested itself in the Peace Corps and in aspects of the Kennedy-Johnson 'Great Society' programmes. The movement also sowed the seeds of its own destruction through increasingly militant and ultimately violent politics. James Miller has caught the spirit of a segment of the political culture of the sixties in his study—half biography of several key movement leaders and half history of the Students for a Democratic Society (SDS), the key organisation of the period.

"Democracy is in the Streets" is valuable because it provides a discussion of some of the key people in the movement. It is incomplete and even somewhat distorted for the same reason—the choice of the group which was basically responsible for creating the SDS and shaping its early direction by no means reflects the range of political orientations of the period. Nevertheless, the book is evocative of an important period in American political life—an era lost in the cynicism of the Reagan years and the rise of the 'yuppies'. James Miller chose a dozen or so individuals to reflect what he saw as the driving force of the period—idealism, a combination of American pragmatism and radicalism, and a willingness to try new approaches to politics and social change. The key individual, Tom Hayden, remains active in American politics as a state legislator in California, husband of Jane Fonda and leader of an informal west coast liberal-radical coalition. Hayden, from a conservative middlewestern background, was radicalised at the University of Michigan, where he edited the campus newspaper and eventually joined SDS and became its most influential leader for a period. Several of the other key figures also came from the University of Michigan. Al Haber, son of a liberal college professor, was a key intellectual leader in the movement. Sharon Jeffery, another Michigan student, also assumed a leadership role. The family backgrounds, ideological orientations and activities of these, and several other leaders, are discussed in some detail. Miller uses them as proxies for political activists of the period.

The SDS, at least in the early sixties, was affiliated to the League for Industrial Democracy (LID), a social-democratic educational organisation with strong ties to several of the progressive labour unions in New York. The LID was not at all pleased with the more radical direction of the SDS, and tried, ultimately unsuccessfully, to reign in its student affiliate. They key bridge figure was Michael Harrington, an LID member and, in his thirties at the time, in touch with the student generation. Harrington had just published *The Other America*, an influential book on poverty, and was widely respected. He felt that the SDS leaders, who were new to radicalism, did not have a sufficiently strong anti-communist position. Harrington, with the hindsight of twenty years, now feels that the LID leadership was too harsh on the SDS and that the break was an error. Generational politics played a role in the development of the New Left.

A key document in this book is the Port Huron Statement, which Miller sees as one of the most important political manifestos of the period and a symbol of a new approach to American radical politics. The statement was drafted by Tom Hayden and revised at an SDS conference in 1962. It reflects the concerns of the newly politicised campus-based movement for social change. It is remarkably free of the ideological baggage of previous generations of American radicalism and is, in many ways, an 'American' political document for social change. Miller sees it as the rallying cry of a generation. He might well be too optimistic—many of the students who became politicised after 1964 had never heard of the Port Huron Statement.

The intermeshing of several political concerns is nicely portrayed in this book. Indeed, one of the reasons for the rise of the SDS was its ability to link concerns such as the newly emerging civil rights movement, anti-war issues (the Vietnam war was not yet in the consciousness of many students), and a desire to work for social equality. One of the first initiatives of the SDS was a series of campaigns to organise poor people in several 'inner city' areas. Hayden himself directed an only modestly successful effort in Newark, New Jersey. A number of SDS leaders quit the university in order to participate in these off-campus movements, but their impact on the student population was minimal. Only later, when the Vietnam war heated up, did SDS gain a massive following in the universities. Even this success proved a serious problem for the organisation, since the concept of 'participatory democracy', which is discussed in detail by James Miller, made quick decision-making difficult and hamstrung the national leadership. Indeed, several key SDS were unable to function under these circumstances.

The various changes in the SDS up to the national trauma of the 1968 Democratic convention in Chicago, when the police 'rioted' and student politics became significantly radicalised, are chronicled through the eyes of the individuals portrayed in the book. It is an effective way of bringing the twists and turns of American student politics to life. It fails, however, to take some key elements into account and does not provide a sense of the diversity of activism in the country. For example, the Berkeley student revolt of 1964, commonly seen to have started the mass student movment in the United States because of its wide coverage in the mass media, was not led by SDS and is not given much attention in this book. At the other end of the spectrum, the locally-initiated and locally-led activist movements at small (and often rather conservative) campuses around the country, some of which identified with the SDS in spirit, are virtually ignored. One cannot, of course, deal with everything in one book, but Miller's concentration on the key leaders may well distort the reality of a complex and variegated movement.

This book brings to life, as no other study has yet done, some of the people in key positions of student leadership. It follows their thoughts and careers. It shows them as sometimes confused and sometimes inspired individuals working for social change in a rapidly changing and increasingly polarised society. It tells, however, only part of the story. It does not discuss the important precursors of the SDS and it is weak on chronicling the rank and file of the movement. Yet, it is a lively and valuable book precisely because it brings at least a segment of the movement to life.

Assessment of States' Own-Tax Revenues by the Ninth Finance Commission

Pradhan H Prasad

The Ninth Finance Commission, which presented its first report in July 1988, seems to have made a notable departure from the earlier Finance Commissions with regard to the methodology of measurement of relative taxable capacities and assessment of behavioural norms with respect to the states' taxes.

INTRODUCTION

INDIA has a federal structure consisting of states, union territories and the union. There are constitutional provisions whereby certain taxes are levied and collected by the states themselves and are termed as states' own-tax revenue. Apart from this, the other sources of states' revenues are their non-tax revenues, share in the taxes levied and collected by the union (either on its own or at the behest of the states) and grants-in-aid. Share in the central taxes and the grants-in-aid which together forms the major component of the devolution of funds from the centre to the states is done on the basis of the recommendations of Finance Commissions, a body which derives its authority from the Constitution of India. Finance Commissions while making such recommendations keep in view the resource-raising capabilities and needs of the state governments. But at the same time they also take care that their recommendations do not produce laxity in the state governments' effort towards mobilisation of tax and non-tax revenues and puts premium on the wasteful use of resources. In this context, while assessing the states' tax revenues, the taxable capacities of the states and the related question of adhering to normative approach to states' taxes are referred to. The Ninth Finance Commission which came into existence in June 1987 has presented its first report in July 1988.[1] Herein the commission seems to have made notable departure from the earlier Finance Commissions with regard to methodology of measurement of relative taxable capacities and assessment of behavioural norms with respect to states' taxes.

The question of concept and measurement of relative taxable capacity, which is closely related to 'ability to pay' taxes, has eluded the economists, financial advisers and administrators since the days of Adam Smith in the late 18th century. As a practical approach to the problem of measurement, the tax performance norms have been statistically estimated from group behaviour of a set of individuals or a set of regions.

Taxable capacity which is presumed to get reflected by a behavioural pattern is generally accepted to depend on income and needs, which in turn depend on socio-economic conditions where the taxpayers or a group of taxpayers reside. When regional comparison is made in this context within a nation, it is generally assumed that the supply of public goods and services (which is, either free or highly subsidised or both) is evenly distributed. Then the behavioural response of regions (or states) is obtained on the basis of a mathematical tax function.

$$Z = F(P, Q, V_1, V_2, \ldots, V_n\ U) \qquad \ldots(1)$$

where Z is tax collected in the region, P is population in the region, Q is income or production of the region, V_1 is number of poor in the region, V_2 is a measure of income distribution in the region, V_3 is industrial income, V_4 is income from trade, V_5 non-primary sector's income, V_6 is numbers living in urban areas, Vj (J = 7, 8, ..., m such that $m < n$) denotes number in jth occupation, and U denotes a stochastic disturbance or error term.

It will be seen that some of the factors affecting the tax collection are overlapping. This, therefore, involves a selection of factors for a statistical treatment on the basis of theoretical reasoning. For example, a selection can be made as follows:

$$Z = F(P, Q, V_1, V_6, V_7, U) \qquad \ldots(2)$$

where V_7 is non-primary sector workers. This function can be suitably transformed (in per capita terms) by dividing each of the variables (except U) by P as follows:

$$Z/P = F(Q/P, V_1/P, V_6/P, V_7/P, U) \ldots(3)$$

The next problem is one of specifying the function in the form of a mathematical model (for regression analysis so as to minimise error sum of square, i e, ΣU^2), for example, the following form:

$$S = Y^a . H^b . A^c . B^d . e^U \qquad \ldots(4)$$

where S denotes per capita tax revenue, Y denotes per capita SDP, H, A and B denote respectively ratios of poor population, urban population and non-primary workers to population.

There are, however, two points worth noting in this context. One is that if the states are identical so far as the variables influencing the per capita tax revenue is concerned, average value of per capita tax, $\bar{S}$, minimises the $\Sigma U^2 = \Sigma (S - \bar{S})^2$ and it can be treated as a behavioural norm. The divergence from the arithmetic mean is then treated as reflecting the 'tax effort'. The other important point is that a particular state may have some factors influencing tax revenue which are specific to that state and cannot be specified in the model. For example, a region may have a topographical terrain where only motorised vehicles for transport (to the exclusion of cycle, cycle-rickshaw, bullock carts, etc) are used. Such a situation may reduce the taxable capacity of the region. Similarly, a region may have very cold snowing weather all the year round which enhances the relative cost of living and thereby reduces the taxable capacity of the region. These are some of the extreme illustrations to drive home the fact that some

TABLE 1

States	Percentage of Tax to SDP in 1984-85				Per Capita SDP (Rs) in 1984-85 at Current Prices
	Actual	Our Normative Estimates	Ninth Finance Commission's Estimate		
			Normative	Moderated Normative	
(1)	(2)	(3)	(4)	(5)	(6)
Andhra Pradesh	9.0	8.7	8.2	8.6	2267
Bihar	4.1	4.3	5.4	4.7	1517
Gujarat	8.3	8.9	9.4	8.4	3224
Haryana	8.7	8.2	7.6	8.2	3249
Karnataka	9.3	8.5	10.4	9.9	2431
Kerala	9.7	9.8	9.2	9.7	2348
Madhya Pradesh	6.9	6.4	5.0	6.0	1836
Maharashtra	8.3	7.9	8.4	8.3	3493
Orissa	4.3	4.2	5.9	4.9	1902
Punjab	7.7	8.0	7.1	7.4	4097
Rajasthan	6.8	6.9	4.4	5.6	1907
Tamil Nadu	11.2	11.8	8.6	9.1	2254
Uttar Pradesh	5.9	5.8	5.7	5.8	1618
West Bengal	6.4	7.2	9.3	7.4	2423

unspecifiable factors as weather, topographical, and social conditions and the 'tax effort' which though cannot be specified in the model, can nevertheless affect the tax performance either way, positive or negative. Moreover, the specifiable factor cannot all be possibly included in the model because their numbers may be too large. However, when the technique of regression analysis is adopted to estimate the tax performance behaviouristic norm for the states, the inclusion of state dummies in the regression analysis is done with a view to have a qualitative estimate of these so far they are state-specific, otherwise, they form the part of residuals.

Model

The model which was used for determining the taxable capacities and tax efforts of the states by the commission is $R = Y^a . M^b . X^c . e^U$ where R denotes per capita tax revenue, Y denotes per capita SDP, M per cent of non-primary sectoral SDP to total SDP, X the Lorenz ratio of consumer expenditure distribution computed from the 38th round of NSS data (Ninth Finance Commission, Annexure, p 39). A pooled time series (1980-81 to 1985-86) and cross-section (14 states) observations with time dummies and state dummies were used for the results obtained through multiple regression analysis. In order to improve the explanatory power of the regression estimate, the states were divided into three groups and the final results were obtained. The above model, alongwith time and state dummies, explained more than 99.9 per cent of the variation (Ninth Finance Commission, Annexure, p 41).

In interpreting these results, it seems that the commission has accepted the position that the estimated coefficients of state dummies is indicative of tax effort of the state government. The 'residual approach' was rejected and the dummy variable approach was adhered to so as to isolate and estimate the extent of impact of the tax effort on the tax performance (Ninth Finance Commission, p 13). What is not realised is that this substitution is of no avail in this context. It is a well known fact that whenever a new variable is added to a regression model, part of the random error of the previous model gets explained by the parameter of the new variable (even a dummy). It is, therefore, improper to presume that the part of random error reflected by the dummy is due to the 'tax effort' alone. In case the whole of random error gets reflected (i e, when $\bar{R}^2 > 0.999$), this presumption is altogether untenable. What is assumed here is that the state-specific factors' impact on the tax performance is wholly due to the tax effort of the state government. Thus, the commission takes a position that the 'per capita tax revenue' depends only on the four factors, that is, the per capita SDP, the proportion of non-primary SDP to total SDP, the Lorenz ratio and the tax effort of the state

governments. No economist worth his salt will accept this position in the Indian context.

It has been a gross miscarriage of justice that the state-specific factors' impact on the tax performance, as revealed by the coefficients of state dummies, has been wholly attributed to tax effort of the state governments. It may also be worth recalling here that the dummy variable has a very limited role. It, at best, can indicate whether the sample which is represented by the dummy, belongs to the same population or not and if not, is it higher or lower than the specifications. But it cannot indicate the magnitude as to how much higher or how much lower. For example, from the negative sign of the dummies in the regression results, the inference has been drawn that the three eastern states (i e, Bihar, Orissa and West Bengal) show poor 'tax performance' (Ninth Finance Commission, Annexure, pp 40-41). This ordinal measurement only signifies that, say, Bihar's poor 'tax performance' is relative only to the states in the low income group. One, therefore, cannot reject (on the basis of this result) the assertion that Bihar's tax performance is better than that of Punjab. The very purpose of the analysis, thus, seems to have been lost. Moreover, the model used for this purpose is bad both from the point of view of economic theory and mathematical logic (as is evident from the comparison with the one given by equation 4 above). Yet another serious error arises from the fact that the number of observations were less than what is essentially required for the use of dummy variables. The parameters estimated in the three income groups, high, middle and low, are 11, 12 and 12 respectively. The observation for each state has been six (or even less) and for each period four in the high income group and five each in the other two. The essential condition is that the number of observations for each class for which a dummy is used must be higher than the number of parameters to be estimated.[2] It appears that it is the anxiety to improve the efficiency of the estimates by mechanical use of statistical tools rather than theoretical consideration and strict adherence to the technique of statistical and econometric analysis which is finally responsible for this utter messy result (Table 1, Columns 4 and 5).

Alternative

The alternative is to use a model which is not only based on sound economic reasoning and mathematical logic but gives a high value of $\bar{R}^2$ and the residuals may then be attributed to the 'tax efforts of the state governments' even though it may not be wholly so. The residuals, in fact, include all the factors which are not either explicitly or implicitly included in the model (inclusive of the tax effort of the state governments). One such attempt was made but the $\bar{R}^2$ (=0.7111) was not very high.[3] However, it provided some empirical support to the hypothesis that poor states in order to mobilise resources for boosting their plan efforts are rather indulging in a level of taxation which may be injurious to their state economies. This also throws a damper on the grouping of the states in the context of the tax performance.

As an illustration, tax performance behavioural norm can also be estimated by the model given in equation 4, say, for the year 1984-85 using only cross-section data of the 14 major states. The data for the analysis happens to be comparable SDP and per capita SDP from the report (Ninth Finance Commission, Annexure, pp 27-28), other sectors' SDP from *Estimates of State Domestic Product (1970-71—1986-87)* by Central Statistical Organisation, poverty-population ratio from *A Technical Note on the Seventh Plan of India* by the Planning Commission, States' Own-Tax Revenues from the *Reserve Bank of India Bulletin*, November 1986 and other population data from *Paper-2 of 1983* of Census of India, 1981. The results are as in Table A.

Table A

Variables	Regression Co-efficients	t-values
1 Constant term	3.3832	1.7334
2 Per capita SDP	0.0014	0.0061
3 Percentage of rural poor to population (computed from 38th round of NSS	−0.5480	−4.0481
4 Ratio of urban to total population, 1981	0.5727	3.8908
5 Ratio of non-primary workers to population, 1981	0.7822	4.9063

$R^2 = 0.9785$, $\bar{R}^2 = 0.9689$

Table B

Variables	Regression Co-efficients	t-values
1 Constant term	4.9591	2.7344
2 Per capita SDP	−0.5859	−1.7219
3 Per capita non-primary SDP	0.5749	2.1251
4 Percentage of rural poor to population	−0.6635	−5.2240
5 Ratio of urban to total population	0.4391	3.1423
6 Ratio of non-primary workers to population	0.6301	4.1188

$R^2 = 0.9863$, $\bar{R}^2 = 0.9778$

Efficiency of estimates are reasonably good, as is evident from the value of $\bar{R}^2$ The efficiency can be further improved if one more explanatory variable, per capita non-primary SDP, is added in the model. The results are as in Table B. Even if the entire 1.37 per cent of the variance in actual tax revenue of 1984-85 is attributed to tax effort of the state government, not much injustice seems to be perpetuated. This is basically a question of judgment and there is no econometric or statistical method known (till date) which leads to avoidance of such a judgment. Mathematical models or computers cannot absolutely negate the role of mind. They only reduce the range of arbitrariness. The behavioural state-tax norms which have been computed from S-cap (or $\hat{S}$), is given in Table 1, column 3. The problem of multicollinearity herein is relevant only when one is interested in the significance of the variables *per se*; but neither the combined effect of the variables (i e, overall explanatory power of the equation) nor the normative estimate is affected by it. It will be seen that among the low income group states, ony two (i e, Bihar and Rajasthan) are showing slightly poor 'tax effort', but Gujarat's and Pujab's (who belong to the high income group) performances are still poorer.

Notes

[I am thankful to B K Mishra for his help in computations.]

1 Ninth Finance Commission, *First Report of the Ninth Finance Commission (For 1989-90)*, July 1988.

2 Johnston, J, *Econometric Methods*, Second Edition, International Student Edition, McGraw Hill, 1972, pp 206-07.

3 Prasad, Pradhan H, *Lopsided Growth: Political Economy of Indian Development*, Oxford University Press for Sameeksha Trust, 1989, pp 116-18.

Measurement of States' Taxable Capacities
Ninth Finance Commission's Methodology

Dipankor Coondoo
Robin Mukherjee

The efforts made by the Ninth Finance Commission, as required by its terms of reference, to develop a methodology for estimating the taxable capacity of states should be welcomed. However, there are a number of problems, many of them technical in nature, with the methodology adopted by the commission and it should therefore be subjected to critical examination.

THE First Report of the Ninth Finance Commission (NFC) has already evoked considerable discussions in government circles, particularly at the state level, as well as among economists. While the report has been complimented for a number of unique features, criticisms have also been made that the scheme recommended for 1989-90 is regressive and the "approach to its main award for 1990-95 and its target for phasing out revenue deficits at all levels by 1994-95 are bound to adversely affect equity, welfare and growth" [Guhan, 1989].

Perhaps the most significant departure of the present report from the earlier ones was prompted by the terms of reference of the commission requiring it to adopt a normative approach for assessing the receipts and expenditures on the revenue account of the states and the centre. There should not be any dispute that *ad hocism* should be dispensed with as far as possible and therefore the attempts made by the commission, as required by the terms of reference, to develop a methodology for estimating the taxable capacity of the states should be welcome. It seems, however, that there are a number of problems, many of which are technical in nature, with the methodology and it should therefore be subjected to critical examination. The purpose of this note is to draw the attention of economists and econometricians to this important feature of the report and to put forward some observations on it.

The Methodology

The methodology used by the Finance Commission for measuring the taxable capacity for 14 major states for the year 1989-90 is the regression technique. It recognises two types of factors which are likely to affect the level of per capita tax revenue of a state, viz, the factors relating to taxable capacity and those relating to tax effort, and implicitly assumes that these two types of factors are mutually independent. The observed data on per capita tax revenue are therefore regressed on a set of explanatory variables (like the per capita SDP, the proportion of non-primary sectoral SDP in SDP and the Lorenz ratio of the consumption distribution of the state) to obtain an estimated taxable capacity function for the individual states, and the discrepancy between the observed value of per capita tax revenue and the corresponding estimate is taken to be primarily due to the combined effect of the tax effort variables which are omitted in the regression specification. The pooled cross-section and time series data for the states have been utilised to estimate a single function for taxable capacities by introducing statewise and yearwise dummy variables. On observing the non-homogeneity of the estimated taxable capacity functions across all the 14 states considered in the analysis, the states have been classified subsequently into three groups (in terms of the level of per capita SDP) in an effort to obtain three distinct groups of states each having a homogeneous taxable capacity function. The relative taxable capacities and the corresponding efficiency/inefficiency of individual states in terms of tax effort have been measured with reference to these estimated group-specific taxable capacity function.

The NFC methodology summarised above and the empirical results obtained by following this methodology (which are presented in the NFC report) give rise, as stated earlier, to some questions essentially of a methodological nature. These questions are important and deserve to be resolved, for the nature and the quality of the empirical results are likley to be crucially dependent on whether or not these questions can be resolved. In what follows, we briefly mention these methodological questions.

(1) *Specification of the Regression Model*

The regression model considered in the empirical analysis includes three explanatory variables, viz, the per capita SDP, share of non-primary sector in SDP and the Lorenz ratio of consumption, taken to capture taxable capacity of a state, and a Cobb-Douglas type functional form relating per capita state tax revenue to these variables has been employed. As already mentioned, the methodology presupposes that the variables relating to tax effort are independent of the explanatory variables included in the regression, so that the coefficients of the explanatory variables are not biased due to the omission of the variables relating to tax effort and other determinants of taxable capacity of a state, if there be any.

Is this assumption of independence empirically justifiable? If it is not, then the consequence of omission of the variables would essentially be to bias the estimates of the included explanatory variables (taken to reflect the taxable capacity of the states) and, as a result, the estimated taxable capacity function would no longer measure taxable capacity of the states. Doubts about the assumption have already been expressed by Bagchi as he writes "there is also the possibility that tax effort itself is a function of the level of development of a state with increasing pressures for public expenditures and may not be an entirely exogenous factor" [Bagchi, 1989].

Another major difficulty with the specification of the taxable capacity function relates to its aggregative nature. The states collect qualitatively different types of taxes (taxable capacities in respect of which may be dependent on different types of factors, not all of which can be proxied by the three explanatory variables considered). Moreover, the composition of the state tax revenue in terms of the different tax types may be widely different across states. In such a case, the existence of an aggregate tax capacity relation as used in the NFC exercise may be questionable. Further, one would normally seek a causal justification of a regression equation used in an empirical economic analysis. Is it possible to give such a causal justification in the present case?

(2) *Analysis of Homogeneity of the Taxable Capacity Functions:*

Presumably for want of enough data, a fixed effect model of regression is taken as the basis for empirical exercise in the NFC report and an attempt has been made to estimate a homogeneous taxable capacity function across states. Given the sample size, the task of estimating a meaningful fixed effect model appears rather formidable. For example, in the case of the unrestricted model estimated by pooling the data for six years for all the 14 states, there are 84 sample observations available for estimating 62 parameters, including the coefficients of the statewise dummies in the slopes and the intercept. Appendix to the NFC report mentions that the period covered for the regression analysis was 1980-81 to 1985-86. In the main body of the report (Sec 3.5 of Ch III) however it is stated that the pooling of cross-section observations with time series was done for the period from 1980-81 to 1984-85. This would mean that the number of observations was actually 72. Is it possible to estimate any stable regression relationship

on the basis of such a scanty sample of observations?

Quite understandably, the empirical results indicate heterogeneity of the taxable capacity function across states. However, the subsequent steps that are performed to identify sub-groups of states for which the taxable capacity functions are homogeneous give rise to further questions. The principal component analysis which was performed to devise a composite development index (to be used for grouping the states) was based on eight variables. Of these, three of the first four variables (*including* per capita SDP) were earlier considered as explanatory variables in the regression analysis based on the data for all the 14 states and were seen not to explain significantly the tax revenue. As reported, the first principal component would explain 60 per cent of the observed variability of the eight development indicators, and the composite development index was constructed by using the weights implied by the first principal component. Given the fact that a reasonably large part of the variance could not be explained by the first principal component, the uniqueness of the grouping of the states based on the composite development index becomes a debatable issue. Thus, the question arises whether one could have any alternative grouping of states with homogeneous taxable capacity function. If such alternative grouping could be possible, then the sanctity of the groupwise homogeneous taxable capacity function would become questionable. Another question, which the results of the principal component analysis gives rise to concerns the specification of the functional form of the basic regression model of the Cobb-Douglas form. It is reported that the ranking of the states by the level of per capita SDP is highly correlated with that based on the composite development index mentioned above. Further, it is found that the regressions for the three sub-groups of states (classified by the level of per capita SDP) are homogeneous in respect of the slope coefficients. This possibly implies that the slope coefficients in the basic model are independent of the level of per capita SDP (i e, the elasticities of per capita tax revenue with respect to the explanatory variables are not constant). Therefore, the question arises whether the Cobb-Douglas specification of the basic regression model is adequate.

(3) *Linear Restriction on the Coefficients*

In the final stage of the regression analysis, groupwise homogeneous taxable capacity functions have been estimated by incorporating a linear restriction that the coefficients of the statewise intercept dummies within each group add up to unity. It appears that the reported regression results related to the linear-logarithmic specification of the basic regression model. If this be the case, it is not clear how a linear restriction of the type mentioned above is warranted. In the situation where the factors affecting taxable capacity are independent of the factors relating to tax effort, the effect of omission of the set of variables reflecting tax effort from the regression specification may be as follows: the mean effect of omission of these variables would result in a statewise intercept term. However, in the event some of the variables reflecting tax capacity are also omitted in the specification (which is likely to have happened in the present case), no efficiency connotation should be attached to the multiplicative state-wise intercepts. Hence, the question of normalising these intercepts does not possibly arise. Even in the case of omission of tax effort variables alone, one may, at best, postulate that the product of the state-wise intercepts (in the original Cobb-Douglas specification) is unity. In such a case, the relevant restriction in the linear-logarithmic set-up would be that the statewise intercepts added up to zero. From the reported results, it may be seen that the intercept for some of the states is negative. Thus, these are the restricted estimates of the linear-logarithmic specification (since it is impossible to have a negative intercept term in the multiplicative Cobb-Douglas specification). Now, if the linear restriction is indeed irrelevant, it is not clear whether the claim of efficiency of the estimates would be legitimate. More importantly, the effect of introducing an irrelevant coefficient restriction may very well be quite damaging so far as the estimates of the other parameters of the regression equation are concerned, and thus may significantly affect any policy conclusion based on the estimated regression equation with such an improper linear restriction.

(4) *Regression Results*

We may now pass on to the regression results presented in the appendix. It has been mentioned that a large number of functions with several combinations of variables were tried out before choosing the ones presented on consideration of their having the most satisfactory statistical properties. It is stated in particular that the reported "equations have been chosen for the purpose of making projections on three considerations": (i) the explanatory power of the equations should be high; (ii) the residuals should not have a high degree of autocorrelation; and (iii) the signs of the regression coefficients should be on expected lines.

The results show very clearly that the explanations achieved are indeed remarkably high. It turns out, however, that among the economic variables only per capita SDP is significant. In other words, SDP is found to be the only significant determinant of per capita tax revenue. But still no explanation has been provided for retaining the other non-significant variables. In fact, it is not even clear whether the regressions were re-estimated by dropping the non-significant variables and, if so, what kind of results were obtained. Secondly, since the values of the D-W statistic have been presented, one may presume that autocorrelation of the residuals was tested by using the Durbin-Watson test. The problem is how would one apply an interpret the Durbin-Watson test in case o pooled cross-section time series data Thirdly, nothing has been stated about th expected signs of the regression coefficients It is found that the estimated regression coefficient for Lorenz ratio of consumption is positive for high and middle income states but negative for the low income group. How can it be said then that the three considerations listed above were actually followed?

Conclusion

On the whole it seems that the methodology followed by the NFC is quite innovative. But there are a number of serious limitations and one may doubt if the purpose has been served. The moot question then would be to decide whether the results of the NFC methodology, as it stands now, should be accepted particularly since it has serious practical implications. We would only like to state in this context that we do not quite agree with Bagchi when he says "those who still have reservations about the normative approach based on econometric models (and some of them may be valid especially when there are severe limitations of data) have to come up with alternative approaches which would be more objective or less questionable" [Bagchi, 1988]. The fact that one does not have a better alternative at hand should not debar one from voicing objections against an existing or proposed methodology.

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Cultural Foundations of a Nineteenth Century Mathematical Project

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We investigate here the context in which Ramchandra, a nineteenth century Indian mathematician, journalist, populariser and social commentator, worked on A Treatise on the Problems of Maxima and Minima. *The work was original in that it sought to obtain the maxima and minima of a function from algebra and without using differential calculus. The project itself was nourished by the notion of algebra as a cultural metaphor, and it is on this count that it attracted the attention of the British algebraist Augustus de Morgan.* The Treatise, *when placed against the background of Ramchandra's stance* vis-a-vis *the colonial educational policy, clearly reveals the beginnings of a still nebulous anti-colonial politics, insofar as its professed objective is a mathematical revivification of an intrinisic but dormant algebraic predisposition of the Indian mind.*

Introduction

BY the first half of the nineteenth century, the *avant garde* of the Indian intelligentsia had acquired an appreciation of science, that was tailored to their socio-political expectations. Amongst other things, it provided them with a secular forum for the articulation of a politics of change, irrespective of their religious persuasion. Ramchandra (for a short biographical sketch, see appendix) hitherto studied as a man of letters, pioneer of modern Urdu journalism and social commentator, was also a mathematician and populariser of science. It is the latter dimesion of his work that we seek to explore. We have elsewhere discussed[1] the context of Ramchandra's popular science writing, and his commitment to education. In this paper, we discuss the cultural and political factors that determined the choice of his 'mathematical project'. The *raison d'etre* of this work, we attempt to demonstrate, can be located within the colonial context and the then ongoing debates on the position of algebra and geometry in a liberal education. This project is also moored in Ramchandra's commitment to the advancement of science among the Indian populace. An internalist evaluation of Ramchandra's work awaits another paper. The present study seeks to fathom why Ramchandra turned to the 'theory of equations' of a twelfth century Indian mathematician, to solve problems of elementary calculus.

Algebra as Cultural Metaphor

As stated earlier, we shall examine Ramchandra's contribution to mathematics as well as attempt to locate this enterprise within the context of the ongoing debates on mathematical research and its pedagogy in the nineteenth century. Ramchandra's two books, *A Treatise on the Problems of Maxima and Minima*, published in England in 1859 and *A Specimen of a New Method of Differential Calculus, Called the Method of Constant Ratio*, published in 1863, stand out as a mathematical project rather than a research programme in mathematics. This happens to be so, for his mathematical enterprise is (if not consciously) related to and partially determined by the given situation and Ramchandra's perception of himself as a colonial subject. Such a strong assumption might commit one to the errors of naive Marxism, according to which: 'Science can be reduced entirely to ideological norms', and 'external history is the only history of science'.[2] Although such an externalist determination may appear unwarranted,[3] for as Restivo has pointed out: '...in science autonomy and philosophical involvement are not mutually exclusive.[4] Yet the nature of Ramchandra's project lacks opacity when viewed through the kaleidoscope of his other social and educational commitments. Ramchandra's mathematical project was unique in that no other mathematician, Asian or European, at the time seemed to have considered working on it. However, at another level it can be demonstrated that the project attracted the attention of one of the leading British algebraists of the time, Augustus de Morgan, for it was related to the ongoing debates on the foundations of algebra—a debate in which Ramchandra never really participated.

Ramchandra's mathematical treatises are dedicated to reviving the Hindu and Arabic spirit of algebra, to reinstate the native disposition of these people, that had, he felt, been eroded over the centuries. This seems to have been the typical response of the colonised Indian intellectual in the nineteenth century. The revival of a glorious past was itself to become a metaphor in colonial struggle. There is, thus, the potential for an immanent act of transcendence manifest within his mathematical project, which is itself a consequence of a realisation on Ramchandra's part, of what Hodgkin in another context writes: '... we do mathematics one way, but we might well do it another'.[5]

That this was the source of inspiration behind Ramchandra's enterprise is also evident in the rationale he subscribes to, while making a case for teaching the sciences in the local languages. However, his intentions were in no way jingoistic, for his intentions were that the Indian populace be abreast with the latest developments in the sciences.[6] This is further revealed by the fact that he translated several scientific works from English to Urdu. The demand for teaching science in the local languages, as well as the attempt to devise other approaches to the teaching of mathematics, is particularly noteworthy in that it can be construed as an early critique of the later Macaulayan educational policy, designed to produce clerks.

Ramchandra's basic contribution to mathematics was in calculus and the theory of equations. This is contained in the two works mentioned earlier. In this paper we shall refer to the first text,[7] which as Ramchandra mentions in his preface, attempts to put forward a new method for solving problems of maxima and minima in which quadratics and equations of higher degree are used, and in some cases these involve two or more variable quantities. He goes on to write:

> This latter method I may venture to call a new method, because in all mathematical works I have had access to, I have never seen a single problem of maxima and minima solved by it, though it is used to reduce an adfected quadratic to a pure one in a great many works on algebra.[8]

We shall return to the treatise again, but we shall briefly discuss the influence of the orientalists and the accepted reading of nineteenth century historians of mathematics on Ramchandra. Ramchandra had been tutored in the classical Indian (Hindu and Arabic) tradition as well as the modern western tradition of mathematics, and was quite familiar with the debates confronting each tradition. Though he had read Bhaskara's *Bijaganita* in the original Sanskrit, it seems certain that he had been deeply influenced by the ideas of certain nineteenth century historians of science like Colebrooke, in particular his *'Algebra with Arithmetic and Mensuration, from the Sanskrit of Brahmgupta and Bhascara'* (1817), and the preface to his translation of Bhaskara's *Bijaganita*. On this count there are two aspects that need fur-

ther consideration. The first is the classical divide between Greek mathematics on the one hand, that was said to have geometric foundations to which the western tradition was particularly predisposed, and the traditions of Hindu and Arâbic mathematics that were considered algebraic. The other view is the superiority that Ramchandra attributes to Hindu mathematics over Arabic mathematics in a popular article written on Bhaskara in Urdu titled *Zikr Muhandis Bhaskara Ka.*[9] Before we consider the former aspect that requires greater discussion and offers a glimpse into the relevance of Ramchandra's mathematical project, let us see what Colebrooke has to say about the latter, and thus locate the context of Ramchandra's views on Arabic mathematics. Colebooke writes:

> it must be conceded in favour of the Indian algebraist, that...he appears to have been in possession of the resolution of equations involving several unknowns, which it is clear, nor fairly presumable, that Diophantus knew; and a general method for indeterminate problems, to a knowledge of which the Grecian algebraists had certainly not attained.[10]

Now, the Arabs had to translate Diophantus' *Arithmetica* to forge links between algebra and arithmetic, as well as algerbra and geometry. Since Ramchandra was conversant with the theory of equations in its contemporaneous formalism as well as that of the *Bijaganita,* he probably based his understanding of Arab mathematics in these terms. There were also Colebrooke's opening lines that reflected the now questionable eighteenth and nineteenth century perception of Arabs as scholars rather than inventors.[11] Consequently, Ramchandra's views, as expressed in his populist article on Bhaskara, to whom he traces the lineage of his project, appear as the refracted version of Colebrooke's deduction that:

> this science in a more advanced state subsisted among the Hindus prior to the earliest disclosure of it by the Arabians to modern Europe.[12]

The purpose here is not to initiate a purposeless priority dispute, either in favour of Ramchandra's mathematics or Hindu algebra. What we wish to reveal here are the intellectual influences as well as the political situation that precipitated in Ramchandra's treatise.

A legacy of the nineteenth and twentieth century history of mathematics is the often contested finding that Greek mathematics was geometric and demonstrative and the Hindu and Arabic traditions were algebraic and algorithmic. Roshdi Rashed has shown how the Arab mathematician Al Mahani forged linkages between algebra and geometry to study and thereby derive a theory of cubic equations, this study being catalysed by the demands of astronomy.[13] Within the tradition of Hindu mathematics too, we observe geometric and astronomical instances in the texts of Bhaskara, but the majority of them are numerical. Consequently Colebrooke remarks that the Indian mathematicians: cultivated algebra much more, and with greater success than geometry; as is evident from the comparatively low state of knowledge in the one, and the high pitch of their attainments in the other.[14]

This, briefly, was the accepted understanding of the different mathematical traditions in the early nineteenth century. Ramchandra's treatise was sent to the British algebraist Augustus de Morgan, who canvassed for its publication in England and circulation in Europe, and even wrote a very detailed and refreshing introduction to the book.[15] But before going into the treatise itself, it should be noted that it is within the framework of the foregoing discussion that De Morgan situates the purport and merit of Ramchandra's treatise. Like other mathematical thinkers of the time De Morgan also accepts that: "The (Hindu) sought refuge from arithmetic in algebra, the (Greek) sought refuge from arithmetic in geometry. The greatness of Hindu invention is in algebra."[16] Having said so much he pins down Ramchandra's effort as an essentially algebraic one: "Ramchandra has a much stronger leaning towards geometry than could have been expected by a person acquainted with the *Bijaganita,* but he has not the power in geometry which he has in algebra."[17]

Ramchandra's project commences from where the algebraic *Bijaganita* stops, to deduce an alternative way of solving simple problems in calculus. This project then is nourished by algebra as a cultural metaphor, which as Spengler would put it, can be defined and serves as mathematics usually does as a: 'principle of ordering.. the soul of that culture. Consequently there are more mathematics than one.'[18]

THE 'RAMCHANDRA PROBLEM'

Given Ramchandra's educational background, the fact that he was a teacher at Delhi College, the political and intellectual influences that went on to constitute the consciousness of the Indian intellectual with a western education, he set out on a distinct mathematical enterprise—*The Treatise.* That the problem was an original one in its own right is testified by the fact that it had never been addressed in the framework within which Ramchandra had posed it. From the theory of equations as set forth in the *Bijaganita,* Ramchandra attempted to obtain the maxima and minima of a function without taking recourse to the preliminaries of modern calculus or geometry. As De Morgan puts it "Ramchandra's problem—I think it ought to go by that name, for I cannot find that it was ever current as an exercise of ingenuity in Europe—is to find the maxima and minima".[19] Given a function $\phi(x)$ and $\phi(x+h)$, compare their values, but no procedure that indicates the nature of the relation between $\phi(x)$ and the derived function $\phi'(x)$ is permitted. The problem is to obtain a constant r, such that the function $\phi'(x-r)$ has equal roots, 'without assuming th[e] development of $\phi'(x+h)$, or any of its con[-] sequences'.[20] Consequently, the metho[d] does not take any recourse to differentia[l] calculus.

But then historians of science will ask whether this project resulted in a differen[t] procedure of doing calculus? Since th[e] mathematical works of Ramchandra hav[e] been marginalised, despite the canvassing o[n] De Morgan's part, one has still to researc[h] the problems it resolved and the ne[w] pathways and problems for future researc[h] in mathematics that it opened up. But D[e] Morgan does make a comment that socio[-] logists of science would be quick to gravitat[e] towards:

> a short paper, with a few examples, woul[d] have sufficed to put the whole matter befor[e] a scientific society. But it was Ramchandra'[s] object *to found an elementary work upon hi[s] theorem, for the use of beginners, with a large store of examples...* (the emphasis i[s] ours).[21]

Ramchandra might well have published a paper in a concerned journal of a mathematical society, and thereby entered into a system of practices wherein his work be considered or ignored on very different grounds. But his purposes, as has been repeatedly pointed out, were pedagogic, a pedagogy designed to rejuvenate and update the supposedly algebraic predisposition of the Indians. However, his works were mauled within India, particularly in Calcutta,[22] which a few decades later would be the epicentre of the Indian renaissance. However the right honourable Bethune[23] was highly impressed by the work of Ramchandra and forwarded it to De Morgan for comments.[24]

THE RAMCHANDRA-DE MORGAN EXCHANGE

One of the failings of this section is that we have not been able to trace the bulk of the correspondence between Ramchandra and De Morgan. We have largely relied on De Morgan's correspondence with the authorities in England to arrange the publication of Ramchandra's work and disseminate the study among mathematicians in Europe. Secondly, we have based our reading on the much quoted preface of De Morgan, that contains extracts of Ramchandra's letter to him. However, prefaces generally tend to be laudatory but it should be remarked that Ramchandra's book was first published in India. The book was later brought to the notice of De Morgan, who campaigned for its publication in England at the expense of the British government, and later worked towards the subsequent dissemination of the work throughout Europe. Secondly, the content and idiom of the letters addressed to the British authorities hardly differs from that of De Morgan's preface. It may also be conjectured that it was the first book by an Indian mathematician published in England in the nineteenth century. More importantly, the understanding of De Morgan runs

gainst the grain of the imperial policy of he time. So in much of what follows, we will e viewing Ramchandra as he comes hrough to De Morgan.[25] In his correspondence with the British authorities and he preface, De Morgan stands out as a eretic in a colonial age. For even well into he twentieth century, the mathematician G H Hardy, who discovered and collaborated with Srinivasa Ramanujan, felt that he tradition of Indian and other non-Greek raditions of mathematics, were nothing other than a collection of exotic tricks.[26] One does not have to cite other histories of nathematics that regurgitate similar opinions. But it ought to be remarked that they are counter-balanced by the more balanced works of Cajori, Struick and others.[27] In a long and rather unusual letter to the English authorities, where he canvasses for the publication of 'Ramchunder's' book, De Morgan enters into a protracted discussion of Bhaskara and the *Bijaganita*, which he was familiar with through Colebrookes' translations, he writes:

> I have paid more attention to the dawning of science in many countries than is usual, being one of the very few mathematicians who have studied the early history of mathematics long and closely.[28]

In the light of this understanding of the 'dawning of science in many countries', De Morgan felt that the native Indian genius for mathematics had fallen into decline (a notion prevalent among the burgeoning Indian intelligentsia well into the twentieth century and exemplified in the writings of the first Indian historians of science in India, B N Seal, P C Ray, etc). Consequently, De Morgan as representative of the liberal consciousness[29] felt that attempts must be made to resuscitate that native genius, in his own words, 'to promote' the 'native effort towards the restoration of the native mind in India'.[30]

Since that genius expressed itself algebraically this work must be seen as an effort to appropriate the latest developments in mathematics (like calculus) within their own native idiom. Ramchandra's project seeks legitimation in the fact that it is directed at the native Indian traditions and their autochthonous perception of mathematics, rather than express itself entirely in the language of the 'imported science of his teachers'.[31] De Morgan writes to the British authorities:

> My immediate conclusion was that it would be of the highest importance to the restoration of Indian science as an instrument in the restoration of Indian mind that Ramchandra should receive encouragement.[32]

In concluding this section, it must be reasserted that the mathematicians of that time might have judged Ramchandra's project as an exercise in doing the same thing in a different way, but De Morgan disagrees insofar as he visualises another role for it in the climate of nineteenth century India, as well as its pedagogic relevance to England and Europe. The latter part shall be raised again in the next section.

Locating Ramchandra's Treatise

It might be necessary to digress a little into De Morgan's mathematical commitments, in order to locate the source of his empathy with Ramchandra's project, and thereby situate the project itself within the broader perspective of the history of mathematics in the nineteenth century. There are at least three levels within which it is possible to locate De Morgan's appreciation of Ramchandra's work. It must be noted that these three levels do not bear the remotest correspondence with the three stages of De Morgan's intellectual development, identified by Pycior.[33]

The first level really appears quite trivial, but deserves mention for De Morgan repeatedly does so, and this we shall call the level of emotional empathy. This had to do with the fact that De Morgan was born in India on June 27, 1806 at Madurai and preserved some sort of emotional links with it.[34] In the preface to *The Treatise* he writes that 'my own birth and descent have always given me lively interest in all that relates to India'.[35] Or again in a letter to the British authorities where he makes a case for Ramchandra's book he states:

> I have always regarded the old science of India with peculiar attention having been born in that country of ancestors who had been in the company service since the reign of Queen Anne.[36]

This further explains the appreciation of an European mathematician of the nineteenth century, of a non-European tradition of mathematics. The second level relates to De Morgan's active involvement in formulating the syllabi for mathematics in general and algebra in particular, in British schools and colleges. In fact, the principal objective of his work during the first stage of his career as a mathematician was to justify the place of algebra as the 'basic component of a liberal education'.[37] In 1831, De Morgan further reiterates his pedagogical commitment as follows (a careless pedagogical approach to algebra):

> ...will ensure years of travelling in the dark, besides the certainty of accustoming the young mind to implicit belief in apparently contradictory propositions.[38]

Being so closely involved with British education, he was to confront problems that were fundamentally algebraic, such as those associated with negative and imaginary numbers,and thereby with the pedagogy of mathematics teaching. Given his understanding of the Indian mathematical tradition and what he perceived to be the difficulties in teaching mathematics, De Morgan was quick to recognise the significance of Ramchandra's work, as a heuristic or pedagogical device. Its pedagogical relevance and contextuality, in nineteenth century India has already been discussed, for De Morgan chides the colonising pedagogues:

> Europe must remember that his purpose is to teach Hindoos, and that probably he knows better how to do this than they could tell him.[39]

But then like all good mathematics Ramchandra's method ought to have had some relevance outside India too, and De Morgan suggests that selections of the work be introduced in elementary courses in England. In particular, De Morgan recommends the exercise in quadratic equations:

> which...would advantageously supersede some of the conundrums which are manufactured under the name of problems producing equations.[40]

Finally, there is the third level that has to do with the ideas both Ramchandra and De Morgan harboured about algebra, and their commitments to it. At this juncture one must take note of the debates on algebra that took place in England in the 1830s which centred around the proponents of a symbolic algebra and an abstract algebra. De Morgan was a party to these debates, while Ramchandra pursued his problem untouched by them. But Ramchandra's problem was peripherally related to De Morgan's concern about algebra. During the second stage of his intellectual development, De Morgan subscribed to a 'modern, abstract approach to algebra', while in the third stage (late 1830 onwards), he moved towards a more 'meaningful algebra', of signs and symbols.[41] If we assume that De Morgan encountered Ramchandra's *treatise* during this stage (the dates agree chronologically) then his remark—"I found in this dawn of the revival of Hindoo speculation two points of character...The first is the leaning towards geometry"[42] —stands explained. But then as one who had once leaned towards a modern, abstract algebra, he was also taken up by what is normally a problem of differential calculus, but hitherto had hardly been considered within the 'possibilities of pure algebra'.[43]

In the light of this argument, suppose then that Ramchandra's project stands established as committed to stepping beyond the pedagogy of mathematics teaching of his time, inevitable questions surface. Why did not anybody follow up on Ramchandra's treatise? Why did not this pedagogy find a niche in the mathematical syllabi of Indian schools and colleges. This is rather surprising because Ramchandra was well placed in the academic and government circles in Delhi—at least before 1857. In short, why did this entire project die out?

We still have to determine whether Ramchandra's method was exhausted by the immediate problem (of obtaining the maxima and minima without using differential calculus) it was addressed to? But then that would merely provide us with purely internalist factors. To answer the questions raised above, it is increasingly relevant to investigate the colonial context, wherein both the definition of, as well as areas for, scientific research were handed down by the col-

onisers. The latter was probably (for it remains to be established) the case in the nineteenth century. The introduction of western science in India in the nineteenth century did not precipitate any pitched battles with the theocracy, as happened in the Europe of the seventeenth century. As Gosling points out, educated Indians perceived no threat from Darwin's theory which they assimilated unlike the Victorians.[44] However, science contrary to undermining religious beliefs and thereby serving the purposes of evangelicals like Grant, Wilberforce and others in the eighteenth century, was becoming a weapon of defence against the western ideas and religion in the nineteenth century India. Gosling observes that a theme which appears in all four decennial missionary conferences of 1872, 1888, 1892 and 1902 is the ability of the Hindus to use western scientific and rational arguments to attack Christian teaching.[45] If science was a tool in the struggle against western ideas and religion in nineteenth century India, then Ramchandra's attempts in arriving at another way of solving problems of maxima and minima, was a mathematical victim in the then nebulous battle against the cultural imperialism of the colonisers, at least in the realm of ideas.

Appendix

Biographical Sketch of Ramchandra

Ramchandra was born when Delhi had, for all practical purposes, passed into the hands of the British. There was a mughal emperor on the throne, but power was virtually in the hands of the "company bahadur". The people of Delhi were dependent on the British for their social as well as their economic security and welfare. Some radical, political and economic changes had taken place. The cultivators were beginning to feel the brunt of the ongoing commercialisation of agriculture. The nobility had been shorn off its pageantry and power. There was a middle class who were as usual changing masters. The mughals left and the British walked in.

Ramchandra was born in a middle class Kayasth family in 1821 at Panipat. His father, Rai Sunder Lal Mathur, an employee of the revenue department of the company, did when Ramchandra was just nine. Consequently, Ramchandra was brought up and educated by his mother who suffered innumerable economic hardships. He had his early education at home and was admitted to an English school in 1833. Ramchandra excelled at school and acquired a reputation as a bright student, particularly in mathematics. He pursued mathematics on his own, since there were no special arrangements for teaching the subject at school. This early interest laid the foundation on which rested his future reputation as a mathematician.

When he joined Delhi College, Boutros, the then principal, had already started translating European scientific works into Urdu. Ramchandra got involved in this project, first as a student and later as a science teacher in the college. In 1843, these activities were formalised under the aegis of the vernacular translation society. Ramchandra's paper, *Fawaid-ul-Nazrin*, was initially published by this society. In 1846, at the initiative of Sprenger, principal of the college, another weekly, *Qiran-us-Sadain* was started by Ramchandra. This paper sought to bring out what was good in the cultures of the east and west and also present a composite viewpoint before the people. The paper carried articles on new inventions, discoveries and research in modern science and technology.

Ramchandra wrote his famous book on mathematics, *A Treatise on the Problems of Maxima and Minima* in 1850, when he was just 29 years old. This book created a stir in academic circles and his fame as a mathematician travelled as far as Europe. There were also some critical reviews, like the one published in *Calcutta Review*, to which he replied during his visit to Calcutta in 1851. This book was published again in 1859 from London, at the initiative of Augustus De Morgan who campaigned for its publication and distribution abroad.

He was an active participant in the deliberations of the Delhi society established on July 28, 1865. This society had, besides Ramchandra, Mirza Ghalib, Syed Ahmad Khan, Nawab Alauddin Khan Alai and Munshi Pyare Lal Ashob as active members. Other than social reform, the society emphasised the necessity of establishing a university, the introduction of a vernacular medium of instruction and the translation of several European works into the local languages.

Notes

[We are grateful to Roy MacLeod of Sydney University for comments and suggestions.]

1 Dhruv Raina and Irfan Habib, *Nineteenth Century Scientific Rationality: A Study of Master Ramchandra—Indian Mathematician and Populariser of Science*, presented in a seminar on Science, Technology and Colonialism—India and Australia, May 9-11, 1988, NISTADS, New Delhi.

2 Sal Restivo, 'The Social Relations of Physics, Mysticism and Mathematics', *Episteme*, Vol 10, D Reidel, 1983.

3 David Bloor, *Knowledge and Social Imagery*, Routledge and Kegan Paul, 1976. Bloor points out that one of the principal difficulties with a sociology of mathematics is the assumption that mathematical activity is quite autonomous.

4 Sal Restivo, op cit.

5 Luke Hodgkin, 'Mathematics as Ideology and Politics' in Lev Lavidow (ed), *Radical Science Essays*, London, 1986.

6 David Gosling, *Science and Religion in India*, Madras, 1976. Gosling points out that there were three distinct responses to the introduction of western ideas in the nineteenth century India. The first consisted in a total abandonment of Indian belief and an acceptance of western ideologies. The second consisted in adapting and strengthening Indian traditions with ideas borrowed from the west. Lastly, there were attempts to show that Indian thought contained all the elements required to cope with the west, but these needed to be reasserted. Ramchandra's enterprise appears to assign him to the second category.

7 Ramchandra, *A Treatise on the Problems of Maxima and Minima, Solved by Algebra*, London, 1859.

8 Ibid.

9 In *Fawaid-ul-Nazrin*, quoted by Syeda Jafar, *Master Ramchandra aur Urdu Nasr Ke Irtiqa Mein Unka Hissa*, Hyderabad, 1960 (in Urdu).

10 H T Colebrooke, 'Hindu Algebra, from Algebra with Arithmetic and Mensuration from the Sanskrit of Brahmagupta and Bhascara', 1817 in Dharampal, ed, *Indian Science and Technology in the Eighteenth Century*, New Delhi, 1971.

11 Ibid. Colebrooke writes, "But the Arabs themselves scarcely pretended to the discovery of algebra. They were not in general inventors but scholars, during the short period of their successful culture of the sciences." In the same piece he further asserts that "Priority seems then decisive in favour of both Greek and Hindus against any pretentions on the part of the Arabians, who...were avowed borrowers of science"

12 Ibid.

13 The solution to these equations were found by Alkhazin. For details see R Rashed, 'Islam and the Flowering of the Exact Science' in *Islam Philosophy and Science*, UNESCO, 1981, 133-159.

14 H T Colebrooke, op cit, 124.

15 Ramchandra, op cit, i-XX.

16 Ibid.

17 Ibid.

18 Oswald Spengler, *The Decline of the West*, Vol I, quoted in Restivo, op cit.

19 Ramchandra, op cit.

20 Ibid.

21 Ibid.

22 *Calcutta Review* (Jul-Dec, 1850), Vol xiv No xxviii, p xxxviii. Despite being critical of Ramchandra's Treatise, the *Calcutta Review* acknowledged the genius of the author: "the mind which gave birth to this mathematical idea is actually capable of producing something much better"

23 A member of the Supreme Council and chairman of the Education Commission.

24 *Home Public Letters from Court*, 1856, No 80, dated August 20, 1856, National Archives of India.

25 Historians of mathematics have encountered a similar problem in studying Ramanujan, for other than his notebooks that contain his mathematical formulae, historians have had little other material to go by. Consequently, they have had to rely on the interviews and writings of other mathematicians, so as to construct a sensible historical account of the man and his project. Any comparison between Ramanujan's revolutionary mathematics and Ram-

chandra's project is, however, not sustainable.

26 G H Hardy, *A Mathematician's Apology*, Cambridge, 1948.

27 Florian Cajori, A *History of Mathematics*, Chelsea publishing company, first edition 1890, Reprinted 1985.

28 Augustus De Morgan, University College, London to the secretary C/D, dated March 18, 1858. *Home Public Letters from Court 1858*, No 137, National Archives of India.

29 Helena M Pycior, *Augustus De Morgan's Algebraic Work: The Three Stages'*, Isis, 1983, 74, 211-226.

30 Ramchandra, op cit, iv. De Morgan further writes in the foreword, 'That they must have had an extensive body of demonstrated truths is obvious; that they lost the power and wish to demonstrate is certain', viii.

31 Ibid, xiii.

32 De Morgan to secretary C/D, March 18, 1858, *Home Public Letters*, 1858, No 137, National Archives of India.

33 Helena M Pycior, op cit.

34 David Abott (general editor), *The Biographical Dictionary of Scientists: Mathematicians*, The Blond Educational, 1985.

35 Ramchandra, op cit, x.

36 From Augustus De Morgan to secretary C/D, op cit.

37 Helena M Pycior, op cit.

38 Ibid.

39 Ramchandra, op cit.

40 Ibid, xv.

41 Helena Pycior, op cit, 221.

42 Ramchandra, op cit.

43 Ibid, xii.

44 David Gosling, op cit, further points out, "Assuming that the crux of the matter in England was the idea of a common ancestry for human beings and animals, then it is not hard to see why educated Indians reacted differently, since for them the theory of reincarnation pre-supposed such a belief"

45 In talking about Christian theology and cultural imperialism in the first half of the nineteenth century, a qualification is due. For in the southern state of Tamil Nadu, India, the Christian missionaries (in particular those affiliated to the churches of northern Europe) catalysed the development and resuscitation of the vernaculars and autochthonous traditions (R E Frykenberg, 'The Impact of Conversion and Social Reform upon Society in South India during the Late Company Period: Questions Concerning Hindu-Christian Encounters with Special Reference to Tinnevelly' in C H Philips and M D Wainwright, ed, *Indian Society and the Beginnings of Modernisation*, London, 1976, 187-243. Consequently, one has to restrict the applicability of 'cultural imperialism' in that context. On the contrary, the churches active in and around Delhi, and the church to which the proselytised Ramchandra belonged too, were usually Anglican. The nexus between the Anglican church and the imperial state, fostered, and legitimised its missionary role, through cultural imperialism.

Minority Policy in the North-East

Achievements and Dangers

Sanjib Baruah

The continuation of the British policy that aimed at protection of vulnerable indigenous peoples has led to the successful political integration of dissenting minorities in the north-east. An important part of this policy is the diffusion of a model of culturally defined political autonomy in the north-east. This assumption that there are exclusive territorially based ethnic groups that can be given autonomy may prove dangerous in the long run.

IN JUNE 1986 an accord between the government of India and the Mizo National Front ended a twenty-year old insurgency by the Mizos—an indigenous minority group of north-east India—that has sought to secede from India. In the following weeks Mizo guerrillas trekked down the hills of neighbouring Bangladesh and Burma and surrendered their weapons to Indian authorities. As part of the accord, Laldenga, the legendary leader of the insurgents, became the chief minister of the state of Mizoram and within a few months an election gave him the mandate to continue in that position.

In two years Laldenga's political party, the Mizo National Front, however, lost the state election. Laldenga himself was defeated in one of the two constituencies that he had contested. Apparently the goodwill for the underground leader had given way to an unfavourable judgment by the voters on the performance of his government.[1] Even though Laldenga charged that the election was rigged—a charge not uncommon in Indian elections and which was promptly refuted by the Indian authorities—no one suggested that electoral defeat might push the one-time rebel leader and his supporters back to the jungles.

There are two aspects to the Mizo story. On the one hand, the armed rebellion meant that Mizo guerrillas faced the military might of the Indian state and Mizo civilians suffered serious human rights violations as Mizoram came under military rule. On the other hand, the formation of Mizoram—first as a union territory in 1972 and later as a full-fledged state in 1987—permitted the resolution of the Mizo conflict and the incorporation of the disaffected Mizos into the Indian political process. The Mizo story is emblematic of the two aspects of the Indian government's policy towards indigenous minorities in the north-east.

The successful political incorporation of dissenting minority groups by giving them significant levels of political autonomy and a major say in determining public policy is an important part of the Indian record in the north-east. This, however, is not necessarily the result of an enlightened vision. This record is partly the result of the somewhat reluctant continuation of colonial policy that emphasised protection of vulnerable indigenous peoples from their more crafty neighbours—a policy that became popular among indigenous minorities even though it was out of favour in Indian nationalist circles. A second element of this policy is the diffusion of a model of political autonomy through culturally defined states that was developed mainly with respect to peninsular India. While this model was thought to have little relevance in north-east India, it shaped the political imagination of indigenous minorities there as it did that of larger ethnic groups in the rest of the country, and has proven to be an effective way of granting political autonomy within the framework of the Indian polity.

As a result of this policy the condition of most indigenous peoples of north-east India contrasts sharply with that of indigenous peoples in peninsular India and in other parts of southern Asia. The point was underlined recently when the leader of the Chin tribal insurgents in Burma—a group that is culturally contiguous with the Mizos of India—declared, to the embarrassment of the Indian authorities, that the Chin National Front was "exploring possibilities of a merger with India." He called for Indian assistance towards Chin liberation and said that "we will secede from Burma and join India, where minorities are assured of greater rights". The government of India, not surprisingly, disassociated itself from such sentiments.[2]

NORTH-EAST INDIA: THE SETTING

North-east India is on India's cultural periphery. India there begins to look less and less like the rest of south Asia and more and more like the south-east Asian cultural region. A major two-volume work published in 1967 on south-east Asia included a chapter on Assam, whose boundaries then were more or less synonymous with what is called north-east India today. As the editor of the volume put it:

> The population of eastern India 'north-east India in our vocabulary' includes a large population of tribal and minority people who speak languages closely related to languages of south-east Asia rather than to the languages of India proper, and their cultures in many ways resemble the cultures of neighbouring south-east Asian peoples. Just as the southern boundary of China does not mark a cultural or linguistic division, the eastern border of India does not mark of a cultural or linguistic area. Eastern India thus is an area where south-east Asian highlanders come in contact with a highly stratified lowland society based on caste.[3]

North-east India consists of seven states—a few of them are amongst the smallest states in India's federal structure. A large segment of the population of north-east India are, what is called, 'scheduled tribes' in Indian public policy discourse.

The tribal-non-tribal cleavage in north-east India resembles that of many south-east Asian countries. As Robins Burling put it:

> like the nations of south-east Asia, Assam [north-east India in today's terms] has a minority of tribal mountaineers who differ in many ways from the lowland majority. As in much of south-east Asia proper, the hill men live largely by Swidden agriculture; they are fragmented into dozens of linguistic groups, and until the colonial period no political system based in the plains was able to extend its control consistently into the hills. Except for recent converts to Christianity, the hill men (like most of their cousin to the east) fall under the vague rubric of 'animism' and are thus set off from their Hindu neighbours in the valley. And, as in other parts of south-east Asia, lowlanders tend to look upon the hill people as naive and primitive rustics, while they are often seen in return as wily, sophisticated scoundrels.[4]

Christian missionaries were very effective in the hills of north-east India in the 19th and early 20th century. As many as 86 per cent of the population of Mizoram, 67 per cent of Nagaland and 47 per cent of the population in Meghalaya are now Christians.[5]

As Table 1 indicates, 'scheduled tribes' constitute a major segment of the population of the north-eastern states. They constitute a majority in four of the seven states. The term 'scheduled tribe' in Indian policy discourse refers to a list that includes the names of groups that are entitled to affirmative action programmes for members of these tribes. The term tribe, however, needs some qualification. Analytically the term refers to people who live on the periphery of dominant social formations: forests and hills are their traditional habitat. Most scheduled tribes of north-east India today however, do not conform to the traditional stereotypes that are associated with the term. The Mizos, for instance, have a literacy rate of 60 per cent—among the highest in India.

The tribes are among the oldest inhabitants of the area. Tension between indigenous groups and outsiders is an important theme in the politics of the area. The issue has become politically volatile because the north-east is southern Asia's last land frontier and during the past century the area has seen extremely heavy immigration. However, the distinction between indigenous and non-indigenous peoples do not necessarily correspond to the distinction between tribals and non-tribals in the politics of the north-east. The non-tribal Asssamese of the Brahmaputra valley and the Meities of Manipur have, for instance, in recent years asserted their rights as indigenous peoples—not unlike the *Bhumiputra* (sons of the soil) of Malaysia. However, in the last couple of years the Assamese have confronted political opposition from the Bodos—a scheduled tribe native to the plains of Assam. The Bodos claim to be the original inhabitants of Assam. By contrast, say the more extremist Bodo activists, the more hinduised Assamese—whose folklore emphasises descent from im-

migrants from peninsular India rather than ethnic contiguity with the indigenous tribal population—are outsiders who stand in an exploitative relation to them.

The Exclusionary Legacy of Colonial Policy

One element of policy towards tribes that the post-colonial Indian state inherited in north-east India was the status of many parts of the region as excluded and partially- excluded areas. A government regulation of 1873 allowed the government 'to prescribe, and from time to time alter by notification . . . , a line to be called the Inner Line and to prohibit any subject living outside the area from living or moving therein'.[6] The areas beyond the Inner Line were supposed to be outside the active control of the colonial administration.

Beyond this line the tribes are left to manage their own affairs with only such interference on the part of the frontier officers in their political capacity as may be considered advisable with the view to establishing a personal influence for good among the chiefs and the tribes.[7]

Over time administrative controls, of varying degrees were extended beyond the Inner Line. But the movement of people remained restricted. The Inner Line was extended to all the hills except the Khasi and the Garo Hills—today's state of Meghalaya —and the Mikir Hills—the Karbi Anglong district of present-day Assam. The plains areas of present-day Assam and Tripura, however, were not protected by such exclusionary rules.

There are many reasons why the British adopted exclusionary rules in the north-east. The British were not anxious to extend administration to the tribal areas with the attendant political risks and financial expenses so long as there were other ways of ensuring British suzerainty. The colonial distrust of educated and well-to-do Indians also partly explains this element in colonial policy. Thus, in the British House of Commons debate on the Government of India Act of 1935, colonel Wedgewood argued that the backward tracts should remain under British control and should not be controlled by the elected government of the province. Educated Indians, he argued, "want to get them as cheap labour and if these people are to be saved from the hell of civilisation, the only chance they have is British protection and British control and to be free from the insidious advances of the rich people in the provinces to exploit them".[8]

During the colonial period there was not much effective opposition to the exclusionary rules. Yet there were the occasional dissenting views of the modernising and assimilationist nationalist that should serve to remind us of what could have happened to some of these indigenous groups without the protection of the Inner Line. Thus a plains politician argued before the Simon Commission (1927-30) regarding the excluded hill areas:

> Is it fair that 50,000 square miles of territory should be kept as a close preserve for about a million people while six and half millions should be concentrated in 27,000 square miles? We had always looked forward to the material advantages which the vastness of the hill territories and its mineral wealth would afford, in the fullness of time, to the common benefit of the hills and the plains.[9]

Indian nationalist opinion was distrustful of the exclusionary thrust of colonial policy. The nationalists saw it as part of a colonial design of 'divide and rule'. It is to the credit of the post-colonial Indian state that the exclusionary rules have been maintained after independence despite their unpopularity among nationalists. The constituent assembly voted to maintain the excluded and partially excluded status of the tribal areas of north-east India. With respect to the area called the North-East Frontier Agency—Arunachal Pradesh of today—which was a fully excluded area, the Administrative Reforms Commission noted in 1967 that 'some people seem to believe that the Inner Line has only served to insulate the people of NEFA from the mainstream of national life and this, in the long run, will not be beneficial for them'. Yet the commission disagreed with that position noting that 'almost every person, both official and non-official, we met during our visit to NEFA' favoured the continuation of the Inner Line.[10]

Since the formation of distinct states, tribal leaders in power in Arunachal Pradesh, Nagaland, Mizoram and Meghalaya have sought to continue and even strengthen the exclusionary rules. There is sentiment now for extending the Inner Line even to non-tribal areas. For instance, in the early 1980s, the leaders of a popular agitation in Assam protesting illegal immigration into Assam from Bangladesh, demanded the extension of the Inner Line to Assam. A meeting of regional parties of north-eastern states held in 1986 demanded that the Inner Line permits that are required in Nagaland, Mizoram and Arunachal Pradesh be made a requirement in all the states of the north-east. This alone, said a resolution adopted in that meeting, would be able to check the 'large-scale influx of outsiders' that was 'swamping the small nationalities' of the north-east.[11] It is not hard to gauge why exclusionary laws are popular among indigenous groups in the north-east. In Tripura, where the tribals have not had the protection of an Inner Line, their share in the total population declined from 64 per cent in 1874 to 28 per cent in 1981.[12] Migrants—mostly from east Bengal—now constitute 70 per cent of the population and dominate the political process. In June 1980 several hundreds were killed in riots between tribals and Bengali migrants. In Assam, based on the difference between the 1891 Census and the 1971 census, it is estimated that immigrants and their descendants may account for as much as 8.5 million—a majority — of the 1971 population of 15 million. The immigration issue led to serious political turmoil and ethnic violence in Assam between 1979 and 1985.[13]

Political Autonomy through Culturally Defined States

A second element in the Indian minority policy in the north-east is the use of the concept of a culturally defined state as a way of granting political autonomy. The notion that India is made up of distinct linguistic groups was accepted by Indian nationalist leaders as early as 1920, when the Indian National Congress under Gandhi decided to organise the Congress into 21 provincial Congress committees based on local languages. After independence the States Reorganisation Commission (SRC) implicitly extended the linguistic state principle by recommending the redrawing of borders between Indian states based on linguistic considerations. The commission, however, was careful not to legitimise the principle of linguistic states, even while basing its recommendations on that principle. For, while linguistic states could satisfy the demands of a number of ethnic groups in some parts of the country, in areas where no single language was generally accepted as the local language, the notion was potentially very divisive. The notion legitimised the demand for statehood by ethnic groups. While the political movements demanding separate statehood were mostly based on appeal to common language, in the north-east, such movements based their mobilisation mostly on symbols other than language. The demand for a 'hill state', for instance, attempted to mobilise the sentiments of hill people against plainsmen. Even though what eventually emerged as a result of this demand was not a single hill state, but a number of mini states, none of these states are linguistically homogeneous. Most of them, in fact, have English as their official language.

The SRC was quite aware of the difficulty of extending the principle of culturally defined states to the north-east. In fact the SRC's vision for the north-east was a culturally mixed unit that would include all the seven states of the north-east. It recommended the incorporation of NEFA into Assam, which was then administered directly by the central government even though it was constitutionally a part of Assam. The SRC proposed the merger of the union territory of Tripura with Assam. Regarding another union territory, Manipur, the SRC recommended that it continue to remain centrally administered for the moment, but should eventually merge with Assam.[14]

Even though the model of culturally defined states is ill-suited to north-east India, once the principle was accepted, the idea of separate statehood began to shape the political imagination of ethnic groups in the north-east as in other parts of India. In the decades since the

Table 1: A Profile of North-East India, 1981

State	Area Sq Km	Population Millions	Growth Rate	Density Per Sq Km	Per Cent Sch Tribe	Literacy Per Cent
Assam*	87,523	19.90	36.09	254	11	36.00
Nagaland	16,527	07.73	49.73	47	83.99	41.99
Meghalaya	22,487	01.32	31.25	59	80.58	33.22
Manipur	22,356	01.43	33.65	64	27.30	41.99
Tripura	19,477	02.00	32.37	196	28.44	41.58
Mizoram	21,087	04.87	46.76	23	93.82	59.50
Arunachal Pradesh	83,578	06.28	46.75	7	69.82	20.09
India	32,87,782	683.80	24.75	221	7.75	36.17

Source: Census of India, 1981, cited in Singh B P, *The Problem of Change: A Study of North-East India*; Delhi; Oxford University Press, [illegible]

SRC's recommendations, the government of India has responded to demands by indigenous groups in the north-east by giving them separate states in India's federal system. The initial effort to make these tiny states somewhat less than full-fledged states was given up in the face of the appeal of the model of full statehood and the strength of local opinion favouring it.

The departure from the vision of the SRC started with the formation of Nagaland in 1963 as a result of the government's attempt to deal with the Naga insurgency. The demand for a hill state consisting of the remaining hill areas of Assam—that is present-day Mizoram, Meghalaya and two other hill districts of Assam—had been heard at least since the 1950s. But this demand was resisted until the late 1960s. In December 1969 an 'autonomous state' of Meghalaya comprising the Khasi, Jaintia and Garo hill districts of Assam came into being. The Mikir hill district was given a choice between joining Meghalaya and staying on with the state of Assam. The district council voted not to join Meghalaya. The new autonomous state that shared with the state of Assam, jurisdiction of some policy areas and a common capital, was a short-lived experiment. In 1970 the two union territories of Manipur and Tripura were made into full-fledged states. It was now only a matter of time that Meghalaya's desire to become a full-fledged state would be conceded. The state of Meghalaya was inaugurated on January 1972. In February 1987 the union territories of Mizoram and Arunachal Pradesh became India's 23rd and 24th states respectively.

THE BENEFITS OF STATEHOOD

What benefits do the indigenous minorities of the north-east get from statehood? The formation of these mini states has allowed elected representatives of indigenous peoples to gain power at the state level and to determine policy in areas that are under the constitutional jurisdiction of states. The significance of this can hardly be exaggerated.

The control of state legislatures by representatives of indigenous peoples, for instance, has meant that on substantive issues like the Inner Line policy, the preference of indigenous peoples are reflected in the law of the land. Writing on the Apa Tanis of Arunachal Pradesh, the anthropologist Furer-Haimendorf notes:

> Apa Tanis of the present generation, both traditionalist and modern, fully support this [the 'Inner Line] policy, and there are no indications that they would welcome the lifting of the protective barrier which interferes in no way with the movements of Apa Tanis and other tribesmen but keeps out potential exploiters. It is difficult to imagine that in the foreseeable future the legislative assembly of Arunachal Pradesh, composed overwhelmingly by tribal representatives, would agree to open the territory to uncontrolled influx of population from the plains. It may thus be safe in predicting that for a long time to come the Apa Tani Valley will remain a heaven for a self-contained society unsurpassed in its skill to utilise the natural resources of its environment and to invest life with a *joie de vivre* such as few Indian societies can rival.[15]

However, once democratically elected leaders of indigenous peoples control power in their states, it is not easy to say what cultural policies they would adopt. Cultural survival is not an unproblematical concept. It has to incorporate a dynamic notion of culture: it may include the preservation of some old traditions, abandonment of others and invention of new ones. But what is important is that the people themselves have a say in making these decisions. What to outsiders may appear to be an aspect of a culture that deserves preservation may or may not appear as such to the people involved. Various influences, for instance, prevailing ideas about modernity, seem to determine what these societies feel should be preserved and what should be given up. The experience of what indigenous peoples have done with political power in the north-eastern states brings home this point. Let me give an example of cultural policies advocated by an organisation of indigenous peoples that have emerged as part of the democratic process in Arunachal Pradesh. The Apa Tani Youth Organisation, established in 1974, has adopted a number of resolutions—drafted in English—regarding ways to preserve their cultures and traditions. In one of these resolutions the association resolved to 'conduct cultural tourings and a social service camp' in the Apa Tani area. Among the objects of these tours are: (1) to abolish the puncturing of the nose and the tattooing of the face, (2) to discourage the use of (cane) tails, (3) to discourage the wearing of unnecessary necklaces, (4) to modify the hair-dress of the young generation, (5) to encourage inter-caste marriage, (6) to abolish child marriage, (7) to encourage the use of traditional dress by both boys and girls. [This refers to hand-woven clothes worn as cloaks— CFH] (8) to encourage cultural and fashion shows annually, (9) to encourage the community dance, (10) the improve the use of the Apa Tani dialect, (11) to encourage the use of the Roman alphabet as Apa Tani script.[16]

The old and new traditions that have become part of the official cultural symbolism of the mini-states of north-east India would sometimes surprise outside observers. In 1988 I was struck by a sign, 'Jesus Lives' in newspaper pictures of an official ceremony held in Dimapur to inaugurate the first airport in Nagaland. The sign reflects the influence of Christianity among the Nagas—that was brought to the Nagas by American baptists—and the fact that many of the Nagaland's elected officials are practising baptists.

In assessing the practical effects of India's minority policy in the north-east, I have focused so far on cultural issues. There are important social, economic and political consequences of this policy. In Nagaland, Arunachal Pradesh, Mizoram and Meghalaya, legislatures dominated by representatives of indigenous peoples have extended and strengthened policies of protective discrimination in favour of scheduled tribes in government employment and the allocation of government contracts. Transfer of land and property to non-tribal hands have been made extremely difficult, if not impossible. Development funds have been pumped into these areas in recent years. The developmental impact of these policies need to be evaluated. Corruption in some of these states is believed to be quite extensive. Whatever one thinks of corruption, it seems likely that by providing linkage between elites and non-elites, corruption has made the local political process more responsive to indigenous minorities and in doing so, it has aided the process of incorporation of these groups into the Indian mainstream.

THE LIMITS OF THE POLICY FRAMFWORK

Both the colonial policy of preservation of the cultures of indigenous peoples through drawing restrictive boundaries and the post-colonial policy of culturally defined states assume a model of cultural survival that is problematical. The assumption that there are exclusive territorially based ethnic groups that can be given autonomy in their territories is problematical in the context of north-east India. To impose such a model there is to court danger, despite its effectiveness so far.

Even the smallest of the mini states of north-east India is anything but culturally or linguistically homogeneous. Yet the cultural policies of some of these states have attempted to give the stamp of a particular identity to these states. Assam and Mizoram are examples of this trend. States such as Meghalaya and Arunachal Pradesh have been more pluralistic in terms of official symbolism. This aspect of India's minority policy might some day prove to be a pandora's box. There have been signs of significant tensions between ethnic groups within these mini states. In Mizoram, for instance, there is tension between the Mizos and the Buddhist Chakmas. One issue that divided the government of India and Laldenga for some time was his insistence that the Chakma autonomous district council that gives a certain amount of autonomy to Chakmas be abolished.[17] In the past some Hmars of Mizoram too have asserted their distinctiveness from the Mizos. The Pawis have had a party called the Chin National Front. As a Pawi leader, arguing in favour of equal status of Pawis, Lakers and Chakmas with the Mizos, said in 1972: 'When the Mizos had a district council, we also had a district council. Since Mizoram has become a union territory, we also should have the same status which the Mizos have.'[18]

Such tensions have been a major part of the post-independence history of the state of Assam. Under the influence of the ideology of the linguistic states, Assam's political leadership in the 1950s and 1960s pursued cultural policies—e g, its policy on the state's official language and on the language of educational institutions—that sought to define the state as Assamese. Superimposed on Assam's cultural diversity, these policies were a significant factor in the alienation of some of the indigenous minorities from the Assamese. The current Bodo demand for further division of the state of Assam to form a new state of Bodoland is the latest example of the divisive consequences of such cultural policies. The demands for Greater Mizoram or Greater Nagaland, that have become politically salient from time to time, are potentially highly emotive and conflictual issues. The vision of a Greater Mizoram, for instance, involves the reclaiming of territories that are allegedly part of the Mizo cultural or historical region and are now in Assam, Manipur and Tripura as well as in Burma and Bangladesh. There have been instances of armed conflict between the states of north-east India over territorial disputes—not unlike border conflicts between sovereign states.

In recent years there have been a number of instances of armed Nagas attacking Assamese villagers living in disputed territories. These episodes may anticipate a dangerous future that might some day bring to the fore the negative consequences of the attempt to re-organise the north-east into culturally defined discrete states.

Furthermore, the legacy of exclusionary policies are unlikely to be of much use in those areas that did not historically benefit from such policies and have absorbed the bulk of immigration into the area. In these areas, e g, Assam and Tripura, this legacy has encouraged nativist movements to demand exclusionary rules. Yet at this point cultural survival in these areas would depend partly on the ability to develop inclusive and pluralistic cultures and not on harking back to an era of protection through exclusionary rules.

CONCLUSION

The goal of this essay has been to focus attention on aspects of India's minority policy in the north-east that have eluded most observers. It is not my intention to under-emphasise the record of human rights violations in the north-east as a result of the Indian government's military response to the Naga and Mizo insurgencies and the recurrent violent conflicts between locals and immigrants in most of these states. But that story is relatively well known. The other side of the Indian minority policy in the north-east has not been generally recognised.

Partly due to the recurrent political unrest, the Indian government has been reluctant to allow foreigners to visit the north-east. Yet as the anthropologist Furer-Haimendor of, who had done pioneering work in the 1940s in parts of what is now Arunachal Pradesh, noted on his return to the area in 1978:

> The developments in Arunachal Pradesh are undoubtedly one of the success stories of present-day India, and one wonders why the astounding progress of the tribesmen of this region is being covered with a veil of secrecy while the far less creditable situation in the tribal areas of peninsular India can be observed without any need for official permission.[19]

The fact that the Indian government's largely successful policy in the north-east has to some extent been the result of *ad hoc* and incrementalist decision-making rather than self-conscious and systematic thinking, perhaps explains this paradox. That their policy in the north-east has had some significant positive results may come as a surprise to Indian policy-makers. Whatever the motivation or style of policy-making, there is little doubt that the Indian policy compares quite favourably with how indigenous minorities of the same geographical region have been treated by the state in Bangladesh, in Burma and somewhat further away, across the Himalayas, in Tibet. The policy, as I have emphasised, has its dangers too. In order to avert these dangers, future policy would perhaps have to be somewhat more self-conscious and reflective. The impressive structure of democratic representation of indigenous peoples and the incorporation of most disaffected groups into the Indian political process provide a good beginning for developing such a policy. The foundation today

in the rest of the country and representatives of indigenous peoples towards formulating future minority policy in the north-east more self-consciously than in the past.

Notes

1 'Mizoram: Rejecting the Rebel', *India Today*, New Delhi, February 15 1989, p 23.
2 'Burma Tribals Ask Merger', *India Abroad*, New York, March 3, 1989.
3 Peter Kunstadter, ed, *South-East Asian Tribes, Minorities and Nations*, Princeton, N J: Princeton University Press, 1967, Vol 1, p 205.
4 Robbins Burling, 'Tribesmen and Lowlanders of Assam', in ibid, p 215.
5 B P Singh, *The Problem of Change: A Study of North-East India*, Delhi: Oxford University Press, 1987, pp 278-79.
6 Bengal Eastern Frontier Regulation, 1873. Cited in Shibanikinkar Chaube, *Hill Politics in North-East India*, Bombay: Orient Longman, 1973, p 13.
7 Alexander Mackenzie, *History of Relations of the Government with the Hill Tribes of the North-East Frontier of Bengal*, Calcutta, 1884. Cited in Chaube, *Hill Politics*, p 13.
8 Cited in V Venkata Rao, *A Century of Tribal Politics in North-East India, 1874-1974*, New Delhi: S Chand and Company, 1976, p 84.
9 Promode Chandra Dutta's evidence before the Simon Commission. Cited in Rao, *A Century of Tribal Politics*, p 55.
10 Government of India, Administrative Reforms Commission, *Study Team on Administration of Union Territories and NEFA*, Report, Vol 1, New Delhi, Administrative Reforms Commission, 1970, p 204.
11 Cited in Udayon Misra, *North-East India: Quest for Identity*, Guwahati, Omsons Publications, 1988, p 155.
12 B P Singh, *The Problem of Change: A Study of North-East India*, Delhi, Oxford University Press, 1987, pp 141-147.
13 For an extended discussion see Sanjib Baruah, 'Immigration, Ethnic Conflict and Political Turmoil, Assam 1979-1985', *Asian Survey*, Vol 26 (11), November 1986, pp 1184-1206.
14 Government of India, *States Reorganisation Commission Report*, Delhi, Manager of Publications, Government of India, 1955, p 197.
15 Christoph von Furer-Haimendorf, *A Himalayan Tribe: From Cattle to Cash*, Berkeley, University of California Press, 1980, pp 217-18.
16 Ibid, pp 206-07.
17 'Mizoram: Amnesty Problem', *India Today*, October 15, 1985, p 64.
18 Cited in B B Goswami, *The Mizo Unrest: A Study of Politicisation of Culture*, Jaipur, Aalekh Publishers, 1979, p 62.
19 Christoph von Furer-Haimendorf, *A Himalayan Tribe*, pp 9-10.

DISCUSSION

Poverty Measures and Tax Devolution

Hemlata Rao

G THIMMAIAH in his discussion (June 10) on Amaresh Bagchi and Uma Dutta Roy Choudhury's paper (April 15) has advocated the use of a composite index of development instead of a 'poverty-ratio' as a criterion in the scheme of fiscal devolution.

Regarding the use of the 'poverty' criterion, or for that matter any criterion, there are two issues which need to be examined. First, whether there is any theoretical justification for adopting a particular criterion; and, second, whether a proper and convincing measure of the criterion is available. If such a measure is not readily available and if the criterion is theoretically sound, then it is desirable to develop/modify or refine the measure of the selected criterion.

Regarding the 'poverty-ratio' as a criterion, Thimmaiah puts forth two contradictory arguments. First, he discards the use of poverty ratio on two grounds

(i) per capita SDP and poverty ratio are to some extent positively associated and therefore better-off states (judged in terms of per capita SDP) which can finance their expenditure needs to a large extent from their own revenues tend to receive more tax devolution; and
(ii) the poverty-ratio as it is presently estimated involves many deficiencies.

At another place he expresses a different view. His contention here is that "it is possible to use the poverty-ratio as an indicator of taxable capacity of the masses. Since the state governments have the power to raise funds mostly through indirect taxes and since indirect taxes are paid by the vast majority of the masses, and if a majority of them are below the poverty line in some states, then their capacity to pay indirect taxes to the state governments would be lower". If this is the case, then how is it that he finds a positive association of per capita SDP and poverty-ratio?

Justification of the poverty-ratio as a criterion in the scheme of devolution needs to be strengthened not only from the point of judging a state's fiscal potential but also from the viewpoint of its responsibilities or 'expenditure need'. In fact, a higher poverty-ridden population, puts a heavy demand on government-provided goods and services such as free education, health facilities, subsidised transport and so on. Besides these, the government has to spend substantial amounts on various welfare measures in order to alleviate poverty. Thus the need for resources increases with an increase in poverty. Viewed from the point of both 'fiscal capacity' and fiscal need, 'poverty-ratio' can be theoretically justified as an appropriate criterion to be adopted in the scheme of devolution.

However, a major problem in the adoption of the poverty-ratio criterion lies with its proper definition and precise measurement. Thimmaiah is right when he says that as the existing measures are deficient, the ratio should not be used as a supplementary criterion for effecting tax devolution. Perhaps it is due to the deficiency in the measure that Thimmaiah finds a positive association between per capita SDP and poverty-ratio.

Thimmaiah advocates the uses of a composite index of development instead of the poverty-ratio in the scheme of devolution. But the alternative suggested by him also suffers from the same shortcomings as the poverty-ratio. Theoretically, there is every justification for adopting a composite index of development. I have brought out the importance of this 'criterion' in my earlier studies.[1] However, the major problem one encounters in this regard pertains to (i) proper selection of development indicators, (ii) correct data pertaining to the selected indicators, and (iii) assigning proper weights and pooling the indicators together. It is not difficult to do so. However, in their over-enthusiasm, many people neglect the crucial steps involved in the construction of a composite index and often select a mix of variables. Sometimes even structural variables are mistaken for development indicators. Many times input-output variables, stock and flow variables are pooled together by scholars. It is also quite common to see people using any variable on which data are available while constructing a composite index. Further, over-representation or under-representation of some sectors is a common error which most people commit.

The composite index presented by Thimmaiah also suffers from deficiencies pertaining to its measurement. He himself admits it when he says, "under the composite index, only Bihar loses its share and Gujarat, Punjab and Haryana gain. This can be prevented by selecting more appropriate indicators of backwardness. . .". Thimmaiah argues against the use of the poverty-ratio mainly because he feels that at present the estimates are deficient. I see the same shortcoming in his composite measure of the level of development.

Thimmaiah in his zeal has tried to produce a hybrid criterion by mixing up a 'composite index of development' as developed by me[2] and the criterion of distance from the highest per capita income state multiplied by 1971 population as adopted by the Eighth and Ninth Finance Commissions. The result is that the estimated devolution as per Thimmaiah's recommendation bears no relationship with his own composite index. The rank coefficient of correlation between the composite index of infrastructure development and his estimated devolution (see *EPW*, June 10, Table on p 1303) is just 0.27388 which is not significant even at 5 per cent level. Further, while better off states like Gujarat, Haryana, Punjab and so on gain in his scheme of devolution, backward states like Mizoram, Nagaland, Sikkim, UP and so on, lose

My contention is that the composite index of development should be used in the scheme of devolution with great caution. One should not construct an index in haste and without properly understanding the steps involved in the construction process. As the index used by Thimmaiah also suffers from many deficiencies pertaining to the measures of devlopment, the alternative suggested by him is in no way better than the poverty-ratio criterion.

Notes

1 Hemlata Rao, *Centre-State Financial Relations*, Allied, Delhi, 1981.
2 Hemlata Rao, "Identification of Backward Regions", *Arthavignan*, June 1977.

NOTICE

It is hereby notified for the information of the public that **Vam Organic Chemicals Limited** propose to make an application to the Central Government in the Department of Company Affairs, New Delhi, under Sub Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the establishment of new undertaking/unit/division. Brief particulars of the proposal are as under:

1. Name and address of the Applicant : **Vam Organic Chemicals Limited**
   Bhartiagram
   Gajraula
   District Moradabad
   UTTAR PRADESH

2. Capital Structure of the applicant organization :

	Equity	Preference
	(Rs. in Lakh)	
a) Authorised	1460.00	40.00
b) Issued and Subscribed	516.42	38.50
c) Paid up	516.23	38.50

3. Management structure of the applicant organization indicating the names of directors, including managing director/wholetime director and manager, if any. : The company is managed by the Board of Directors consisting of

Shri M L Bhartia	—	Chairman
Shri S S Bhartia	—	Managing Director
Shri H S Bhartia	—	Wholetime Director
Shri P K Khaitan	—	Director
Shri J B Dadachanji	—	Director
Shri L Ivnas (Alternate Shri M T Shah)	—	Director
Shri H J K Klouman (Alternate Shri A T Shah)	—	Director
Shri S S Kanoria	—	Director
Shri A Ray	—	Director
Shri R K Bhargava	—	Nominee Director (PICUP)
Smt. Sunanda Prasad	—	Nominee Director (UPSIDC)
Shri Lalit Srivastava	—	Nominee Director (UPSIDC)

4. Indicate whether the proposal relates to the establishment of new undertaking or a new unit/division : New undertaking
5. Location of the new undertaking/unit/division : Duliajan, Distt. Dibrugarh, Assam
6. Capital structure of the proposed undertaking as mentioned in Sr. No. 2 : To be decided later in consultation with financial institutions/merchant bankers.
7. In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate: :
   i) Name of the goods/articles and proposed licensed capacity :

Product	Capacity (MTA)
Ethylene	300,000
Linear Low Density Polyethylene/High Density Polyethylene	200,000
Mono Ethylene Glycol	60,000
Di Ethylene Glycol	6,300
Tri Ethylene Glycol	400
Ethylene Oxide	5,000
Alpha Olefins	45,000
Butadiene	22,000
Natural Gas Liquid	65,500
Pyrolysis Gasoline	20,000
Carbon Black Feedstock	5,000
Acetylene	2,500
Propylene	63,000

   ii) Estimated annual turnover : Rs. 838 crores
8. In case the proposal relates to the provision of any service, state the volume of activity in terms of annual measures such as value, income, turnover, etc. : Not Applicable
9. Cost of project : Rs. 1541 crores
10. Scheme of Finance, indicating the amounts to be raised from each source :
    Equity : Rs. 310 crores
    Foreign Exchange loans : Rs. 315 crores
    Rupee loans/Debentures : Rs. 916 crores

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs Government of India, Shastri Bhavan, New Delhi, within 14 days of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

FOR **VAM ORGANIC CHEMICALS LIMITED**

Dated: This 9 th day of September, 1989

S S BHARTIA
MANAGING DIRECTOR

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TERTIARY SECTOR IN INDIAN ECONOMY


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How Parasitical

The rapid growth of the tertiary sector in the Indian economy has understandably raised questions about the significance of this phenomenon. Some economists have argued that the net domestic product becomes a misleading indicator of economic progress of a poor country if the tertiary sector grows rapidly. How tenable is this view in the light of the Indian experience? 2149

Politics of Centre-State Relations

During the last four decades the Indian state has addressed the task of coping with the tensions arising in different regions of the country by resorting to a variety of means, depending on the particular facet—economic, political, constitutional, cultural/linguistic—involved in each specific conflict. What are the shifts that have occurred in the major thrust of centre-state conflicts and contradictions during this period? 2133

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The left cannot provide a correct analysis of feminism unless it begins to comprehend patriarchy in its historical setting and its complex and problematic relationship with the dominant relations of production. 2123

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An attempt to build a time series for the foreign exchange earnings and expenditures of the private corporate sector in India from 1960-61. What light do the data throw on the cost-benefit of import of capital and technology? 2155

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The workers have initiated a takeover plan in an industrial unit in a bid to counter managerial manipulation. The case of Hoist-O-Mech at Thane. 2113

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What was once considered a well guarded secret by the government is now getting unmasked in the face of evidence from diverse sources. The government's estimate of India's external debt set against those of the World Bank and the OECD. 2111

Encouraging Impunity

While US-Soviet agreements may end the cold war, they seem to encourage Washington to pursue hot wars through surrogates in the third world. 2121

CSIR Endangered

It is now over two years since the Abid Hussain Committee submitted its report on the reorganisation of the CSIR and it is possible now to form a perspective viewpoint of the report. There are reasons to fear that the committee's recommendations, together with those of the Fourth Pay Commission, could spell the dismantling of the CSIR within a decade. 2115

Non-Capital View

Much of the discussion and speculation on the general election to the next Lok Sabha has been Delhi-centred. There is little indication of what is going on in the minds of the millions of voters interspersed through some 1.2 million square miles of territory. 2103

Changing Perspective

UNCTAD has lately been taking up issues from the mainstream perspective while still siding with the less fortunate economies. 2109

LETTERS TO EDITOR

Socialist Freedom and Repression

I SHALL be obliged if you publish the following few lines as a response to K Balagopal's 'What Is Socialist Freedom?' (August 5).

Balagopal would like to make a very clear distinction between 'bourgeois' democracy (or freedom) and 'socialist' democracy. And he would not agree with the view that the essential differences between the two lies in the fact that while bourgeois freedom means the basic human freedom formally (though usually only partly) recognised but actually severely circumscribed by the highly iniquitous bourgeois socio-economic conditions of life and thereby largely unrealised for the vast masses of people, socialist freedom means the unfettering of these rights by doing away with the shackles of socio-economic oppression and inequalities and making these rights actually realised for the vast masses of toilers. Balagopal would rather define socialist freedom as the freedom to build socialism. He further informs us that 'socialist freedom', the freedom to build 'socialism', is inseparable from the idea of the perpetual existence of a strong, central and repressive state authority to guarantee the safety and well-being of 'socialism' which is under perpetual threat of counter-revolutionary onslaughts as "there is a class enemy inside each one of us", irrespective of caste, creed, religion and *class*. So a 'socialist' state cannot be anything but violently repressive, as it has to constantly engage itself in the massive exercise of exorcising the 'evil spirits' (the counter-revolutionaries within), which keep on finding ways of sneaking back into our souls, just not a handful, but in each one of us. Consequently, empathy between the 'socialist' state and the revolutionary masses could be obtained only as a rare exception and by no means as a general rule.

Even the most ardent votary of the capitalist 'free world' could hardly have painted a more monstrous picture of the socialist objective.

Balagopal is here only echoing what all the conservative and reactionary religions have exhorted through the ages—that a human is an eternal sinner and only an external authority standing above his/her head with a big stick in hand (deriving legitimacy from some undefinable divine sanction) can make him/her keep to the right path.

Balagopal's Marxism, characterised by its strident advocacy of perpetual subjugation of human individual, flowing from its deep cynical mistrust of human nature, stands poles apart from classical Marxism, the central concern of which, as of numerous other progressive and revolutionary currents which preceded it, is the complete unbinding, the total liberation of the human Prometheus from all physical and spiritual shackles by doing away with all forms of external authorities. Marxism, as propounded by Marx, Engels, Lenin (and also Trotsky and Rosa Luxemburg) is very much the co-sharer of the anarchist dream that humanity will one day eventually usher in the millennium, where there will neither be any lord over the head nor any slaves under the feet, where there will be no ruler and no ruled and where "free development of each will lead to the free development of all".

In view of Balagopal's arrogant assertion that "it is slightly irritating to hear otherwise intelligent people say that a repressive state apparatus may be required for a few years after the revolution, until all enemies are vanquished, but what is its need after so many decades. If the enemies consisted only of a handful of imperialist agents and big landlords then no repressive state apparatus would be required even for a few years. But there is a class enemy inside each one of us, and the real problem is how to drive that person out without doing too much damage to ourselves", it would be quite worthwhile to have a careful second look at the 'classical' Marxist position in this regard. Lenin, in his celebrated *The State and Revolution* says, "in capitalist society we have a democracy that is curtailed, wretched, false, a democracy only for the rich, for the minority. The dictatorship of the proletariat, the period of transition to communism, will for the first time create democracy for the people, for the majority, alongwith the necessary suppression of the exploiters, of the minority. Communism alone is capable of providing really complete democracy, and the more complete it is, the sooner it will become unnecessary and wither away of its own accord." Lenin proceeds to further elaborate:

> In other words, under capitalism we have the state in the proper sense of the word, that is a special machine for the suppression of one class by another and, what is more, of the majority by the minority. Naturally, to be successful, such an undertaking as the systematic suppression of the exploited majority by the exploiting minority calls for the utmost ferocity and savagery in the matter of suppression, it calls for seas of blood, through which mankind is actually wading its way in slavery, serfdom and wage labour.
>
> Furthermore, during the *transition* from capitalism to communism suppression is still necessary, but it is now the suppression of the exploiting minority by the exploited majority. A special apparatus, a special machine for suppression, the 'state' is *still* necessary, but this is now a transitional state. It is no longer a state in the proper sense of the word; for the suppression of the minority of exploiters by the majority of wage slaves of *yesterday* is comparatively so easy, simple and natural a task that it will entail far less bloodshed than the suppression of the rising of the slaves, serfs or wage labourers and it will cost mankind far less. And it is compatible with extension of democracy to such an overwhelming majority of the population that the need for a special machine of suppression (the 'state') will begin to disappear.

Obviously the gulf between Balagopal's Marxism and 'classical' Marxism could have not been any wider. And it is perhaps the cruellest joke that yet viewpoints such as Balagopal's go by the name of Marxism. That this brand of 'Marxism', bereft of the essential libertarian (and rationalist) spirit, has come to be identified, for a number of historical reasons, as mainstream. Marxism is probably the greatest tragedy of the present century.

SUKLA SEN

Bombay

Mere Speculation

IT is best to let alone DN's diatribe (August 19, 1989, pp 1921-23) against 'mainstream Marxists', whoever they might be. There is however no question of *my* getting any facts wrong: I was only speculating on the extent of vandalism with facts iconoclasts of the 'socially necessary' school are capable of.

AM

Calcutta

September 23, 1989

ECONOMIC AND POLITICAL WEEKLY

Twin Terror in Punjab

THE murder of the 15-year old son of the notorious former Batala SSP, Gobind Ram (who was transferred recently following charges of torture of women) allegedly by Khalistani terrorists, shows up the miserable link that binds together minds of cowardly violence in Punjab today. Gobind Ram, the police boss, unable to apprehend wanted 'terrorists' (the term 'terrorist' itself, applied by the police to harass and kill innocent people in false encounters, has lost its original meaning in the Punjab context), arrested their wives and took it out on them. In retaliation (if at all it can be called a retaliation!), the Khalistanis, unable to get at Gobind Ram, chose a soft target—his son!

In the combat between the two, the state and the Khalistanis, the real combatants rarely meet each other face to face. They conveniently select their victims to demonstrate their might. The security forces have to meet the target set by their bosses, governor S S Ray and the police chief K P S Gill, who want to impress the rest of India that they are finishing off the terrorists. But scared of confronting the AK-47 toting terrorists, the police choose instead to nab indiscriminately innocent villagers, parade them as 'terrorists' and, when necessary, kill them and display their bodies as those of "dreaded terrorists" killed in encounters! On several occasions, human rights organisations investigating into such killings in Punjab have come out with evidence which has shown that the victims had nothing to do with Khalistani terrorism.

The cowardice and remorseless cruelty of the state's security forces are matched by the poltroonery and depravity of the various Khalistani terrorist groups. The majority of their victims so far have been members of the public—bus passengers, innocent citizens in crowded thoroughfares, villagers who had refused to knuckle under to their extortions, and Leftist activists ranging from the CPI to the Marxist-Leninist groups who had been consistently fighting both state terrorism and the obscurantism of the Khalistanis. The list of these victims is lengthening day by day compared to that of those who are supposed to be the real enemies of the Khalistanis—the police officials, the security forces, the members of the various counter-insurgency outfits who are on the rampage in the Punjab villages.

It appears that both state terrorism and Khalistani terrorism are complementing each other in an ominous process of terrorising the people of Punjab and reducing them to a state of abject servility to local gangsters. Often, the two blend into each other, their modes of operation being frighteningly similar, giving rise to the suspicion that there is a common source behind both. Speculation that some of the so-called terrorist groups may enjoy the patronage of the union home ministry that had gained currency sometime ago is now indirectly confirmed by the latest embarrassing disclosures about the activities of an outfit called the 'Cats', an underground hit squad of the Punjab police. Formed ostensibly to counter the terrorists, members of the 'Cats' are usually recruited from the ranks of the Khalistani terrorists who had surrendered to the police. They romp around pretending to be Khalistanis, armed with the usual AK-47 rifles and other sophisticated weapons. On the night of September 10, one such 'Cats' group attempted to loot a family in Kaler Khurd village in Batala in Punjab, and its leader 'Kala' got killed accidentally by his own men who panicked and started firing indiscriminately. A search of Kala's body revealed his identity card which proved that he was on the payroll of the police.

The operative tactics by both the police and the Khalistani terrorists are increasingly resembling each other. The victims—both Sikhs and Hindus—are exposed to extortions. While the police demand money from farmers in exchange of promises to protect them against trumped-up charges of 'terrorism', the Khalistani terrorist groups demand food and shelter from them at the point of the gun. While the police pick up innocent villagers and kill them to meet the target of 'catches' which they are required to fulfil, the Khalistani terrorists go in for bomb blasts or mass killings to make their presence felt. The targets are common—the citizens who are not involved in this senseless combat in what looks more and more like deadly shadow-boxing between two combatants who appear to be temporary enemies today, but are essentially allies in their common long-term goal of subjecting the people to an authoritarian system.

NRI INVESTMENT

Making a Little Go a Long Way

THE figures given out by the government of India on NRI investments are rather intriguing. They also raise some questions.

Of the total number of 974 NRI investment proposals received in the five-year period 1984-89, as many as 806 (i e, roughly 84 per cent) were cleared by government. But so far only 103 projects (12.5 per cent) have been set up and another 351 projects (44 per cent) are described as being "under implementation" (whatever that term can be understood to mean). A small number, 29 to be exact, have been abandoned. But what about the rest? Could it be that as high a proportion as 40 per cent of the officially cleared NRI projects have not reached even the drawing-board stage?

As regards the investment involved in the NRI proposals, the official figures provided are for all the 974 proposals put up for clearance and not for the 807 proposals cleared by the government. The total project cost of the 974 proposals is given out as Rs 2,450 crore. Of this the loan component is Rs 1,530 crore and some Rs 520 crore is to come from resident Indian investors. A small sum of Rs 12 crore has been mentioned as 'foreign investment', meaning perhaps non-NRI foreign investment which will be repatriable. The balance of Rs 388 crore presumably represents the NRIs' own investment in these projects which is non-repatriable. It is noteworthy that in projects involving a total investment cost of Rs 2,450 crore, the proposed NRI investment is only of this order, or less than 16 per cent. Ignoring the minuscule fraction accounted for by what the official figures describe as 'foreign investment', what this means is that well over four-fifths of the cost of NRI projects, 83.5 per cent to be precise, are to be internally generated in India, partly through resident investment but largely through borrowing.

The ardent votaries of direct foreign investment, not just the proselytisers from the World Bank and IMF but also members of our own Planning Commission, when they advocate further liberalisation of entry rules for foreign investment in India ought to make their position clear on what exactly they thereby seek to secure for the country. The figures given out with regard to NRI investment proposals show clearly that at least this group of foreign investors are interested not in any substantial export of capital to India. On the contrary, their purpose seems to be to build up business empires on the strength of funds to be mobilised within India several times larger than their own investment. So what is being advocated evidently is that there should be still further dilution of the requirements so that NRIs will be required to bring in themselves an even smaller proportion of the total cost of their projects here.

LENTIN REPORT

Public Apathy

SOME two years ago the Maharashtra government-appointed Lentin Commission submitted what must surely be the most thorough-going report on the public health system in the country. Constituted to look into the death of 14 persons at the J J Hospital in Bombay, justice Lentin insisted on following up every lead and found a most tangled web which involved top officials of the Food and Drugs Administration (FDA) and ministers of the Maharashtra government. His recommendations, had they been implemented, would have included a drastic revamping of the management and organisation of the public hospital system as well as of the FDA in Maharashtra. It is not surprising that the state government has, however, done precious little to implement the commission's recommendations, for doing so would have meant demolishing the entire structure of favours received and favours granted by which the FDA and the public health system functions.

The fact that the state's drugs control authority is responsible for assuring the safety and suitability of the medicines manufactured by 80 per cent of the industry in the country which is located in Maharashtra makes this negligence on the part of the state government of grave significance. The Lentin report has been bandied about in the state assembly and much has been made of the manner in which Lentin chose to conduct the inquiry, paying little heed to the governmental status of the guilty parties. Nor in fact did he succumb to the numerous threats he received and he held fast to his decision that the inquiry proceedings should be open to the public and that the press had every right to report them in detail. Because of this it was not possible for the government to conceal or suppress any part of the report had it wished to do so. The indictment is there for all to read. But the government has dragged its feet in implementing the report.

While the Maharashtra government's inaction is certainly condemnable, the lack of public pressure on the issue is also noteworthy. The discussions in the state assembly on the Lentin report have largely been confined to the rights and privileges of ministers indicted by the commission. There has been no concerted pressure on the government to implement the recommendations. Nor unfortunately have any of the professional associations of doctors deemed it necessary to either commend the report or urge the government to undertake the recommended changes. The drug consumer groups did make some attempts to mobilise public opinion, but these were by and large desultory. And this—the lack of activity on the part of the public to use the excellent report to force the government to revamp the decaying structure of public health—is of far greater concern than the government's own inaction. For the latter was to be expected.

In this atmosphere of public apathy the setting up of inquiry commissions such as the Lentin one to go into questions of major public import will continue to be meaningless exercises. They would only serve to provide a measure of credibility to corrupt and/or incompetent governments which can then lay claim to democratic functioning while at the same time, where possible, trying to tailor the reports to their requirements. It is after all rarely that a justice Lentin happens to head a government-appointed commission of inquiry.

WEST BENGAL

What Is Being Celebrated?

A CERTAIN light-heartedness in decision-making, preference for easy options of cheap stunts, inane glorification of feudal lifestyles and so on seem to have been marking the West Bengal Left Front government's programme for the tercentenary celebration of Job Charnock's foundation of the settlement on the bank of the Hooghly which later developed into the metropolis of Calcutta. Naturally and pertinently, questions have been raised not only about the specifics of the celebration programme but also the very decision of holding the celebration itself.

Firstly, students of history argue that Calcutta was not *founded* by Charnock at all, its history goes back to a much earlier period. Secondly, as some others argue, the beginning of a foreign settlement as a bridgehead of imperialist penetration and aggression cannot and should not be an occasion for celebration by the victims of the historical aggression. These critics also point out that the beginning of the British settlements in Madras and Bombay, which predates Calcutta's, had been justifiably ignored by those cities.

Even supposing, as West Bengal culture and information minister Budhdhadev Bhattacharya holds, that it would be 'anti-historical' to deny the British connection with Calcutta, is it really necessary and proper for the West Bengal Left Front government to associate with a snobbish set and to mobilise the consular corps to pay homage at Job Charnock's grave?

The historical fact of the British linkage with the city of Calcutta has to be grasped in its dialectical connotation. As E J Hobsbawm, echoing Marx, has noted: "For the peoples of the world outside capitalism, who were now grasped and shaken by it, it meant the choice between a doomed resistance in terms of their ancient traditions and ways, and a traumatic process of seizing the weapons of the west and turning them against the conquerors: of understanding and manipulating 'progress' themse'.es..."

The victims or imperialist aggression have

no reason at all for celebrating the advances of their conquerors; they should remember with pride only the occasions of and attempts at their seizing the weapons of the west and turning them against the conquerors. From this point of view, the staging of the pageant of horse-drawn tramcars with the foppishly dressed 19th-century 'baboos and bibis', which was personally inaugurated by the left front chief minister Jyoti Basu, is a distasteful incongruity.

PUBLIC ENTERPRISES

The Dark Area

S L Rao writes:

THE Annual Report (1987-88) of the Bureau of Public Enterprises, government of India, has been much discussed and written about. The report is primarily an analysis of the finances of these enterprises and discussions have tended to focus on relative rankings and such other matters based on the financial information contained in the report.

There is no information anywhere in the report which allows an evaluation of the marketing performance of the public enterprises. We do not know how the marketing function is organised whether in enterprises like Hindustan Latex, NTC, LIC, UTI, Modern Bread, etc, which could be designated as consumer product companies, nor for any of the other industrial and heavy engineering enterprises. We do not know if and how many salesmen are employed, what are the selected channels for distribution, whether agents are used and for what purpose, and in what manner, nor what margins are made available to them. There is no data on advertising expenditure, the purpose of the expenditure, the details of the expenditure by media, examples of the advertising, the advertising agencies used, and the results.

There is a chapter on Pricing Policy but it has no relation to a marketing (or customer) orientation. It says that "prices... should be so determined that at a satisfactory level of capacity utilisation these enterprises not only cover their costs of production, but also generate a reasonable amount of surplus". This may be feasible in monopoly or near-monopoly situations. Many public enterprises are in increasingly competitive market situations and pricing has to be a marketing tool which is integrated with product policy and product design, as well as with overall market strategies in relation to the consumer and competition. Decisions on matters like distribution, sales force, advertising and promotion, cannot be taken in isolation but along with decisions on pricing, and must form part of an overall marketing strategy. The report does not give us any idea as to whether there is such a marketing strategy for each public enterprise, and how various decisions arise from it.

We have no measures of marketing productivity in each enterprise so that we can evaluate the efficiency of its distribution, sales force, advertising, and other marketing tools. There is no indication that any of these enterprises makes an attempt to systematically gather data about its present and prospective customers, as well as of competition, so as to adapt the business to the customer and the nature of the competition.

Most enterprises have some heterogeneity among their customers. They vary, by the use they make of the product or service, by their prosperity, their quality needs, etc. Marketing management endeavours to match products to segments and to use other marketing tools like advertising to position their product for purchase by these segments. Public enterprises must have similar experiences. It is not known whether they plan in advance or segment their markets on an ad hoc basis.

Public enterprises need to pay a great deal more attention to marketing and must move away from associating marketing only with advertising or selling. They must see it as a way to orient their whole enterprise to the customer's needs. The Annual Report of the BPE could take a long step in this direction by presenting a critique of the marketing performance of the public enterprises.

SOVIET UNION

Unresolved Nationality Question

THE nationalities question has reared its head once again in the Soviet Union. On August 23, the 50th anniversary of the signing of the Molotov-Ribbentrop pact, hundreds of thousands of people of the Baltic republics formed a human chain from Tallin, the capital of Estonia, via Riga, the capital of Latvia, to Vilnius, the capital of Lithuania, to express their desire for 'sovereignty' or 'independence' from Moscow. The Molotov-Ribbentrop pact is viewed by these people as having led to the carving up of eastern Europe between the Soviet Union and Nazi Germany and thereby leading to the annexation of the three Baltic republics by the Soviet Union under Stalin. In July the ideology secretary of the Estonian Communist Party, Mikk Tittma, openly denounced the imposition of Soviet rule since 1940 saying that "50 years of Soviet power have not given any victories to Estonians. On the contrary the nation has been suppressed. The desire of the absolute majority of Estonians to leave the Soviet Union is absolutely normal". The national movements in the Baltics are growing and, at least in Estonia and Lithuania, they are supported by the local communist parties.

The resolutions passed at the 19th All-Union Party Conference in June last year called for more devolution of economic and political power to the republics and measures to ensure their national-cultural development. In line with this and as part of the decentralisation process, a draft law has been drawn up for economic autonomy in Estonia and Lithuania. Besides making provision for independent budgets the right to level their own taxation and set local prices, there is also a clause setting out the degree of control over natural resources. But there are deep divisions in Moscow itself over this draft law which were recently reflected in a debate in the Supreme Soviet between its votary, Leonid Abalkin, deputy premier and chairman of the State Committee on Economic Reform, and Yuri Maslyukov, chairman of Gosplan, first deputy premier and member of the politburo.

The question of autonomy in the political sphere too has come up, this time in the presidium of the Supreme Soviet when it was found that a recent Estonian electoral law was at odds with the Soviet constitution. It issued a decree requiring the Estonian government to amend the law before October 1. Though the 'right to secede' is laid down in Article 72 of the Soviet constitution this article has always conflicted with other provisions, which effectively give the Union a veto over unilateral decisions of any republic.

The Baltic states are not the only republics where the nationality question has come to the fore. In Armenia there is a movement with a demand for transferring the autonomous region of Nagarno-Karabakh, which has been placed under the direct control of Moscow, from Azerbaijan to Armenia. On April 9, 20 nationalist demonstrators died in the Georgian capital of Tbilisi when troops unleashed violence to break up a peaceful protest. In the autonomous region of Abkhazia there is social tension between Georgians and Abkhazis which has led to clashes. There have been nationalist demonstrations in Moldavia against the Slavicisation of Latin culture. In Uzbekistan there have been attacks on Meskhetian Turks who were forcibly resettled there during the war.

The list is long and no solution seems to be in sight. But the independence movements in the Baltics are indeed the most ominous. The politburo of the CPSU recently set out the limits to republican autonomy in a policy document that concedes the need for radical transformation in the Soviet federal set up. But it does not concede the assumed right of the republics to pass legislation which the union decides is beyond the framework of republics' authority and says that such laws will be subject to repeal by the Union. Baltic nationalism will no doubt be dismayed. However, the nationalist movements will pressurise the Soviet government to find a solution soon, for the dam is close to bursting.

COTTON

'Crisis of Plenty' Unlikely

WHAT is one to make of the Shetkari Sangathana's representation to the union textile minister Ram Niwas Mirdha pleading for an export quota of 10 lakh bales of cotton to 'avert distress sales by farmers'? The plea has been based on an estimated record crop of 120 lakh bales in 1989-90, carryover stock of 25 lakh bales and import of two lakh bales recently allowed under OGL, raising total availability to 147 lakh bales against domestic consumption of about 100 lakh bales. The supply-demand equation worked out by the Shetkari Sangathana is unlikely to command much credibility as it is based on highly questionable assumptions.

It is too early to make any meaningful forecast about the crop and the Sangathana's estimate of 120 lakh bales is generally regarded as highly optimistic. Even the carryover stock figure of 25 lakh bales is reckoned as on the high side. Besides, domestic off-take—mill and extra-factory consumption—is certain to exceed 100 lakh bales by at least five lakh bales. The figure for 1988-89 is placed at 104 lakh bales.

Climatic conditions in almost all the major cotton growing areas have been quite favourable thus far and on current reckoning the crop prospects appear reassuring. But with many crucial weeks still ahead, it is altogether premature to make any worthwhile assessment of the crop which is grown under widely varying agronomic conditions. The quality of the crop information system being what it is, one can never really vouch for the size of the crop even at harvest time. The 1988-89 season ended with August but there is still no unanimity about the size of the crop, with estimates varying from 104 lakh to 106 lakh bales. Nor is there any firm consensus about the size of the carryover stock.

The Sangathana's representation for a large export quota so very early in the season has a strong political overtone, intended apparently to appease the powerful cotton lobby. Where is the question of 'distress sales' by farmers in Maharashtra when the state is operating a monopoly procurement scheme under which cotton growers are guaranteed support prices fixed by the central government plus an additional bonus in the event of the Maharashtra State Co-operative Cotton Growers' Marketing Federation realising higher prices over the entire season. Considering the two successive hefty hikes in support prices, growers can have little cause to complain if in a season of really over-abundant supply they are unable to realise prices higher than the support prices.

That the Shetkari Sangathana's plea for a large export quota is premature and is based on questionable assumptions does not in any way detract from the need for evolving a dynamic export policy to bring about a better balance in the overall supply-demand equation and rectify varietal imbalance resulting from a major breakthrough in the production of long and extra long staple cotton which now accounts for almost half of the total output. New Delhi will do well to carry out its exercises to evolve policy options on the basis of varying crop estimates.

If the crop turns out to be as good as is widely anticipated, it will be possible to spare sizeable quantities of Bengal Deshi and extra long staple cotton for export. The government will need to take appropriate steps to ensure that it does not repeat the blunders it committed last season. Out of a total export quota of two lakh bales divided equally between Bengal Deshi and extra long staple cotton, actual exports during the 1988-89 season are placed around 75,000 bales. The shortfall has had nothing to do with the availability of requisite quality cotton or with export parities. In fact, seldom before has the international environment been so very favourable, with the spread between cotton prices at home and abroad ranging between 20 cents and 40 cents a kg in respect of Bengal Deshi and between 40 cents and 80 cents a kg for extra long staple cotton. The poor export performance last season is attributable entirely to the undue delay in the announcement of minimum export prices which were fixed arbitrarily in complete disregard of the prices prevailing in the highly competitive overseas markets. This encouraged unscrupulous elements in the private trade to indulge in all sorts of malpractices in negotiating export deals with the result that neither the experienced traditional exporters nor the CCI and the other state/co-operative agencies could participate in the highly profitable export business. The subsequent revision of MEP for extra long staple cotton came too late to enable exporters to negotiate fresh business to fully utilise the export quotas.

The government's failure to avail of the extraordinary opportunity for exporting cotton reflects poorly on its management of improved supply in the context of the imperative need to augment the country's foreign exchange resources. Only the textile industry could feel happy over the poor export performance as it has the effect of depressing raw material prices through increased domestic availability. As part of its subtle PR exercise, the Indian Cotton Mills' Federation did not miss the opportunity of complimenting the government for its "thoughtful management of the cotton policy" on the plea that this had imparted some stability in the economic working of mills.

The 1988-89 cotton season which ended with August is notable for a measure of price stability not seen for many years. Rarely has the official wholesale prices index for raw cotton been known to have moved in so narrow a range—13 per cent—as it did last season. There was nothing like a fag-end of the season in terms of supply as well as prices. The highest prices recorded in April were never repeated thereafter. But the price stability was not due to any well thought out policy. It simply reflected a better balance between domestic supply and demand. Besides, unlike in the past, crop estimates put up at the CAB meetings by members representing diverse interests did not show any wide variations. Starting with a preliminary estimate of 108 lakh bales about the beginning of the season, the crop estimate was soon revised to around 104 lakh bales which has never been seriously questioned thereafter.

The demand for cotton is derived from the demand for yarn/cloth. The state of the textile industry therefore has important implications for cotton. Some observations on the overall performance of the textile industry seem pertinent in an assessment of the emerging cotton scenario. If one were to go by the increase in the number of closed mills to a record 144, the further decline in the share of composite mills in the total cloth output to 21 per cent and massive technological obsolescence, one would be inclined to think that the fortunes of the organised mill sector are on the decline. However, talking to a cross-section of knowledgeable persons connected with the industry and the trade, the impression one gathers is that the industry has not had it so good for many years, having enjoyed the rare benefit of cheap raw material and high prices for yarn and cloth. The profound change in the fortunes of the organised mill sector has been attributed to assured availability of cotton at fairly stable and reasonable prices throughout the season, improved domestic off-take of yarn/cloth and a veritable boom in textile exports. Spinning mills had generally been performing well because of the ever increasing demand for yarn from the expanding decentralised weaving sector. Only composite mills had been having a tough time owing to intense competition from powerlooms enjoying distinct cost advantage because of their lower overheads, lower wages and lower capital cost. Of late, these composite mills too have been doing well, with several units going into an area of production where powerlooms are ill-equipped to compete. Symptomatic of the profound change in the textile scene are reports that an increasing number of composite mills are now willing to undertake rehabilitation and modernisation of their equipment and that timely supply of requisite machinery from indigenous sources is proving a major constraint. Reputed machinery manufacturers who until about a year ago were complaining about lack of demand are now quoting delivery dates extending beyond two years.

Lest one is carried away by the idea that

the recent favourable turn in the fortunes of the organised mill sector marks the end of its problems it needs to be pointed out that the sickness in the industry is endemic and that the malady afflicting it is deeply rooted in structural and management deficiencies. No worthwhile progress has been achieved in dealing with the basic issues spelt out in new textile policy announced in June 1985—be it modernisation of cotton ginning facilities or textile machinery, closure of non-viable units, check on the growth of unauthorised powerlooms or making cloth available to consumers at affordable prices.

From the viewpoint of cotton, the most significant aspect of the textile scene is the increase in mill consumption of cotton which touched a new high of 98 lakh bales in 1988-89 as also the improved viability of mills' operations. Going by the textile industry's increasing demand for cotton, the new crop will have to be really a bumper one—over 115 lakh bales—to meet the industry's growing needs at 'reasonable' prices and also leave a sizeable surplus for export. There is little reason to fear that a bumper crop will lead to a 'crisis of plenty', pushing prices below the support levels and compelling growers to resort to distress sales. For there exists a good market abroad for cotton found surplus to domestic requirements.

LEATHER EXPORTS

Unexploited Potential

THE Council for Leather Exports (CLE) has drawn up an ambitious plan to step up export earnings substantially during the Eighth Plan period. Sometime back a target of Rs 3,500 crore was fixed for the terminal year of the Eighth Plan (1994-95). However, now it has been decided to increase the export earnings of the sector to Rs 5,000 crore by 1994-95 and Rs 10,000 crore by the turn of the century.

Export earnings from leather increased to Rs 1,608 crore in 1988-89 from Rs 1,245 crore in 1987-88, Rs 931 crore in 1986-87 and Rs 672 crore in 1985-86. They are expected to cross the Rs 2,000 crore mark in 1989-90, the terminal year of the Seventh Plan. The world market for leather goods has been expanding fast and India can benefit from it by adopting a proper strategy. At Rs 1,608 crore worth of exports in 1988-89, India accounted for only 2.6 per cent of the world trade in leather items.

The export strategy for the leather industry is currently being finalised in consultation with the Council for Leather Exports and other concerned organisations. Scrapping of the reservation of leather and leather products for the small sector, creation of a special organisation of the development commissioner under the industry ministry for the leather industry, delicensing of the industry, excise exemption for manufacturing leather components and immediate improvement in the movement of export cargo are some of the policy measures said to be under consideration by the government as part of the Eighth Plan strategy for the leather industry. Under the present industrial policy, manufacture of leather from raw hides and skins up to the semi-finished stage and manufacture of leather goods, garments and footwear are reserved for the small-scale sector with investment in plant and machinery up to Rs 35 lakh. Of course, the government has recently allowed big companies like Larsen and Toubro to set up large capacities for production of complete shoes with the condition that they will have to export 75 per cent of their production from the third year of production.

Leather garments and shoes are expected to account for a major share in the ambitious export drive being planned for the Eighth Plan period. Quite a few big companies have shown an interest in establishing capacities for the manufacture of shoes for the export market. Possibilities of joint ventures are also being explored. South Korean footwear manufacturers who are now seriously engaged in setting up offshore production facilities regard India as a high prospect area for collaborative joint ventures for marketing footwear. The Footwear Design and Development Institute (FDDI) has drawn up a 30-month action plan and efforts are under way to set up industrial complexes for the leather industry in West Bengal, Punjab and Tamil Nadu.

The leather garment segment has recorded a spectacular growth during the last few years and the number of units manufacturing leather garments has jumped up from 22 in 1982 to 125 now. Most of these units are concentrated in Tamil Nadu, Maharashtra, Delhi, MP and UP. According to official estimates, the production capacity for leather garments has gone up from 11 lakh pieces in 1986-87 to 18 lakh pieces in 1988-89. The export earnings of this sector have increased from Rs 62.26 crore in 1986-87 to Rs 166.15 crore in 1987-89. There is brisk demand from UK, West Germany, USA and France.

Apart from shoes and leather garments, the emphasis will have to shift generally to high value added items. This will be possible only if the industry modernises at a much faster pace. Nearly 80 per cent of the world trade in leather now consists of high value added leather products while India's export basket consists of such items only to the extent of 50 per cent. The chairman of CLE, M M Hashim, has called for the creation of a special fund for modernisation of the leather industry to be operated by IDBI to accelerate the process of modernisation of this industry.

Another major constraint in the coming years will be the shrinking availability of hides and skins. The recent decision of the government to stop exports of semi-processed leather totally will help in easing the problem to some extent. Even so efforts will be needed to ensure increased availability of hides and skins.

TWENTY YEARS AGO

EPW, September 20, 1969

Chou En-lai and Kosygin have taken the world by surprise by their meeting at Peking airport. The meeting came in the midst of growing rumours of possibilities of a large-scale Sino-Soviet clash or even a pre-emptive Soviet attack on China's nuclear installations in Sinkiang. From talk of a pre-emptive attack to a summit was an anti-climactic change indeed...The two prime ministers had last met in February 1965. A lot of blood has since flowed down the Amur and the Ussuri. Sino-Soviet differences have deepened. The cold war has more than once threatened to become hot. It would be too much, therefore, to expect that the airport meeting could achieve any miraculous results. The Chinese and Soviet positions are so much at variance with each other, not only on the border issue, but on every conceivable issue, that a summit can hardly lead to their congruence... But talks need not necessarily be about peace and reasonableness. It seems probable, nevertheless, that the Kosygin-Chou talks have postponed (for how long, one does not know) the Sino-Soviet confrontation. The Soviet Union has probably realised the futility of the extravagant publicity it gave to the Ussuri incident. It has not taken it anywhere. In east Europe the Soviet Union is rapidly losing the initiative. The Soviet leadership must have, therefore, felt the need to buy time, and this summitry may thus have been an exercise in buying time.

* * *

From Capital View by Romesh Thapar

If we were to rely on the information put out by All India Ratio, the Films Division, the Press Information Bureau and the Directorate of Advertising and Visual Publicity, we would become political morons. To base ourselves on the conjectures about possible developments in the national press would be equally deadening. Indeed, the lack of information and understanding between various sections of our people is now a major problem. No amount of speechification is going to cure it. Only sustained, organised activity at the grassroots is the answer... Indira Gandhi, in the course of her nation-wide tour, is sparing no opportunity to stress this forgotton fact at party meetings... There's no respite for Indira Gandhi—not until she finds the new instruments for her policies. And that's going to be quite a hunt, with the talented very demoralised, the opportunists to the fore and the fixers forever fixing. But at least she has the measure of her opponents. Proff: they don't want to call the AICC!

IOC

Fair Improvement

INDIAN ORGANIC CHEMICALS (IOC) has registered a fair improvement in its working during the year ended March 31. Turnover has reached a new peak at Rs 156 crore against Rs 92 crore previously and yielded a gross profit of Rs 17.48 crore against a trading loss of Rs 1.63 crore. After necessary provisions, there is a net profit of Rs 5.44 crore compared to a net loss of Rs 11.12 crore. The directors have recommended a dividend of 10 per cent which was passed over last year.

Production and sales of most of the chemicals showed an upward trend. In particular, alcohol-based chemicals were in good demand. Production capacity of benzaldehyde is being increased in stages to 2,000 tpa. A capacity of 1,000 tpa is expected to be reached during the current year. Further improvements have been made in the quality of glyoxal, the production of which was started in February, 1987. The government has allowed broad banding facilities to the company in respect of alcohol-based chemicals. An application has been made for grant of letter of intent for increasing the production capacity of these chemicals from 14,700 tpa to 24,700 tpa.

Production and sale of fibre by the company during the year were marginally higher than in the previous year, but margins were under severe pressure on account of steep escalation in costs of major inputs, viz, DMT, PTA and MEG. The year witnessed increase in the prices of these raw materials by 60 per cent to 135 per cent. The domestic market for polyester fibre being stagnant, the company has undertaken to explore export opportunities. A significant achievement has been made in this direction by exporting fibre to various European. Far Eastern and West African countries. With the government having placed the export of polyester staple fibre under open general licence, this division would achieve considerably higher levels of exports during the coming years. The production capacity of polyester filament yarn could be utilised fully.

Performance of the 'Sonata' software division has not been satisfactory, but the division has established a good product portfolio with improved customer base in the Indian market. In the area of desk top publishing, the division has been the first to launch in the domestic market a package called 'Prakashak', in 10 Indian languages; this package works with postscript printer.

The Week's Companies *(Rs Lakh)*

		IOC		Standard Mills		Mafatlal Ind	
		Latest Year 31-3-89	Last Year 31-12-88	Latest Year 31-3-89	Last Year 31-3-88*	Latest Year 31-3-89	Last Year 31-3-88
Paid-up Capital		1840	1840	1106	1106	1340	1077
Reserves		2063	1703	7290	7527	4353	4193
Borrowings		10723	10316	6863	6210	5854	5508
of which Term Borrowings		6862	7622	3050	3322	2287	2123
Gross, fixed assets		13330	11931	23368	23066	9190	7980
Net fixed assets		2812	9394	9770	10480	5635	5847
Investments		232	220	209	209	1478	1500
Current liabilities		4209	2320	4061	3042	3632	3027
Current assets		9790	6566	9326	7176	8065	6458
Stocks		3619	2844	3929	3258	3685	2547
Book debts		5235	3125	3934	2850	2773	2326
Net sales		15558	9212	15943	17928	11693	10375
Other income		590	406	1641	1675	1047	693
Raw material costs		8086	5240	4644	5083	4439	3718
Wages		1097	884	2782	3047	1947	1783
Interest		1592	1419	1071	1392	974	819
Gross profit (+)/loss (−)		1748	−163	1208	1464	978	567
Depreciation provision		1132	949	796	903	913	295
Tax Provision		72	—	15	26	—	45
Net profit (+)/loss(−)		544	−1112	397	535	65	227
Investment allowance reserve		350	—	73	24	—	—
Transfer to reserves		—	—	103	290	—	49
Dividend							
Amount	P	—	—	—	—	—	—
	E	184	—	221	221	215	178
Rate (per cent)	P	—	—	—	—	—	—
	E	10	—	20	20	20	20
Cover (times)		2.96	—	1.80	2.44	0.30	1.27
Ratios (per cent)							
Gross profit/sales		11.23	—	7.58	8.16	8.36	5.46
Net profit/capital employed		13.93	—	8.10	11.40	1.14	4.31
Inventories/sales		23.26	30.87	24.64	18.17	31.51	24.55
Wages/sales		7.05	9.59	17.45	17.00	16.65	17.18

* 15 months.

STANDARD MILLS

Same Margins

STANDARD MILLS' name is proposed to be changed to 'Standard Industries' and its existing equity shares of the face value of Rs 100 each are to be sub-divided into equity shares of Rs 10 each. The company has fared well during the year ended March, 1989 with a gross profit of Rs 12.08 crore on a turnover of Rs 159 crore against Rs 14.64 crore and Rs 179 crore, respectively, in the previous 15-month accounting year. Net profit is Rs 3.97 crore (Rs 5.35 crore). The unchanged dividend of 20 per cent is covered 1.80 times by earnings as against 2.44 times previously.

The company installed during 1983 new Ruti 'C' looms of wider width which are being fully utilised for export production. The company achieved an export turnover of Rs 1,794 lakh (FOB) during the year against exports of previous 15 months amounting to Rs 1,728 lakh (FOB). The company decided to conduct the business of the textile division of Surat Cotton Spinning and Weaving Mills. comprising of 48 Sulzer looms, 126 Ruti 'C' type looms and 72 wider width Ruti 'B' type looms, from April 1, 1989. All this weaving capacity will be utilised for production of quality fabrics for exports. It is expected that the capacity of Surat Cotton will add Rs 10 crore to exports in about two years' time. Surat Cotton has also a large process house which will be used for processing of textiles for the local market as also for exports. It has a modern spinning plant with 30,000 spindles with the latest preparatory machines for weaving.

MAFATLAL INDUSTRIES

Selective Modernisation

MAFATLAL INDUSTRIES has decided to keep up the pace of selective modernisation, introduce better product mix with quality standards and divert maximum capacity towards export market As a part of its modernisation programme, the company spent during 1988-89 Rs 6.77 crore which included 20 airjet looms and other balancing equipment. Exports of the textiles division reached Rs 22.45 crore, primarily to premium export markets of the US, Canada, the UK, Switzerland as well as to non-quota areas like the Middle East, Japan, Australia, etc. The company has worked out an arrangement with Tootal Textiles of the UK for wide ranging distribution of processed fabrics in premium markets abroad. This has resulted in a substantial improvement in the production facilities, training,

thorough maintenance and attention to details leading to absorption of latest technology and upgradation of quality.

After passing through difficult times for several years, the company's chemicals division turned the corner with sales reaching a new peak. Though development work on 2.6 diethyl aniline was completed, it could not be implemented due to government's fiscal policy. A few speciality chemicals for which processes have been developed will go into production in the near future. The company has performed well during 1989. It has earned a gross profit of Rs 9.78 crore against Rs 5.67 crore in the previous year following sales of Rs 117 crore against Rs 104 crore. These figures also show a marked rise in profit margins. With depreciation claiming Rs 9.13 crore (including 2.33 crore in respect of preceding year) against Rs 2.95 crore, however, net profit is only Rs 65 lakh compared to Rs 227 lakh of 1987-88. A substantial part of the unchanged dividend of 20 per cent is thus short earned. The profit figures have been arrived at after writing off an amount of about Rs 7 lakh spent on the computer software project and Rs 90 lakh being the outstanding loan and investment in Mafatlal Zinser Engineering Company. The company's earnings in foreign exchange amounted to Rs 21.77 crore and value of imports and other expenditure in foreign currency Rs 4.12 crore.

LIC

Bonus to Policyholders

LIFE INSURANCE CORPORATION's bonus under 'Whole Life' policies has been increased from Rs 77.50 to Rs 80 per thousand sum assured per year, while the bonus under 'Endowment' policies has been increased from Rs 62 to Rs 64 per thousand sum assured per year.

Valuation is a statutory requirement under Section 26 of the Life Insurance Corporation Act. It has disclosed a surplus of Rs 1,187.98 crore as against a surplus of Rs 952.65 crore in the preceding valuation as on March 31, 1988. Of this surplus, an amount of Rs 1,128.58 crore, representing 95 per cent is allocated for distribution among 'with-profit' policyholders. The remaining amount of Rs 59.40 crore has been allocated to the central government, being its 5 per cent share of the surplus.

LIC has also declared a bonus of Rs 5 per thousand of cash option under Group Deferred Annuities. Final additional (terminal) bonus has also been announced. It ranges from Rs 50 to Rs 350, depending upon the term of the policy. For a 'Money Bank' policy of 20 years, the final additional bonus is Rs 25 and for a policy with term of 25 years, it is Rs 40.

Grasim Industries

GRASIM INDUSTRIES is going ahead with the implementation of its Rs 400-crore gas-based sponge iron project with a licensed capacity to produce 6 lakh tonnes per annum of sponge iron. In line with the government's licensing policy, the plant should be able to produce up to 7.5 lakh tonnes of sponge iron per annum in due course. To part finance the sponge iron project Grasim is raising Rs 125 crore through an issue of 12.5 per cent partly convertible debentures of Rs 120 each on rights basis. The project is being set up at Salav, district Raigad, a backward area of Maharashtra. This project is eligible for sales tax exemption for ten years on purchases and sales.

Grasim has tied up with Hylsa S A de C V of Mexico, for the technology. Basic engineering for the project will be done by Davy Dravo, a division of Davy Mckee Corporation of the US.

Grasim is issuing 1,04,16,666 12.5 per cent secured, redeemable, partly convertible debentures of Rs 120 each at par, aggregating Rs 125 crore to existing equity shareholders including Non-Resident Indians on rights basis, in the ratio of 21 debentures for every 100 equity shares held (on the enhanced holding as a result of conversion of convertible debentures on March 31, 1989), subject to a minimum of 10 debentures to each equity shareholder. Over and above this, 5,20,834 debentures aggregating Rs 6.25 crore have been reserved for the company's employees and working directors. Each debenture will have a face value of Rs 120 comprising a convertible part of Rs 60, and non-convertible part of Rs 60. The convertible part of Rs 60 will be automatically converted into one equity share of Rs 10 each at a premium of Rs 50 per share on June 1, 1990. The non-convertible part of Rs 60 will be redeemed in 3 equal annual instalments in the 7th, 8th and 9th years from date of allotment. Interest at 12.5 per cent will accrue from date of realisation of the application money.

The subscription list will open on September 27, 1989 and will close on October 26, 1989.

Canbank Mutual Fund

CANBANK MUTUAL FUND is launching another 'Growth Fund' on the lines of Canshare, i e, Cangrowth. Cangrowth is a redeemable non-debt security of the face value of Rs 10 each. All incomes and capital gains received under this scheme will be re-invested, after making sufficient provisions for meeting expenses. The trustees may declare reasonable dividend before re-investing the returns. This is a close-ended scheme for an amount of Rs 30 crore, with an option to retain over-subscription. The trustees shall initiate measures to redeem the fund after expiry of 5 years but not later than 7 years from the date of initial issue of scrips. Net realisations on redemption will be distributed equitably by the trustees to the holders of the Cangrowth. Income of the Canbank Mutual Fund by way of dividend on investment or by way of capital gains will be exempt from tax. Cangrowth shall be listed on all major stock exchanges and will be easily transferable. The amount payable on application is Rs 10 for each Cangrowth and for a minimum number of 100 scrips or in multiples thereof. Offer for Cangrowth shall open on September 25, and will close on October 7.

Pix Transmissions

PIX TRANSMISSIONS is coming to the market in the third week of October, 1989 with a simultaneous public issue of 15 lakh equity shares of Rs 10 each and 3 lakh 14 per cent fully convertible debentures of Rs 100 each, both at par, to finance the longterm working capital requirements and capital expenditure for modernisation and expansion of manufacturing facilities. Out of the equity issue, 9 lakh shares are intended to be reserved for promoters and associates besides the usual reservation for the company's employees. A sum of Rs 50 out of the face value of each debenture will be converted into 5 equity shares at par from the date of allotment of equity shares and debentures. The balance of Rs 50 will also be converted into such number of shares at such a price as may be decided by the CCI at the expiry of 3 years. The applicants will be free eithre to apply for equity shares or for debentures or for both.

The company, promoted by Sethi Brothers, makes industrial v-belts as its factory at Nagpur and is a large exporter of these belts. The company proposed to expand production capacity and to manufacture raw-edge v-belts as well as special type of v-belts for purposes of import substitution. Besides, it intends to establish a new unit or the manufacture of medium and high pressure hoses. The company earned a net profit of Rs 60 lakh on a turnover of Rs 661 lakh for the period ended March last and hopes to reward its shareholders with a minimum dividend of 15 per cent for the current year.

Musing on Run-Up to General Elections

Arun Ghosh

While Doordarshan mouths only the views of government spokesmen, most of our national news media reflect the views of one senior journalist or the other. There is little opportunity to know what is going on in the minds of the millions of our voters, interspersed through some 1.2 million square miles of territory (some of it outside our control).

THE news media—and I do not mean the Doordarshan which presents only the official viewpoint on all matters—promise a colourful general election to the next Lok Sabha. However, when one peruses the papers, one finds that the daily papers are by and large Delhicentric; they reflect the views of some very respected personalities, professedly not confined to an ivory tower but in fact very much so. Perhaps they are prisoners of their own ideas and ideologies. Assuredly, they have no time nor the inclination to go out and meet the *hoi polloi*. And the intrepid, young, investigative reporter is unable to claim too much space, at any rate, never in the centre-pages of most national dailies.

As a result, while the Doordarshan mouths only the views of government spokesmen, most of our national news media reflect the views of one senior journalist or the other. There is little opportunity to know what is going on in the minds of the millions of our voters, interspersed through some 1.2 million square miles of territory (some of it outside our control).

So, one can only speculate, gathering little bits of half truths and opinions from 'provincial' denizens whom one may chance to meet. It may be useful to record these somewhat imperfect and incomplete impressions, if only to evoke a response from those who know better.

If I were an eighteen-year old today, born in the first half of 1971, what would be my reaction to the politics of the day, to the coming general elections? Of course, much would depend on the circumstances of my birth. But leave aside a few favoured citizens of Delhi, Bombay, Hyderabad and Bangalore. The probabilities are I would grow up as either a restless rural labourer, aspiring to seek my fortune in the nearest metropolis or as an unemployed graduate learning to live by my wits in either a burgeoning or a decaying urban area. In any case, I would be exposed to all the temptations of the 'goodies' supposedly enjoyed by the rest of the population; and the easiest way then open to me would be to tag myself to the local political 'dada', and enjoy the crumbs thrown at me. I would get attuned and insensitive to all the injustices and cruelties perpetrated by me at the bidding of my *annadata*. It would be the same whether I join the army or the CRPF or as a labourer (through the influence of my political 'dada') in one of the innumerable factory complexes coming up along the HBJ pipeline, or the Bombay-Pune highway or the Lucknow-Kanpur road, or in the periphery of Hyderabad or Bangalore or Baroda.

In any case, the level of my formal education has been rudimentary, the level of my political education quite different from what one would desire in the interest of the development of democratic institutions. For one thing, my centre of interest is essentially local; I have never had the opportunity to think in high-falutin terms about ecology, environment, the 'rights of man', even my own rights, duties and responsibilities. These are all remote concepts; the pressing need to make a living is overwhelmingly important. And, in this context, purely local pulls and pressures influence my political creed.

I would, of course, be a little bewildered by the national news. I would have heard of the Bofors controversy—mainly in terms of catchwords and phrases—and of other stories of big corruption in Delhi. But Delhi is far away; events in Delhi are remote. It is local level corruption and influences that affect me; and my reaction depends on whether I am part of the system—may be ever so small a part—or outside it. If I happen to be part of the system, I would obviously indulge in a little pettifogging cheating—on a small scale—and with time, I would get bolder as I see others, especially my superiors, doing the same. For whom would I cast my vote? Obviously, I am part of the system; I will vote for whomsoever my 'dada' benefactor tells me to. He can doubtless read the political future better than me and I am tied to his apron strings.

What if I am not part of the system, and am a victim rather than a beneficiary of the pervasive corruption in the country? For most part, I am impervious and indifferent to these happenings, especially if I am from a rural background. This is a part of life, and I have grown up with it, and accept it. If I am an urbanite, my reactions are totally different, I suffer from the system every day, but I do not know which way to turn. Anger is seething inside me, but I have to bottle it up. I am certainly unlikely to vote for the ruling party, but I am not sure whether the others are any better. My political education is not informed by any 'philosophy'; it is a homespun distaste for the current state of things.

But then even in the village, not all of my age would have accepted the goings on philosophically. The increasing influence of the TV on my attitude to life needs to be reckoned. Of course, I do not own a TV set, nor do I get to view it regularly. But information filters through; the demonstration effect of the rapidly growing 'consumerism' is quite strong. Also, the repeated drumming by the Doordarshan of information regarding the tremendous progress made by the country is hearsay. Have I got any benefit out of it? Most likely not, in which case, I would only have resentment welling up inside me. For, my mother has to go and fetch our drinking water from some place, and my little sister has to collect the twigs required for cooking the evening meal. That is my only hot meal; the next morning I will have the leftover *chapaties* for breakfast, and again, *chapaties* and an onion and chillies for lunch. If, that is to say, I get work under the Jawahar Rozgar Yojana or wherever. Else, I may stay home, tend to the cows, and dream.

For a slightly higher age-group of people, say above 25, we have seen several elections; and my reactions are best summed up by Laxman's cartoons. It is a case of *deja vu*. I enjoy being taken out on a truck to attend some rally, or a meeting addressed by some political bigwig. It is a real treat if it is the prime minister I get to see. I enjoy even more the Rs 15 or 20 given to me for attending the rally. A good handout for a day's outing. But do the rallies or the election speeches in these elaborately organised *melas* influence me at all? For the most part, I cannot understand what is being said. I clap when I see others clapping. It is some

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Excerpts from the Statement of the Chairman, ***Mr. P. D. Kothari*** *at the Sixth Annual General Meeting held on 8th September, 1989 at Madras.*

CHAIRMAN'S STATEMENT

It is my pleasure to welcome the members to the 6th Annual General Meeting of your company.

ECONOMIC TRENDS: 1988-89:

The year 1988-89 is characterised by a remarkable recovery and by all accounts the year promises to be exceptionally good for the Indian Economy. Agricultural production has gone up by 17 to 20 per cent and industrial production by around 9 per cent. The rate of inflation has been brought down considerably from 10 per cent in March last year. According to World Bank assessment, the Indian Economy has shifted to a "higher growth path". Capacities built up through the plans, Government's policy changes and the administration's responsiveness to emergency situations have ensured sustained growth of the economy. Household Sector's aggregate savings performance has been consistently good, a growing proportion of it taking financial forms. Government's policies to strengthen the economy's financial structure, improve its operational efficiency and contain inflation will certainly support the savings performance. Besides, Financial Institutions, through their innovative policies, have helped the growth of capital markets. This, in turn, will stimulate savings.

The economic upswing will help further growth of income and savings, thus strengthening and broadening the economic base.

HIRE PURCHASE AND LEASING COMPANY:

The industry is in a significant phase of its development, with the support from banks and financial institutions adding a new dimension to it. The industry is making a significant contribution to the growth of other industries, especially to the consumer goods industries.

The issues the industry has had to contend with relate to Sales tax, absence of uniformity in the Sales Tax Laws enacted by the States, charge of minimum tax on book profits, new RBI guidelines regarding deposits with non-banking finance companies, limitations on bank borrowings etc. The Motor Vehicles Act, in force from 1st July '89, protects the interests of hire purchase financiers despite certain lacunae. Commendable are the services of the Hire-Purchase and Leasing Associations in sorting out these issues with the appropriate authorities.

With the support extended by the Government, the RBI, the Financial Institutions and the Banks, the future of the industry is bright.

COMPANY'S PERFORMANCE:

Your company has earned a gross income of Rs. 88.19 lacs and an operating profit of Rs. 75.79 lacs for the seven months period ending 31st March 1989. The gross assets stood at Rs. 716.47 lacs at the end of the period. After providing for depreciation of Rs. 10.60 lacs, interest of Rs. 41.56 lacs and minimum tax on book profits of Rs. 4.00 lacs, the net profit for the period amounted to Rs. 19.63 lacs. Your Directors have recommended dividend of Rs 1.20 per share which works out to 20.57* on an annualised basis. The resulting outflow amounts to Rs. 10.20 lacs.

Your company has been taking steps during the current year to augment its resources with the objective of increasing the volume of business substantially and maintaining steady progress. The gross hire purchase, lease and other assets are expected to reach a level of Rs. 10 crores at the end of the year. Your company is constantly on the look out for new avenues of augmenting income by undertaking share registry work, merchant banking services and exploring possibilities of promoting potentially viable projects which will strengthen operations in the long run.

KOTHARI ORIENT SCHOLARSHIP:

Considering the growing emphasis on the need for development of managerial skills in the country, your Directors have decided to institute two scholarships of Rs. 10,000/- each, entitled "KOTHARI ORIENT SCHOLARSHIP" to children of the shareholders of the company holding 200 or more shares, to pursue management education in any of the All India Institutes of Management. Eligible candidates will be selected by an independent panel of experts every year.

CONCLUSION:

On behalf of the Board of Directors and on my own, I thank our depositors, shareholders, bankers and the IDBI for their continued support and encouragement.

PRADIP D KOTHARI
CHAIRMAN

Madras
8th September 1989

NOTE

This does not purport to be the proceedings of the Sixth Annual General Meeting.

sort of reflex action. The holiday is over as soon as I am transported back home, though I must say the organisers are not so solicitous or anxious about the return trip as about the outward journey. But I have got used to that. I make a beeline for the truck which brought me, as soon as the function is over, even though it may be a few hours before the truck starts for home. In between, food and water are both scarce, though I have become used to that also, for what is one day without a mid-day meal? I keep a little *sattoo* in a pouch made from my *dhoti*, and tucked near my waist, as a matter of precaution.

But the brief point is, whatever was said in the meeting went in through one ear and out the other. Though the picture of the prime minister remains etched in my memory. What a handsome person! And how well he speaks! Yet, for the life of me, I do not remember a word of what he said. I was too spellbound to listen. I would certainly vote for him, though I cannot say I will vote for the Congress(I) candidate—the sarpanch of a village not so far away. I have heard all manner of evil stories about him. I really do not know for whom I will vote. They all—or most of them—seem to be hell-bent on aggrandising all benefits of government schemes for the benefit of their families, their clan, their close associates. Plague upon all politicians, that's what I tell my friends.

So, in the final analysis, it is the local politics, the local politicians, the local caste, creed and other alignments which will come to the fore. Unfortunately, the areas where 'class consciousness' is a material factor are to few and far between. Even in highly industrialised areas, if I belong to a militant trade union which has earned for me a wage rate around ten times (or more) of the average national income, I am totally tied down to my narrow sectional interests. The concept of the 'working class' is something I do not understand. It is something nebulous, impersonal. I want to maintain the gains my particular union has given me; if possible, I want to increase those gains. In other words, the Leftist philosophy does not count; the Leftist parties are to be supported only when they take up our specific cause; our interests are different from those of the unemployed, of the landless rural workers, of the small and marginal farmers.

And incidentally, neither Sharad Joshi nor Mahendra Singh Tikait is interested in the latter; they are concerned with farmers who have a marketable surplus.

In short, the country is really divided into small, sectional pockets of one type of interest or the other. Except in a few states, political education in terms of alignments of economic classes is still in a rudimentary stage.

Is this too fanciful a picture of the reaction of the electorate in India? There are exceptions, no doubt, particularly in a few states, where politicisation of the masses has made some headway, and where people have started thinking for themselves. This process has also made some headway in isolated areas even in regions which are otherwise in the grip of the landed gentry and other vested interests. In urban areas, there are other forces, some progressive, some reactionary. Nonetheless, there are clear-cut preferences. But, for the bulk of the rural peasantry, especially in the Hindi heartland, may be also in some adjoining areas, political organisation is sorely lacking (even if political consciousness is not altogether absent). And like it or not, this is the vote bank that really counts.

And that is how caste alignments become important at election time. It is a pity, even the progressive Leftist groups are not immune from pandering to such casteist influences. For, if we have any evidence from history, it is that such narrow considerations are swept aside when there is either a towering political personality or a political issue which looms larger than narrow casteist considerations.

What a pity, therefore, that no party has so far been able to rise totally above all narrow (short-term) considerations, and worked consistently for a broad socio-economic outlook and philosophy.

Finally, quite a few Indians are aware of the grave dangers that the country is now exposed to, in regard to an external debt trap. But does that worry that electorate? Obviously not. Nobody knows the problem. Nobody understands these particular issues. Nor even the problem of the steady rising budgetary deficits. Inflation is something people understand; and other than the trading community, everybody dreads it. But the causal relations in this regard are too subtle for the people. In part, the low level of education in the country is responsible for this. In part, the official media, particularly the Doordarshan, hide the facts and present to the people a wholly erroneous picture of the state of health of the economy. People can nail the lie only when prices are rising; or when they cannot get a day's work or full payment for a day's work. Only to this extent does government propaganda become counter-productive. But problems such as the 'external debt trap' to which the administration has inexorably led this country in the space of a mere five or six years are understood only by a few academics in institutions like the Delhi School of Economics. (And unfortunately, even among professional economists there are quite a few who are either in receipt of or are hopeful of receiving dollops which are fairly large by Indian academic standards and who therefore keep silent on this vital issue.) What was it Robert Browning once said, in great sorrow, about Wordsworth? It is best to forget those famous words, which are otherwise so apt today.

So, what emerges? Being neutral to the goings on, watching events from an Ivory Tower, I do not have to worry about the antics of different parties. But I cannot help worrying about the inadequate politicisation of the masses. May be I am wrong. I hope I am wrong. It is possible that in my isolation in a tower of my own making, I am unaware of the rapid politicisation of the country which has resulted from the revolution in communications that we have had over the past decade and a half. But the dangers of vested interests manipulating and controlling the economic destinies of this country remain quite real. The next six months will decide whether we are in for purposive strife in future, or whether this country would continue to be one where we merely talk, never act.

Speech
by
Shri Y. R. Ghorpade
Chairman

THE SANDUR MANGANESE & IRON ORES LIMITED

AT THE THIRTY-FIFTH ANNUAL GENERAL MEETING HELD ON 11 SEPTEMBER 1989

Ladies and Gentlemen,

I extend to you all a very cordial welcome to the Thirty-fifth Annual General Meeting of the Company.

The working of the Company during the year 1988-89 shows an improvement in the availability of power which increased to 67 per cent from an average of 53 per cent during the previous year. This is reflected in the turnover of Rs. 56 crores and profit of Rs. 2.7 crores during the year, after providing depreciation of Rs. 1.27 crore and interest of Rs. 2.27 crores. However, the burdens of the Company are also sizeable due to the increased level of activity and the accumulated losses of the previous years, when the Company had to make a loss of about Rs. 10 crores, during the five year period of 1982 to 1987, due to grossly inadequate supply of power which averaged only 34 per cent, along with a steep rise in power rates. This clearly shows that power intensive industries like ours cannot function on a viable basis unless adequate power is made available on a continuous basis at reasonable rates.

It is in this context that it is vital for the country to think in terms of a national power grid to ensure that such power intensive industries in the core sector are given adequate power. This is necessary to ensure fuller utilisation of available capacities and prevent avoidable imports to save valuable foreign exchange. It is a matter of satisfaction that **SMIORE** has done its bit in this regard in spite of numerous difficulties, and bulk of its production of ferroalloys has gone to the Steel Authority of India Limited (SAIL) during the last two years. Though the open market prices of these ferroalloys are distinctly better than the prices offered by SAIL, yet it has been our policy to meet the requirement of SAIL on a priority basis, and we would be able to further increase our supplies of ferrosilicon to SAIL depending on better availability of power. It is a matter of pride for the Company that it has been able to produce for supply to SAIL even high purity ferrosilicon with 0.2 and 0.1 per cent aluminium, as a result of its own research and development effort. It will be our constant endeavour to maintain the high quality of our products which have been well received by SAIL and other consumers in the country.

With the gradual receding of the slump in the international steel industry, the market for ferroalloys has shown a distinct improvement, including prospects for exports. The Government should take this into account in taking some policy measures to enable this industry to become internationally competitive. Import of low ash coke free of duty would go a long way in replacing charcoal in the production of ferrosilicon, thereby helping to conserve our environment and natural resources, which is a factor that should always be uppermost in our mind. It may be examined as to what would make it feasible for the industry to increasingly adopt energy saving devices which will also serve the purpose of pollution control. A package of measures, including availability of finance on sufficiently easy terms, could be worked out in conjunction with the Industrial Development Bank of India (IDBI) and other financial institutions, so that advantage could be taken of the present situation to maximise capacity utilisation, exports, and the adoption of energy saving and pollution control devices. It is in this context that the adequacy and cost of power to such industry is crucial. As power constitutes about half the cost of production, the economic feasibility of production and the adoption of improved capital intensive technology and cost effective practices are naturally dependent on it.

It is to the vision of Jawaharlal Nehru, whose birth centenary we are celebrating this year, that we owe the rapid industrialisation of our country after independence. Three large public sector steel plants were set up at Bhilai, Rourkela and Durgapur in the 1950s, utilising the most modern technology available at that time. The time is ripe for the steel production in the country to be stepped up significantly. The internal demand for steel is also bound to go up in the years to come. It is appropriate that SAIL is planning to increase steel production from about 9 million tonnes presently to about 17 million tonnes by the end of the century.

This will naturally improve the demand for ferroalloys which is a necessary component in steel-making. Increase of steel production by about a million tonnes per year, on an average, till the end of the century, and more thereafter, will obviously mean creation of fresh steel production capacity in the country, apart from expansion of the existing steel plants. It is here that the priority of the Vijayanagar Steel Plant, in the Sandur-Hospet region, whose foundation stone was laid by Smt. Indira Gandhi in 1971, should not be forgotten. This area contains about a thousand

The Sandur Manganese & Iron Ores Limited

Registered Office: 'LOHADRI BHAVAN', YESHWANTNAGAR 583 124, Bellary District.

million tonnes of the richest iron ore deposits in the world. The Vijayanagar Steel Plant would be one of the best inland steel plants in the country. We are grateful to the Prime Minister, Shri Rajiv Gandhi, for his assurance that whatever best is possible in this regard will be done, using the latest technology.

The international market for our manganese ores, which had been severely affected by the world steel recession, has shown distinct signs of improvement, though the mining, transportation and handling costs have also gone up substantially. However, our mining activity is mainly geared to meet internal demand and, more particularly, for the production of ore with a suitable Mn/Fe ratio for use in our own ferroalloys plant. This strategy has helped the economic viability of both our mines and ferroalloys plant. During the year 1988-89 the production of all grades of manganese ore was 1,35,000 tonnes, of which 41,000 tonnes was exported, including 25,000 tonnes to Pakistan for the first time. The Company has a long record of systematic and scientific mining with maximum attention to ecology and environment, which has resulted in the planting of more than a hundred thousand trees of various kinds in our mining concession during the year 1988-89.

The employees strength at our mines is 1280. As against the statutory minimum wages of Rs. 534 per month, the minimum wages in our mines is Rs. 682 per month. However, the average earning of our employees at the mines is about Rs. 1,400 per month, including bonus of 20 per cent, production incentive, provident fund, leave travel assistance and the foodgrains subsidy scheme under which essential commodities such as rice, jowar, tur dal, sweet-oil, chillies, and jaggery are supplied to the employees at the prices prevailing in 1973. The Company has a number of welfare measures for its 2070 employees with maximum emphasis on health and education, including technical training and development of skills to benefit the employees and the local population.

SMIORE began its career in 1954 with mining activity which enabled it to set up an electro-metallurgical furnace in 1968, followed by two more ferrosilicon furnaces in 1977 and 1980. The chronic power shortage that was experienced in the eighties and the need to broaden the range of its activities, prompted the Company to plan its diversification programme in the less power intensive area of electronics. As a result of its efforts over the past 3 to 4 years, the Company is now poised to take its rightful place in the development of the electronics industry in the country, the turnover of which is expected to increase from about Rs. 10,000 crores in 1989-90 to about Rs. 30,000 crores in 1994-95 and to more than Rs. 60,000 crores by the end of the century. Even with that order of increase of the Indian electronics industry, computer production will only be about 1 per cent of the GNP by the end of the century, as against the present 0.5 per cent in India and 5 per cent in developed countries. The scope for quality conscious units, with commitment to rapid Indianisation and development of technology suited to our conditions, is immense. It is in this spirit that the **Sandur Prominent Fluid Controls Limited,** a subsidiary joint venture Company, with technical collaboration and 40 per cent equity participation by ProMinent Dosiertech-nick GmbH, West Germany, was started. Its electronic dosing pumps have been well received in the Indian market. During 1989-90, 50 per cent of the components of this pump will be indigenous. This is a versatile pump which can be very useful for a variety of applications in process industries and water and effluent treatment.

SMIORE's electronics division at Bangalore provided the manufacturing support for the export of more than 6,000 printers to Russia. **SMIORE** has its own programme of manufacturing computer printers, in collaboration with Kovac and Nakajima of Japan. These printers of 80 and 136 columns, with a speed of 200-240 characters per second, will be manufactured with the latest 9 pin technology which is expandable to 24 pin for near letter-quality printing. In the first year itself, about 50 per cent of the components will be indigenously manufactured and effective steps are being taken to accelerate the phased manufacturing programme.

Data Acquisition and Control Systems is another major area of interest to **SMIORE** which has the technical support of AI Corporation of Japan. **SMIORE** has already developed a menu-driven application software package, "softdac", which has excellent potential for industrial applications and export. India can become a major world force in the development of computer systems and software -- an area in which **SMIORE** will strive for excellence.

I wish to express my deep appreciation of the good work put in by all the employees of the Company. I am grateful to all my colleagues on the Board, the financial institutions and the banks for their valuable guidance and support.

Thank you,

Yeshwantnagar
11 September 1989.

Y. R. GHORPADE

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

NOTICE

It is hereby notified for the information of the public that **Shriram Honda Power Equipment Ltd.,** proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of section 22 of the Monopolies and Restrictive Trade Practices Act, 1969 for approval to the establishment of a new division. Brief particulars of the proposal are as under:-

1. Name and address of the applicant	:	**Shriram Honda Power Equipment Ltd.** 'Kirti Mahal', 19 Rajendra Place, New Delhi - 110 008.
2. Capital structure of the applicant organisation	:	EQUITY Authorised capital Rs. 1000 lacs Subscribed capital Rs. 750 lacs Paid up capital Rs. 748 lacs
3. Management structure of the applicant organisation indicating the names of the directors including wholetime directors and managers	:	The Company is managed by the Board of Directors supported by the wholetime directors and a team of highly qualified and experienced professionals BOARD OF DIRECTORS 1) Dr. Charat Ram (Chairman) 2) Sh. Mantosh Sondhi 3) Sh. Siddharth Shriram 4) Sh. Raj Pandit 5) Sh. D. V. Kapur 6) Sh. O. P. Khaitan 7) Sh. V. S. R. K. Sastry (IFCI nominee) 8) Sh. M. Ishihara 9) Sh. K. Osada (wholetime director) 10) Sh. S. Nakamura (wholetime director) 11) Sh. J. S. Iyer (ICICI nominee)
4. Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division	:	It is proposed to manufacture a new article in the existing undertaking
5. Location of the new undertaking	:	Shriram Honda Power Equipment Ltd., Village & P. O. Bhigwara, Tehsil Kichha, Distt, Nainital (UP).
6. Capital structure of the proposed undertaking	:	No change
7. In case the proposal relates to the production, storage, supply, distribution, marketing of any goods/articles, indicate:		
(i) Names of goods/articles	:	Pumping sets based on Internal Combustion Engines
(ii) Proposed licensed capacity	:	40,000 Nos. per annum
(iii) Estimated annual turnover	:	Rs. 24 Crore
8. In case the proposal relates to the provision of any service, state the volume of activity in terms of annual measures such as value, income, turnover, etc.	:	Not applicable
9. Cost of the project	:	Approx Rs. 20 lacs
10. Scheme of finance, indicating the amount to be raised from each source	:	It is proposed to meet the cost of the Project from Internal Accruals.

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

For **SHRIRAM HONDA POWER EQUIPMENT LTD.**

Sd/-
(NARENDER GUPTA)
COMPANY SECRETARY

23.8.1989

UNCTAD's New Thinking

Satish Jha

Blamed by mainstream developmentalist institutions as soft-headed and by those whose cause it is supposed to serve as ineffective, UNCTAD has been having the worst of both the worlds. However, it is now planning to build a new image for itself and its Trade and Development Report, 1989 *is intended to give an idea of how it is proposing to do this.*

COMPARED to its glorious beginning in the mid-sixties UNCTAD has not been known lately for being an effective instrument of expressing the 'other' viewpoint. Blamed by the mainstream developmentalist institutions as soft-headed and by those whose cause it is supposed to espouse as ineffective, it has been facing the worst of both worlds. Twenty-five years old now, it is planning to build a new reputation for itself. Its *Trade Development Report, 1989* (TDR-89) is supposed to give us an idea how. But if the latest TDR is any guide, it is evident that it may not be easy to evolve an UNCTAD way of looking at things as they are or as they should be.

For one thing, starting from a perspective that promised to offer an alternative way of understanding the world economic system and the question of development, UNCTAD has lately been taking up issues from the mainstream perspective while still siding with the less fortunate economies. For another, even while doing so it offers one view on the question of resources and macroeconomic adjustments and quite another on trade relationships. For instance, its current director-general has been quite active in discussions on alternative development. Yet the report under discussion is categorical in arguing precisely what the 'alternative' school rejects about completely. It has been argued in TDR-89 that growth is the first prerequisite for countries burdened with debt. Such growth-at-all-cost arguments have long been viewed with suspicion by those believing in sustainability, a phrase UNCTAD is itself rather fond of promoting. On the other hand, it is being argued that neither free market nor the state can deliver the goods. What is needed is a pragmatic policy mix. It is easily forgotten though that between the two extremes falls the reality. But doesn't offering such a vast range of policy options essentially amount to saying that nothing succeeds like success? A look at what is argued in the report will make these contradictions clearer.

Broadly speaking, the United Nations system is divided between two viewpoints—those who blame the internal management of the economy for the ills facing developing countries (these include the World Bank and the International Monetary Fund) and those who see the rest of the world as the major culprit in not letting the developing economies do better. Understandably UNCTAD belongs to the latter category. It has argued for long that economic development in the poor countries is constrained by the external environment. It could be falling prices of primary commodities that the poor export, or rising prices of their imports, or exchange rate fluctuations that do not let them plan, or liberalisation which is oblivious to the realities of these economies like absence of a developed entrepreneurial class, or advise from institutions who understand them little and thereby impose alien priorities that distort their development further, etc. Those familiar with this line of argument will find few surprises in the latest TDR. What is interesting though is the claim made by the secretary-general that now the powerful nations are doing what UNCTAD said they should in the last TDR. Just that they do not acknowledge that it was first said by UNCTAD, nor do the steps taken go far enough. There is an implicit suggestion that if only the rich countries agreed to do a little more of what they are doing life will begin to look up for the poor economies as well.

For instance, it is suggested that the Brady plan for lubricating the debt-damaged economies is a "significant and irreversible" step, just that it is not enough and could have gone a few steps further and become a Brady + Brady + Brady plan. If one Brady could reduce the debt burden by a fifth, five will do the trick and all will be hunky-dory for the poor and currently indebted countries. Even for those sympathising with the plight of the poor nations such an approach may be a little too simple, if not simplistic, to be true. This when the Brady plan has been criticised from various quarters for a variety of inadequacies as well as its high-handed approach in pushing the World Bank into a role it has not been expected to play so far. It has been argued by the critics of the Brady plan that it is selective, sensitive to the most immediate US interests and is possibly not multipliable. In any case it would be worthwhile knowing the impact of the Brady plan and its multiples on the world economy as a whole and to estimate its impact, whether positive or adverse, on the nations it is meant to help out. Such an exercise is missing from the TDR and instead the reader has been offered some unsubstantiated and impassioned positions which would hardly move the major players in the world economy. In fact the only criticism that the TDR has of the Brady plan is that it puts stability first which is exclusionary in nature, for that may not be practical for a large number of poorer countries and what is needed is Growth First.

The domestic aspect of economic mismanagement (that should logically stem from the obligation to look at development as well) is barely touched in the report. It has been argued that a consensus should be evolved domestically regarding how various classes could share the debt burden and how the gains of the recovery programmes should be distributed. It is also argued that a major lacuna in existing adjustment programmes has been the drive to privatise on the one hand, and take away private resources to meet the debt burden, on the other. However, while the latter position brings out the contradiction within the domestic economy, the former ignores it and expects that those who have lost out in the game of burdening the economy with foreign debt should again share the costs of removing it. A case could have been made out without diluting the responsibility of the international financial system to argue that any adjustment programme should be paid for only by the beneficiaries of the debt crisis. This is also one problem in getting major industrial countries to agree to a more generous package to diffuse the debt crisis. For they argue, and at times openly, that before asking industrial countries to solve their debt crisis these countries should also look into the Swiss bank accounts of their own nationals and the benefits which have been reaped privately. There is a ring of truth in it which has been silently ignored and vociferously refuted by the leaders of the debt-damaged economies. UNCTAD

too is shy of touching this point however and, while suggesting that any effort towards adjustment must take account of the misery and tension it may create, its prescriptions presume that a benign redistribution of responsibility and burden-sharing will be without any social tension.

The report does hold out a threat to the world at large though—stating that if the adjustments programmes are not adapted to the needs of the developing countries they may try to solve it unilaterally. Unfortunately the risk analysts of the major commercial financial institutions as well as of the governments of the industrial world think otherwise. They know that the debtor countries have willingly tied themselves to international capital and cannot go it alone. It should be clear from the developments so far that it is far from easy to force a solution of the crisis from either side. Efforts to solve it will be selective and the solutions diplomatic. Brady could do it for a variety of reasons which this is not a place to discuss, and he could pull it off because of his financial muscle.

Despite the Brady plan, however, will the countries in need get the new money they so badly need? UNCTAD is not hopeful and rightly so. But after swaps, discounts, exit bonds and the like, commercial banks will continue to lend with an eye on minimising their risk, rather than look after the interests of the debtor nations. Fresh money therefore has to come from other international quarters. UNCTAD does not seem to probe into this aspect except for greater emphasis on intervention by the governments of the industrial economies, for it is only such intervention that made possible the Mexico agreement, etc. But the ability of any government to intervene is limited. And a case for why they cannot go on intervening on the same scale as so far is argued by their position on international trade which sees major upheavals ahead. Then what good is a call for more government intervention?

In terms of international trade TDR finds developing countries in a dilemma. If they go for trade policy reforms their exports may improve but the growth may not be fast enough for investment may still fall and so may imports. At least this is seen to hold good in the case of countries with debt burdens. It is critical for increasing exports only on a robust economic base. It is only those countries where output for domestic consumption also improved that have had the fastest growth and increasing export markets as well. Without improved growth increasing export would add to the fragility of the economy. Liberalisation policies do not seem to take this fact into account. TDR advocates caution on such unbridled liberalisation. External to the developing economies is the fact that while the major economies prescribe free trade they are themselves turning to put barriers on imports. This is likely to limit the options of the poor economies even further. In particular it mentions various protectionist and unilateral measures that the US can invoke under its new omnibus trade laws. It advises large industrial economies to expand exports rather than limit imports. Alongside it is also argued that it is wrong to say that the high dollar was the principal cause of the rising US trade deficit. Even after the dollar came more in line with other major currencies the trade deficit did not come down significantly. Instead, US is facing a rising current account deficit. Much of it, it is argued, stems from declining productivity in the US relative to its major trading partners, particularly Japan.

In the new understanding of UNCTAD the US economy cannot sustain such current account deficits for long. Such a low savings rate as 4 per cent necessitates import of capital which should soon become scarce because of the expansionary drive in Europe in its run up to 1992 and Japan's desire to spread its risk a little less unevenly and therefore its search for non-US markets. In the event the double deficit may lead to a halt or some shocks to the US economy. In one of the UNCTAD scenarios this may be witnessed in less than five years from now. The two routes out of such an impasse could be the US increasing its savings rate by curbing consumption due to what has lately been described by the US treasury secretary as 'now-nowism', investing more and improving productivity or curbing the defence budget. The new peace initiatives and circumstances that may make NATO less relevant can also help the US save to the tune of . 100 billion. However, barring these the US economy is headed towards a shock.

The fact remains that despite its declining share in the world income—from a half to less than a third—and declining share in world trade the US remains the single most influential economy. A shock there is unlikely not to cause fresh imbalances in the world economy with few exceptions. The developing countries must keep such a scenario in mind in shaping their trade and development policies. In UNCTAD's view it is a selective export-led regime that pays dividends. Across-the-board liberalisation is no good for poor economies. And they must watch out against US pressures to reorient their economies in a way that may increase their dependence and make them more vulnerable. If these issues have not been dealt with in TDR, UNCTAD officials promise to do so soon in a new series on the UNCTAD perspective on the world economic situation.

External Debt: Long and Short of It

Between 1985 and 1989 India's debt liabilities grew in rupee terms at a compound rate of 21 per cent per annum. The rate of its growth is being accelerated due to higher interest obligations, larger repayment, and the depreciating rupee.

WHAT was once considered a well-guarded secret by the government is now getting unmasked in the face of undeniable evidence. Even official agencies have begun publishing the statistics. The Reserve Bank of India (RBI) has in its latest annual report come out with a table on India's external debt and also sought to explain, however briefly, the nature of differences between the government data and those put out by 'others' (the reference presumably is to the World Bank, the OECD and the Institute of International Finance).

In the accompanying three tables we have four sets of data on India's external debt and, as the RBI's annual report has brought out, the differences are broadly reconcilable. Its own data do not include NRI deposit liabilities and short-term debt, but the RBI's annual report provides data for NRI liabilities separately. Combining the two sets of data, as has been done in Table 1, the country's total debt (including short-term debt) is seen to have doubled in rupee terms from Rs 39,619 crore in March 1985 to 83,835 crore in March 1989. OECD data presented in Table 2 suggest that India's short-term debt could be placed at about Rs 3,065 crore ($ 2.5 billion) in 1985 and Rs 7,300

TABLE 1

(Rs crore)

As at End-March	External Assistance (1)	IMF (2)	External Commercial Borrowing (3)	Total (1+2+3) (4)	NRI Deposit Liabilities (5)	Total (4+5) (6)
1985	24,004	4,888	6,908	35,800	3,819	39,619
1986	26,638	5,271	8,075	39,984	5,650	45,634
1987	32,312	5,548	11,243	49,103	7,847	56,950
1988	36,578	4,732	13,543	54,853	10,054	64,907
1989	46,838	3,696	19,147	69,681	14,154	83,835

Source: Reserve Bank of India, *Annual Report, 1988-89.*

TABLE 2

(US $ million)

	1970	1975	1980	1981	1982	1983	1984	1985	1986	1987
Summary Debt Data										
Debt stocks (EDT)	—	—	19,250	21,106	25,627	28,796	31,272	36,625	41,311	46,370
Long term debt	7,937	12,448	17,998	18,938	20,924	23,073	25,597	30,819	34,717	40,767
Public and publicly guaranteed	7,837	12,171	17,662	18,065	19,685	21,306	22,986	27,726	32,119	37,325
Private non-guaranteed	100	277	336	873	1,239	1,767	2,611	3,093	2,598	3,442
Use of IMF credit	0	807	327	964	2,876	4,150	3,932	4,290	4,291	3,653
Short term debt	—	—	926	1,204	1,827	1,573	1,743	1,516	2,303	1,950
Total long-term debt flows										
Debt outstanding and disbursed	7,937	12,448	17,998	18,938	20,924	23,073	25,597	30,819	34,717	40,767
Disbursements	908	1,901	2,878	2,401	3,104	3,204	4,386	4,421	4,090	6,191
Principal repayments	314	540	761	744	910	1,034	1,030	1,583	2,242	2,680
Net flows	594	1,361	2,117	1,657	2,194	2,170	3,355	2,838	1,848	3,511
Interest payments	193	264	420	443	601	780	851	1,129	1,314	1,517
Net transfers	401	1,098	1,697	1,214	1,593	1,390	2,505	1,709	534	1,994
Total debt service	506	804	1,181	1,187	1,510	1,814	1,881	2,712	3,556	4,197
Transactions with the IMF										
Purchases	0	241	342	692	1,968	1,376	201	0	0	0
Repurchases	205	0	9	40	0	70	134	209	521	930
Average Terms of New Commitments										
All Creditors										
Interest (per cent)	2.5	2.5	4.8	4.7	7.3	6.7	6.7	5.8	5.5	5.7
Maturity (years)	34.4	29.5	30.5	34.2	25.6	23.0	26.9	25.2	21.0	23.3
Grace period (years)	8.2	7.5	7.2	7.8	6.1	5.6	6.4	6.1	5.7	6.8
Grant element (per cent)	61.1	57.6	44.6	46.5	23.3	26.9	28.1	32.3	30.1	31.5
Official Creditors										
Interest (per cent)	2.2	2.3	2.2	3.8	6.0	4.8	6.1	5.0	5.1	5.4
Maturity (years)	35.7	30.2	35.7	37.6	32.1	31.3	30.2	29.9	24.8	26.8
Grace period (years)	8.5	7.7	8.0	8.3	7.4	7.1	7.2	7.0	6.0	6.6
Grant element (per cent)	63.8	59.5	62.6	54.0	34.6	42.8	33.3	40.0	34.8	35.6
Private Creditors										
Interest (per cent)	6.3	7.9	15.5	11.3	9.7	9.6	9.4	8.3	6.5	7.0
Maturity (years)	16.4	12.8	9.5	9.4	13.2	9.5	10.8	9.8	9.7	11.2
Grace period (years)	4.5	2.3	3.9	3.7	3.8	3.2	2.6	3.0	4.8	7.4
Grant Element (per cent)	21.0	11.1	−28.5	−8.8	1.8	0.9	3.1	7.2	16.4	17.2
Memorandum Items										
Concessional/public DOD (per cent)	88.4	93.9	91.3	88.8	86.1	82.7	77.2	73.7	71.4	68.0
Variable rate/public DOD (per cent)	0.0	0.0	2.6	3.2	4.6	5.3	8.6	9.5	10.1	13.1
Principal Ratios										
Total External Debt										
EDT/XGS (per cent)	—	—	128.2	144.3	179.8	188.2	193.5	236.9	246.9	238.3
EDT/GNP (per cent)	—	—	11.1	11.8	13.9	14.4	16.3	17.2	18.1	18.8
RES/EDT (per cent)	—	—	62.4	38.4	32.2	28.5	27.3	25.9	25.4	24.8
RES/MGS (months)	4.4	3.9	8.1	5.5	5.8	5.5	5.4	5.5	6.0	5.9

Source: *World Debt Tables*, 1988-89 Edition, The World Bank, Washington.

crore ($ 4.8 billion) in 1989. Including short-term debt, therefore, total debt galloped from Rs 42,684 crore in March 1985 to Rs 91,135 crore in March 1989. The latter figure is close to the estimate of the Institute of International Finance (IIF) which puts India's debt at Rs 96,000 crore in March 1989. The estimate of the IIF (which is a private body with considerable clout with the World Bank and the IMF) is the most comprehensive, but even that does not include defence credits, particularly from the East European countries. If these are taken into account as well, total debt would have touched the figure of Rs 1,00,000 crore (or $ 62 billion) in March 1989, marking a more than doubling in a period of four years.

In the four years between March 1985 and March 1989, India's known debt liabilities grew in rupee terms at a compound rate of 21 per cent per annum. Evidence suggests that the rate of growth is getting accelerated due to higher interest obligations, larger repayment, new commitment and the depreciating rupee. On this basis, before March 1991 India's debt would cross Rs 1,50,000 crore or even higher than the figure of Rs 1,33,000 crore reportedly cited by the IIF.

The magnitude of the debt problem can be assessed by a variety of measures—by relating debt to GDP, to export of goods and services, and so on. According to the RBI, the debt-export (of goods *plus* invisibles) rose sharply from 131 per cent in March 1980 to 218 per cent in March 1989. The RBI has also highlighted the rising debt service ratio, from 16 per cent in 1985-86 to 24 per cent in 1987-89. Likewise the government of India's *Economic Survey* for 1988-89 (p 122) had disclosed that debt service on external assistance (excluding servicing of commercial borrowings and IMF credits other than Trust Fund) had grown at an annual rate of 30.6 per cent in the first three years of the Seventh Plan. The subsequent growth has been even higher, especially in regard to commercial borrowings and IMF credits.

Tables 2 and 3 present data from the World Bank and the OECD which suggest that a substantial amount of short term debt particularly from banks (which the World Bank does not cover) explains the difference between two sources: $ 46,370 billion as per the World Bank and $ 50,376 billion as per the OECD (both at end-1987). The growth of such large short-term debt has been indeed alarming because this borrowing is not even linked to any productive projects and the eventual cost is bound to be onerous indeed—if the experience of some of the Latin American countries is any guide.

TABLE 3

(US $ million)

	1982	1983	1984	1985	1986	1987
Gross Debt						
Long term						
I OECD countries and capital markets	10304	11467	13255	15365	18012	22220
ODA	7899	7728	6726	8255	9808	11861
Official/off supported	1467	1201	2279	1938	2595	2371
Official export credits	204	335	1113	767	810	782
Guaranteed supplier credits	761	492	667	625	686	238
Guaranteed bank credits	502	373	498	546	1099	1351
Financial markets	939	2539	4250	5171	5609	7988
Banks	927	2509	4041	4849	4866	7209
Bonds	11	30	209	322	744	779
Other private	—	—	—	—	—	—
II Multilateral	9126	10354	10977	12932	14768	16975
of which: concessional	7909	8756	9486	10745	11496	12516
non-concessional	1217	1599	1491	2187	3272	4459
III Non-OECD creditor countries	1175	1262	1543	1655	1623	1552
CMEA	149	186	246	294	305	366
Arab countries	297	366	397	430	447	408
Other countries and unspecified	729	711	900	931	872	778
Sub total: Long term debt	20605	23084	25775	29951	34404	49748
of which: concessional	16946	17504	17265	20061	22317	25359
non-concessional	3659	5580	8510	9890	12086	15388
Short term						
Sub total: Short term debt	2399	2036	2480	3516	3902	4308
Banks	1513	1437	1867	2670	2905	3161
Export credits	886	598	613	845	997	1146
Total external deb. excluding IMF credit	23004	25120	28254	33467	38306	45056
Total external debt including IMF credit	25283	28819	32175	37669	42579	49108
Other identified liabilities	422	447	470	623	826	1268
Total identified debt	25705	29266	32645	38292	43405	50376
Service Payments						
Long term						
I OECD countries and capital markets	962	1148	1156	1996	2348	2585
ODA	466	439	443	420	410	577
Official/off supported	301	575	409	777	847	853
Financial markets	195	135	305	799	1091	1155
Other private	—	—	—	—	—	—
II Multilateral	252	342	374	501	759	1126
of which: concessional	98	120	140	211	313	340
III Non-OECD creditor countries	235	230	173	268	248	298
Sub total: Service payments long term debt	1450	1720	1703	2765	3355	4009
of which: concessional	771	753	713	813	868	1059
Total service payments excl. IMF credit	1644	1942	1939	3010	3607	4292
Amortisation, long term debt	802	1043	861	1591	2091	2671
Interest, long term debt	647	677	842	1173	1264	1338
Interest, short term debt	194	222	237	246	252	283
Total service payments including IMF credit	1714	2167	2399	3504	4283	5381

Source: Financing and External Debt of Developing Countries, OECD, Paris, 1989.

Management Plays Truant

Workers Initiate Take-Over Plan

B Srinivas

The workers propose to revive the unit under a co-operative scheme. The scheme projects a growth of ten per cent in sales for the first five years of operation. As a result the unit is expected to achieve profit in the first year of operation itself.

IT is not unusual for industrial units to be shut down by managements in unscrupulous ways. In some of the cases, the prolonged closure of sick units ultimately spells doom for the workers who depends on the jobs for their livelihood. In most of the cases, the workers and their unions wage long battles against such closures. In recent years there have been numerous shut-downs, and the younger generation of blue collar workers are in no mood to compromise with managerial manipulations. Some of the unions have taken an aggressive stand against such employers in order to compel the reopening of such units. In Hoist-O-Mech, an engineering unit that provides employment for about three hundred people the workers have initiated a take-over plan.

Hoist-O-Mech is situated in the industrial belt of Thane. Set up in 1963, it engaged in the production of engineering equipment like electric hoists and cranes, which had good market in both the public and the private sector. Its customers include big organisations like BHEL, BARC, and TISCO. Since its inception, this unit has changed its management once. The first management continued till 1978, after which Harish Kohli took over the management of the unit. The unit has a strength of 300 employees, who are represented by the sole union, Homech Employees Union.

The unit experienced prosperity till 1985. Since then, signs of deterioration became apparent and signs of incipient sickness became visible. It was during this period that Kohli floated another company—Gujarat High Tech Industries at Kodinar in Gujarat. The management began neglecting Hoist-O-Mech which worsened matters. Bills to suppliers amounting to Rs 1.30 crore remained unpaid. As a consequence, the suppliers stopped the supply of raw materials. Employees' salaries were not paid in time. Employee contribution to provident fund, LIC, income tax and ESI were not deposited with the concerned authorities. Telex and telephone facilities were disconnected due to non-payment of bills. The sales tax authorities have sealed the company's bank account for the recovery of sales tax due. The Maharashtra State Electricity Board served notices and finally disconnected power due to non-payment of bills.

The condition of the unit deteriorated rapidly and production ceased during November, 1987.

Union's Initiative

The union approached the management in December 1987 and proposed the setting up of various action committees to oversee and supervise the administrative, financial, purchase and recovery work of the company. Accordingly three sub-committees—executive, purchase and recovery—were formed. The chairman, who promised to arrange for the working capital, failed to bring in any funds. At this stage, the union approached its suppliers to resume supply of raw materials.

When the committee took over the operations of the unit, they had to first unfreeze the bank's account that had been frozen by sales tax authorities by paying all sales tax arrears. Likewise, the committee paid the overdue telephone and telex bills and the lines were restored. The committee also undertook the charge of paying off all the pending bills with Maharashtra State Electricity Board. Finally workers' wages and government dues have all been paid.

Producing equipment worth of Rs 59.3 lakh by March 1988, the committee made regular payments to the suppliers and even cleared some of its outstanding statutory dues, as well as the wages pending from November 1987. All through this period, the management's unwillingness to continue production was total. It is alleged that the executive director of the unit had in fact diverted a lucrative order to a competitor on the ground that it could not have been executed in time. The union strongly protested against this action by the management. Matters worsened when the company's general manager of southern region issued a circular to all branches of the unit directing that all the future sale proceeds be sent to the Madras office instead of the Thane office as had been the erstwhile practice.

In January 1988, the union informed the bankers of the unscrupulous practices of the management. The bankers at this stage appointed their auditors to study the deteriorating financial condition of the company. The auditors' report suggested an immediate change in the management if the financial crisis of the unit was to be averted. The auditors' report categorically pointed out the lack of the management's involvement. To quote the auditors:

> We understand that the chief entrepreneurs of this unit has considerable financial interests in certain other industrial undertakings. It is therefore possible that this unit has had lesser involvement of the top-most management than would otherwise have been the case. Consequently, indicators of the impending sickness of this company were either not noticed or having been noticed, were not acted upon.

The auditors informed the management about the sickness of the company in March 1988 but the management made no effort to tide over the crisis. It had not even made a reference to the BIFR which is mandatory for the management when a unit displays symptoms of sickness. On the other hand, the company advertised the sale of the company in the press on April 5, 1988. Though certain entrepreneurs seem to have shown interest in buying the unit, no further negotiations were carried out. Since there was no positive response from the management, Bank of India called for the attention of the chairman and pointed out that, "the position of the company may not be beyond redemption if all concerned, and particularly you (the chairman) make efforts in right earnest".

In April 1988 the executive director who was the only official authorised to operate the bank account deserted the company without authorising any other official to operate the account. This led to a crisis as equipment for despatch worth Rs 10 lakh got held up due to the absence of any authorised signatory. The executive director later authorised the commercial manager to operate the account, but the proposed authorisation was not ratified by the chairman till May 6. Thus due to lack of financial resources, production came to a halt.

The union approached the chairman on May 7, 1988 and prevailed upon him to attend factory work and sign the papers relating to the operation of the account. The chairman after inspecting the plan, instructed the executive committee to send the resolutions to his hotel. But on the same evening he lodged a complaint with the police alleging that workers had indulged in violence and had abused him. On May 8, 1988, the resolution by the chairman authorising a new official to operate the account was submitted to the bank. But Kohli in his subsequent letter to bank maintained that the resolutions authorising the new official be ignored as it was signed under duress.

Based on his complaint, the police arrested some of the workers on May 11 and later released them on bail. On May 13, the management issued notice of a lock-out from May 29. The management cited violence and intimidation of the chairman as the reasons for the lock-out.

The union filed a case in the industrial court and took up the issue with the labour department. The commissioner of labour convened three meetings from which the management was absent. The union sought the intervention of the labour ministry and

pleaded for a joint meeting of union, management and banks. On July 19, 1988 the labour minister convened the meeting in which the management persisted with its allegation of union's intimidation and violence. The minister instructed the management to lift the lock-out and also assured security from the government while the union assured the co-operation of workers in reopening the unit. But matters could not be settled as the management abstained from the subsequent meeting convened by the labour minister on August 31, 1988.

In July 1988, a committee comprising trade unions, researchers and journalists investigated the lock-out. After a thorough enquiry involving consultations with workers, suppliers and officials of the labour department, the committee found the management guilty of financial mismanagement. The committee observed that the management deliberately siphoned off funds to Gujarat High Tech by over-invoicing the value of the raw materials and other purchases in connivance with the suppliers.

The committee further observed that the major motive of the management seemed to be to close down the plant so that in the long run the land could be sold at high prices. The committee recommended the revival of the executive committee with all possible help from the government and banks.

MANAGEMENT'S DENIAL

The chairman of the company dismissed the allegations made by the committee as well as the Homech union. He maintained that the union pressurised him to devolve all powers to the executive committee and that upon his refusal, he was assaulted by union representatives and made to sign the board resolution under duress. According to his note issued to the press, Hoist-O-Mech has higher manpower cost as a percentage of turnover than many other competing companies. The employee cost per man per month rose from Rs 1,671 in 1982 to Rs 3,652 in 1987. The joint management committees were set up, he observed, only to make employees realise the crisis in the company. Instead the union always indulged in assaulting managers. The chairman also dismissed the allegation that there had been over-invoicing of the value of raw materials.

In its subsequent note on the lock-out the management pointed out that the major problem faced by the unit was the deviant practices of the workers. The management maintaining that workmen and their union started making false allegations against the company.

The management pointed out that with the formation of the joint committees, the union and workers became ambitious to take total control of the company. The management alleged that the workmen resorted to various coercive and indisciplined activities, started addressing letters directly to the company's customers and bankers, and forcing the executive director of the company to sign cheques including blank cheques, letters, etc, under duress. The management observed that it was with the assault and abduction of the chairman of the company that the company was ultimately required to effect a lock-out.

The union strongly condemned the management's claims. It maintained that a substantive wage agreement was signed in September 1986 and since then there had been no fresh wage demands. But the management calculated the wages by including both termination benefits and non-salary allowances. The union also pointed out that steel was bought at Rs 16,800 a tonne when the actual market price was Rs 8,500. The union also pointed out that a particular variety of bearings which cost Rs 60 were bought at Rs 390.

In July 1988 the union appealed to the Board for Industrial and Financial Reconstruction (BIFR) to conduct an enquiry and initiate necessary action against the management for closing down the units in spite of adequate assets and orders. The union appraised the BIFR of the manipulations of the management and pointed out that due to the non-payment of dues to creditors, winding up petitions have been filed in court by twenty-seven creditors for recovery of their dues. The union pointed out that the liabilities of the unit include Rs 1.25 crore to sundry creditors and Rs 1.35 crore to banks. It was also observed that the management obtained payments directly from customers after availing discounting facilities from banks. Further, to obtain more and more facilities from bankers, the management showed inflated stocks in the statement submitted to banks.

The BIFR called upon all parties concerned with Hoist-O-Mech for a hearing on February 9. In the meanwhile, the union in a letter to BIFR maintained that the unit though sick at present, is still potentially viable. It observed that an imaginative rehabilitation plan with the involvement of banks, institutions, state government and the workers can help the company to revive the unit. The union also appraised the BIFR of the reluctance of management to revive the unit. In view of such a situation, the union pleaded BIFR to declare the unit as a sick unit under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985. The union volunteered to prepare a scheme to review the company under a workers' co-operative and sought the permission from BIFR to do so.

In the hearing before the BIFR, the board sought the audited report on the performance of the company. It gave banks three months' period to finalise the report. The board also informed the union to file its scheme for reviving the unit.

WORKERS' PLAN

The workers propose to revive the unit under a co-operative scheme. Every worker is to contribute Rs 5,000 which will be credited to the employees fund. The total cash fund will thus be Rs 12.5 lakh. In addition to the cash fund, fifty per cent salaries and wages accrued during April and May 1988 is to be credited to the employees fund. This would amount to approximately Rs 5 lakh. Thus the total fund of the workers co-operative will be Rs 17.5 lakh. In addition each worker is to contribute Rs 101 for membership of the co-operative.

The employees have decided to accept the minimum bonus as per calculations of the bonus act. The production incentive (ranging from 8-23 per cent) which has been in existence for the last seven years is being waived by workers. The employees have decided to continue with the current wage level for the first three years. Thereafter, an increase of five per cent is projected, subject to achieving the target which has been set for the first three years.

The workers' scheme also proposes certain pre-conditions for the operation of the scheme. It requires the government to register it as a relief undertaking for the first two years of operation. The banks are required to sanction the working capital facility of one crore. Further, the bank should waive the interest due from the date of lock-out to the date of recovering.

The scheme projects a growth of ten per cent in sales for the first five years of operation. As a result, the unit is expected to achieve profit in the first year of operation itself. The estimated profit for the first year will be Rs 22 lakh, and Rs 90 lakh for the second.

The BIFR is expected to decide on the viability of the unit and the extent of sickness based on the report of the auditors of the bank. Subsequently, it is expected that the board will review the schemes filed by various parties to revive the unit. For the three hundred employees of the units, there is a long battle ahead. It all depends on how well the union leads its rank and file in its endeavour to reopen and revive the unit.

CSIR: Reorganisation or Dismantling?

S R Valluri

Unless the grave implications of the recommendations of the Abid Hussain Committee and the Fourth Pay Commission receive careful and timely attention, we may well see the skeleton of the CSIR in about a decade.

Introduction

IT is now a little over two years since the Abid Hussain Committee report on reorganisation of the Council of Scientific and Industrial Research (CSIR) has been submitted. Two years is a long enough time to obtain a perspective viewpoint of the report and implications of that and the Fourth Pay Commission recommendations on CSIR. There is reason to feel that these recommendations will have the consequence, within a decade, of decimating the CSIR.

Important Recommendations of the Committee

Credit should be given where it is due. One section of the report deals with the internal reorganisation of CSIR. These are mostly in the form of cosmetic changes, which cannot really be expected to bring any major improvements in the functioning of the laboratories. They do not even begin to tackle the basic problems that ail the laboratories. The second, and more important part deals with the impact of government policies on 'technology imports' on the functioning of the CSIR. If put into practice they will certainly help improve CSIR laboratories. But these recommendations have much wider ramifications on government policies for obtaining 'self-reliance through liberal import of technologies'. It is doubtful if these recommendations will be implemented, as they imply some constraints on such imports. It is the self-reliance in high-science high-technology areas that will determine whether or not we can enter into the cadre of developed nations. What are being imported now are 'production technologies', which only call for ability to read production drawings, understand the specification of materials and where necessary order the more recent production tools. Such knowledge will not permit an understanding of the underlying scientific, technological and design principles, which alone will lead us along the path of self-reliance. By and large, no serious attempt is being made by the industry to understand these principles, and thus reduce dependence on others. The soft option of the government policy of 'liberal imports of the latest technologies' has made sure of that. When information is sought which can help us unravel these principles, these are more often than not denied by the licensers, with the specious argument that they are not needed for the production of the relevant hardware.

Lack of Corporate R and D as a Technology Interface

In the developed countries, it is the corporate R and D in the industry that generally forms the interface between external R and D organisations such as those of CSIR, which can demonstrate scientific and technological principles up to a certain level, mostly through government funding, and the design bureaus within industry. The latter take up the partially developed technologies that are relevant to them, and bring them to a stage at which the technology development programmes become a direct input to their own design bureaus. Quite frequently the corporate R and D sponsors research in such laboratories and retain their staff as consultants to take advantage of such capability in specific areas, in a relatively less expensive manner. Such a culture is largely missing in the Indian environment because of excessive dependence on imported production technologies. There are therefore major missing links in the chain of absorption of imported technologies and indigenous invention and innovation. There is no easy way to resolve this dilemma without a shift in the government policy. Thus, what basically ails CSIR is, in the main, external to it.

The committee made another important recommendation. This was in regard to transfer of certain CSIR laboratories to some recently created departments of the government. CSIR does not seem to have accepted this recommendation. CSIR should take pride that it had the vision to have anticipated the future requirements of the country, and to have established such institutions, long before the government brought into existence the relevant departments. Perhaps even now it is not too late to review the situation, and transfer these laboratories with appropriate guidelines drawn up to protect their internal autonomy. The fact of the matter is that CSIR headquarters is more in the nature of an administrative headquarters of a government department, and not the technical headquarters which it should be. Transfer of the laboratories to the relevant departments has a better chance of assuring that they can serve the national purpose better, assuming that they will also be headed by scientists/technologists. The natural destinies of these laboratories would appear to lie with some of the new departments of government.

However, many of the committee's other recommendations for internal reorganisation bring to mind the adage 'the more they change, the more they remain the same'. Where the committee made recommendations of substance for internal reorganisation, one cannot question their intentions. They are honourable. But again they recall the familiar adage, 'the way to hell is paved with good intentions'.

Achievements of CSIR

Before we go any further, we have to ask: 'Has CSIR performed so badly since its inception in 1942?' The committee itself pointed out that the CSIR performance is commendable in more ways than one. By all accounts, in a country that was not really familiar with science and its offspring, modern technology, CSIR was primarily instrumental in making people realise that science is not a luxury but a necessary tool for bringing into being a scientific, technological and industrial revolution. In this, it has done well. It is to CSIR's credit that it brought into existence a very wide spectrum of R and D institutions. The activities of such laboratories form the backbone of any developed country, leave alone a developing country such as ours, provided they are directed towards well-defined national purposes.

CSIR has achieved much that is commendable. Nayudamma, former director of the Central Leather Research Institute initiated a programme through CLRI to export processed leather instead of raw leather through which the value added cost of leather exports increased over the years by about Rs 450 crore per year. The committee itself noted that the value of industrial production based on technologies licensed by CSIR is of the order of Rs 500 crore per year, and the annual addition ranges between Rs 50 crore and 100 crore. There are many activities of CSIR laboratories on which no value can be placed. Investments in R and D are looked upon the world over as the overheads the society pays to keep its long-term options open. For an organisation which has an outlay of only about Rs 150-200 crore a year spread over forty laboratories, the contributions of CSIR are therefore nothing to be sneered at.

The committee notes a number of other contributions of CSIR. Its tragedy is that it does not have projects which excite the

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public imagination, like a Space Launch Vehicle development or reactor development, etc. Basically, it has not been structured for such activities. If it is to undertake such activities, a massive infusion of capital would have to be made. A project like Polar Statellite Launch Vehicle costs about Rs 400-500 crore. When NAL, about a decade ago, tried to push a project for the prototype development of an industrial ground-based 10 mw gas turbine, costing hardly about Rs 10 crore as a pilot plant for parametric studies to be jointly taken up with the industry, it was sent from pillar to post, and the project never saw the light of day. The industry went into foreign collaboration. Apparently, it was what their customers wanted.

Strengths of CSIR

As per conventional wisdom, one notices from recent statistics released by the department of science and technology, CSIR is by far the most powerful 'think-tank' in the country. It has about 1800 doctorates on its staff (roughly one out of every three scientific staff, according to 1986-87 CSIR annual report), as compared to 1512 in ICAR, 646 in DAE, 270 in DST, 261 in DRDO and 244 in DoS. One has to ask what has gone wrong? To do 'productive work', it is not only brains that are needed. They must have well defined tasks, and adequate financial support. Commenting on one of the good laboratories of CSIR, a distinguished Indian scientist said: 'the laboratory is like a beautiful bride, all decked up and nowhere to go'. In spite of its unexcelled capability, it did not have tasks worthy of it. The government will get from S and T departments what they wish to obtain. The committee notes that 'the present scale of operations of the CSIR is sub-optimal'. Even preliminary modern technology development which could form an input to corporate R and D of the industry is expensive and CSIR is starved of funds even if the laboratories were to close most of the projects and concentrate only on a few. A majority of the CSIR laboratories have been set up for scientific or high-science high-technology industrial research. It is therefore not surprising that CSIR laboratories, in the absence of adequate funds, tend to take on basic research which is generally less expensive. In any case, CSIR is obliged to take up scientific research to keep the long-term options of the country open.

Decreasing Funding, Increasing Expectations and Lack of Policy

The committee noted that between the Sixth and Seventh Five-Year Plans, the budget of CSIR, which was roughly comparable to that of defence R and D at the beginning of the Sixth Plan, became about one-tenth the defence R and D budget. One has to ask 'what does the government expect, and to get it, what support has it given to CSIR?'. By all accounts, CSIR seems to have become a step-child of the government to be whipped from time to time for whatever failings, real or imaginary. The committee notes that CSIR has not lived up to public expectations. One wonders whether its programmes have been conscientiously approved by a high level body, and whether the public expectations are commensurate with what the government has provided by way of financial support. About a decade ago, the writer was asked to be a part of a team to defend the budget of CSIR laboratories before the Planning Commission. Each laboratory prepared a fairly exhaustive plan programme for the following year. The discussion with the Planning Commission representatives on the CSIR budget covering forty laboratories was over in less than two hours. No discussion took place on the technical content of the laboratory proposals. They expressed their inability to do so. The discussions ended up in horse-trading—the Planning Commission representatives essentially saying 'we have given so much last year and we will give you 'x' per cent more this year'. It is not known what the present situation is, but if this is what happens at the level of the Planning Commission, which could not even initiate a constructive dialogue of what it expects from CSIR, why blame CSIR? Put plainly, the Planning Commission seems to have abdicated its responsibility to integrate CSIR activities into a national plan through a two-way dialogue on using science and technology as instruments for transforming the technological base of the country, assuming for the moment that they have such a procedure for the other scientific and technical departments. Presumably, if the Planning Commission is unable to initiate such a dialogue, a high level government body will have to define the goals and objectives and tasks for CSIR laboratories and undertake periodic performance audits while assuring appropriate financial support from the Planning Commission.

Cliches as Alternatives to Analyses

The committee uses the phrase 'reinventing the wheel' more than once in the body of the report. Coming from a body which included a sizeable number of scientists and technologists, it is disappointing to note from such cliches the lack of understanding of modern technologies that the committee proposes to cover up. When Bhabha in 1954 obtained a sustained chain reaction in the Apsara reactor, he in fact reinvented what Fermi had done more than a decade earlier in the US. Yet it was an essential first step in establishing the atomic energy programme in the country. Perhaps not many people know that space, as a part of the

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learning programme built 100 mm, 300 mm, 560 mm rockets and fired them before they finally went on to build SLV-3 launch vehicle, which in itself resembles one developed earlier elsewhere. Such are the essential first steps that any country has to take, in the quest to build competence. One does not at one shot build a rocket to go to the moon. Is the committee going to argue that if one designs a bullock cart wheel, one can design also a cycle wheel and the landing gear wheels of a big aircraft?

If all that a research laboratory does is to reproduce a hardware or a chemical (unless it happens to be a sponsored project) that is available elsewhere, and does not make any efforts to improve upon it subsequently, the director and his senior colleagues and the research council and its chairman will necessarily be confirming what the committee tried to stress. However, whether a country is able to take the next step or not is dependent on the government policies in such matters. The tragedy at present is that one imported 'latest production technology' is being superseded by the next 'imported production technology' without any noticeable effort to understand the underlying scientific and technological principles to build an improved product, particularly in high technology areas. Japan, for example, started by first copying western products and then its government policies helped it to develop improved products and compete with the western world. The present policy of the government, unless suitably modified, can only result in more and more drain of valuable foreign exchange, without showing any long-term benefits. The scientific community is doing serious injustice to itself by the indiscriminate use of the phrase 'reinventing the wheel'. Use of cliches is a poor substitute to serious thinking in such matters and it will only result in illusion replacing reality in any move towards self-reliance.

Responsibility and Aspects of Tenure

Responsible scientists believe that science and technology have an all pervasive influence on a nation's growth. They realise that they have to contribute in a meaningful manner to this growth, and the nation does not owe them a living unless they live up to such expectations. Unlike administration, where presumably a person can be moved from one job to another, a scientist or a technologist has to bring a life-time commitment to a particular field. Even if he were to be appointed director of a research laboratory, to be effective, he has to give scientific leadership, have a broad understanding of the field in which the laboratory is working, apart from having a general feel for administration. It is in the nature of his responsibilities, that more is demanded from him intellectually than from an administrator in public administration. If a person, when appointed as director, does not live up to his responsibilities based upon well defined criteria, the government certainly should have the right to shift him from that position. But for the committee to stipulate that no person should be a director for more than six years in a particular place is a cure worse than the disease, assuming that the committee identified the directors as the prime culprits for the inadequate performance such as there is in the CSIR laboratories. In those institutions where the head of the department is frequently changed, it is a known fact that there is no commitment to evolve traditions and policies that will endure. The temporary nature of his administrative responsibility effectively prevents it. He has no stake in the future of the institution.

One of the directors of a CSIR laboratory was some time ago invited to head a world famous institution in the US. Had he accepted it, he would have been the fourth in line of succession since its inception in 1929, and the first Indian to be so honoured. A distinguished scientist of such a standing, by virtue of the committee recommendation, cannot be sure of his future at the end of his present six-year tenure. What price patriotism? His continuation till retirement should be by right after a review of his performance. The committee proposes to remove one of the most illustrious persons in the country from the position he is occupying. One wonders, if this is how the committee proposes to strengthen CSIR? For the committee to lay down such a draconian guideline is a cure worse than the disease that ails some of the CSIR laboratories. Such simplistic solutions do not even begin to resolve the basic problems that are faced by CSIR.

Earnings as a Measure of a Laboratory's Contribution to National Growth

The committee took an easy way out of one of the basic problems that CSIR faces by suggesting that its laboratories should earn 30 per cent of their expenditure. One imagines that there are several ways people and institutions can make money. Virtually every CSIR laboratory has been brought into existence to serve a perceived purpose. The stipulation such as the one made by the committee will necessarily drive the director and his colleagues to earn money, no matter how, instead of concentrating on the scientific and industrial research for which the laboratory was brought into existence. Principles of market economy have th place but they should not be indis minately adopted to situations which hardly suited for such an approach. Stri speaking, the committee should h recommended sharpening the charters the laboratories to build in more acco tability among the directors and their c leagues, a more thorough review of five-year plan programmes of the labo tories by responsible bodies, a thorou mid-term and end-of-plan performan audit to ensure that the director and colleagues have lived up to their respo sibilities and a five-year tenure for director and review of his performan before renewal of the contract. Reco mendations such as earning 30 per ce of the expenditure do not even begin analyse the basic problems of CSIR, a can only lead to undertaking routine co mercial tasks, like analysis, to which ev some of the fundamental research labor tories in CSIR are getting attracted.

Size of Laboratory

One cannot help feeling astounded the recommendation that the strength each CSIR laboratory should be gradual reduced to 750. Perhaps the governme should extend this principle as a gener guideline and see that LRDE, GTR ADE, DRDL, etc, in defence R and organisation, VSSC, ISAC, etc, in spac and BARC, etc, in department of atom energy are each pruned to 750! *Prim facie*, such a recommendation unrealistic. The size of a laboratory shoul obviously be related to the responsibiliti that are assigned to it, and not limited b an arbitrary number. In any case, it cann be a game of numbers. For a laborator doing pure theoretical research it can b as small as 75, or can be as much as 750 or more, e g, as in VSSC or BARC. Th counterpart of NAL in UK, the Royal Ai craft Establishment had about 850 people in 1966 and NAL now has abou 1300 people! NAL's responsibilities are n less demanding in its area of responsibilit assigned by the scientific adviser to th minister of defence in 1976. Any chang in size of a laboratory should be base upon a review of its changing respon sibilities and review of its charter. Wha the committee should have done was t discuss the style of administration an management, and their relevance to th charter and the size of the laboratory t live up to its responsibilities, and to brin out the best from the laboratory. It shoul have recommended to the CSIR appoint ment of expert committees to examine thi problem in depth periodically for eac laboratory. The committee has done disservice not only to CSIR but to th scientific community in general by mak

g such an arbitrary recommendation on ze limitation which, if implemented as general principle, will have disastrous onsequences.

Fourth Pay Commission Recommendations

By far the most unfortunate recommen-ation was the one made by the Fourth ay Commission in regard to pay scales pplicable to CSIR (and perhaps other search institutions under the ministry of ience and technology). In this rank and ierarchy ridden society of ours, the status f the director of a CSIR laboratory has een reduced to a level no higher than that f a UGC scale professor of whom there re several hundred in the IITs, leave alone ne universities, as compared to about 40 irectors and perhaps an equal number of cientists of the same rank in CSIR. CSIR cientific staff have to go through rigorous ssessment every five years with a percen-age limitation on the number of staff that an be promoted each time, reaching a aximum salary of Rs 6700, while their ounterparts in the academic system nder the UGC's new provisions can go p to Rs 7300 as a matter of right, barring ecent CSIR provisions for exceptional ases. The salary of the director of a CSIR aboratory is Rs 5900-7300 whereas that of the director of an IIT is Rs 7300-7600. No greater insult can be planned by the government than this wide disparity in pay cales among a common class of profes-sionals. These research laboratories are no ess institutions of national importance han the IITs and they are an integral part of the chain of technology absorption, in-vention and innovation in our efforts owards achieving self-reliance. Any palliative solutions by way of exceptions to the rules in this range of scales can only add insult to injury as they tend to bring discrimination among equals. Such pay anomalies have already started having repercussions on the functioning of some of the CSIR laboratories. The government ought not to make invidious distinctions among people who have similar academic backgrounds and similar responsibilities. The director of a research laboratory and his senior colleagues in CSIR are specifically responsible for the R and D tasks that are assigned to them by their research coun-cils. The directors' responsibilities in CSIR are no less stringent than that of the direc-tors and that of the scientists to their com-parable cadres in the IITs. The concept of academic freedom assures that no such specific responsibility rests on a faculty member in the academic system.

Clearly, this is a problem that has to be tackled at the highest level of the govern-ment to maintain a parity of pay scales among the staff and directors of IITs and those belonging to organisations such as CSIR. Such a parity existed before the Fourth Pay Commission made its recom-mendations. Tackling such problems piece-meal on the basis of political pressures from different ministries/departments which have staff with comparable quali-fications and responsibilities will create more problems than it solves. It would ap-pear that there should be co-ordinated ef-fort among the concerned ministries/departments of the government before such policy decisions are made. It has to be recognised that the research labora-tories form a technology interface between the university/IIT system and the industry. This interface will be weakened very much, if they are treated unfairly or with contempt, causing a serious setback to any efforts towards self-reliance. Government should certainly demand high standards in recruitment and promotions in the research laboratories, but they should not in all fairness, make such distinctions.

Unless something is done to consider the implications of the recommendations of the Abid Hussain Committee and the Fourth Pay Commission, which will have adverse repercussions on the future of CSIR, we may well see the skeleton of the CSIR in about a decade.

Conclusions

If the government wishes to employ CSIR and other R and D laboratories as instruments for building a modern in-dustrial country that is not excessively dependent on others, it is imperative to follow certain basic policies. These poli-cies should have the following ingredients:

- — More clearly specify charters, objec-tives and tasks of laboratories to build accountability on the part of the direc-tors and their senior colleagues;
- — Financial and administrative support commensurate with the charter of responsibilities and assigned S and T tasks;
- — Salary structure for staff and directors in the research laboratories on par with those of the IITs, as they have com-parable responsibilities, and so that they do not encourage migration based purely on monetary considerations;
- — Avoidance of arbitrariness by defining rational guidelines in regard to matters such as size of a laboratory, period of tenure of directors/staff, fixation of budgets, ratio of scientific staff to sup-porting staff, etc; and
- — Consistency in government policies for import of 'technologies' and plans for their absorption, and incentives for in-digenous invention and innovation.

US-Soviet Relations

Non-Reciprocity in Big Power Agreements

James Petras

One of the major consequences of the 'new era' of US-Soviet relations has been to create in Washington a feeling that it can act with impunity against the third world, disregarding the possibility of a Soviet response.

THE most striking aspect of US-Soviet relations in the 1980s is the one-sided concessions ceded by the Soviets and the lack of reciprocity from Washington. The Gorbachev period has been characterised by withdrawal of Soviet influence from major regions of world politics, co-operation with the US in reasserting the latter's influence in conflictual regions and pressure on allies to accommodate US interests, even where the consequences will result in changes inimicable to long-term Soviet security interests. The consequence has been a novel historical moment in two senses: the US—itself a declining power—is able to reassert a global role, even as its capacity and resources to do so is declining. Secondly, the Gorbachev regime is voluntarily relinquishing power and setting in motion forces which can have a lasting effect in undermining Soviet influence in multiple regions of the world. The scale and scope of the shifts in power thus are not mere 'tactical adjustments'—isolated moves or temporary retreats in particularly inhospitable regions, but across-the-board changes in which apparently the Soviet leadership perceives a reduced role for the Soviet regime in world politics and a shift in priority from international political-economic issues toward internal economic-commercial issues.

The result of Soviet changes has been to lessen competition and reduce the options and bargaining power of third world countries. Giving Washington a free hand in the third world might reduce the probability of a Soviet-type regime emerging, but it will not necessarily produce more stable, prosperous and democratic societies. On the contrary, the results could be the return of totalitarian collectivists in Cambodia, fanatical religious fundamentalists in Afghanistan, terrorist clients of South Africa in Angola and Mozambique, and a virulent, destabilising elite political opposition in Nicaragua. Soviet-US summitry may secure Gorbachev a good press and high public opinion ratings, but his policies have not produced any reciprocal concessions from the west that could lead to peace and justice in the troubled areas of the world. On the contrary, each Gorbachevian concession has been interpreted by most US policy-makers, their academic advisors and the mass media, as weaknesses, and have prodded the government to push for further concessions, particularly those undermining political and social movements for national liberation and social transformation. The unspoken allies of this cumulation of western power has been a number of influential pro-western Soviet intellectuals and policy-makers who have taken as their model for Soviet society a utopian and sanitised version of western society and development. Ultimately, the Soviet policy of building bridges to the advanced capitalist countries and burning bridges to the third world can be counterproductive, particularly if it turns out that the Soviets are unable to obtain the economic resources they need from the west and have lost their political and diplomatic influence elsewhere.

The danger of the Gorbachev policy is that it will fall between two stools—giving up support for third world revolutionaries, it may not receive as a *quid pro quo* any concessions from the west.

Balance-Sheet of Non-Reciprocity

A close examination of US-Soviet regional settlements hailed in the west as a new breakthrough in US-Soviet relations reveals a pattern of Soviet concessions without any reciprocal response from the US. In fact, rather than mutual disengagement, Soviet or allied withdrawals have been accompanied by increased involvement of the US. In place of negotiated changes, the unilateral Soviet decisions have encouraged western ideologues to pursue total military victory.

The case of Afghanistan is an outstanding example of Soviet withdrawal and the escalation of US military support to the Afghan tribalists and Islamic fundamentalists. While the Soviets, following the terms of the negotiations, withdrew, the Pakistani regime continues to offer major logistical support and provide military planning to the Afghan opposition. Soviet proposals of a negotiated power sharing settlement have been rejected and Washington has supported Afghan claims for an unconditional military surrender.

In central Europe the Soviets have proposed and are in the process of reducing conventional military and nuclear forces while Washington, Paris and London insist on retaining their numbers while upgrading (modernising) their short and middle range nuclear missiles. No counter offer of substance has been put on the table. The Soviets' unilateral initiatives have merely stimulated demands for deeper cuts. Even more to the point, in western eyes the Soviet arms reduction proposals are not considered part of east-west relations, but rather simply an outgrowth of internal Soviet economic weaknesses. The implication is that since the west does not suffer from these internal debilities, it does not need to follow suit.

In Africa the Soviets have utilised their aid and advisory programme, as well as their leverage on Cuba, to pressure the Angolan government to negotiate with the jointly US and South African backed UNITA insurgency. While Cuban troops withdraw from Angola, Washington and South Africa have continued to arm and support Savimbi. As a result, the number of armed incursions and civilian casualties suffered by the Angolan government have increased since the US-brokered cease-fire. The tactic in both cases has been for Washington to pursue a two-track policy with a double discourse. On the one hand, to orchestrate summit meetings which propose diplomatic-political solutions, thus hoping to disarm its adversaries and project a reasonable conciliatory image to international public opinion. On the other, to sustain military support to clients to seize opportunities to conquer territory, bargaining power or total control.

A similar process is evident in south-east Asia, where the convergence of US, French, Chinese and Soviet policy has forced the Vietnamese to withdraw their troops from Cambodia, opening the door for a possible new take-over by the strongest military force in the opposition, the Khmer Rouge. As an anti-Vietnamese counter, Pol Pot figures in Washington's policies to destabilise the Indo-Chinese peninsula and to regain more leverage in defining Vietnam's terms of re-entry into the regional economic system. Once again, the unilateral withdrawal of Vietnamese troops has been accompanied by increased large-scale advances and assaults by the Khmer Rouge into areas previously defended by the Vietnamese.

While the Soviet Union has moved towards accepting ideological pluralism and the co-existence of different social systems in its former sphere of influence, most notably in its warm support of the clerical pro-capitalist regime in Poland, the US has given no signs that it would modify its relations with socialist Cuba

or even the nationalist market-based Nicaraguan regime. Even further, Washington is moving in Panama to reassert its influence over the Panama Canal, reversing early agreements, by overthrowing the Noriega dictatorship and promoting a civilian client regime. The military manoeuvres and incidents, the threats to kidnap their dissident ex-client are reminiscent of the tactics Brezhnev used to preserve regional domination. Once again, Washington encourages 'openness' in eastern Europe, while practising ideological closeness in the western hemisphere. The logic of this apparent paradox is that Washington is not interested in openness *per se*, but in maximising power, and the former is promoted or discarded, depending on whether it serves those ends. We can expect that once the Soviets pull out, Washington and its western allies will push in. And the same closeness that Washington practises in the Caribbean and Central America will become the rule of the day.

In the Middle East, a similar pattern emerges. While the Soviets do yeoman's work pressuring Iran and Syria to accommodate US interests on the hostages and to become partners to a regional settlement, the US refuses to intervene and pressure the Israelis to release thousands of Palestinian political prisoners held in detention without trial. The Bush politics on the Palestinian-Israeli conflict are based on the notion that the most effective manner to secure additional concessions from the Soviets is to 'stone-wall' it: dig in your heels and keep prodding the Soviets to extract more and more 'compromises' from Arafat, until all that will remain is a Palestinian client regime of Israel. The Soviets have apparently accepted Israeli dominance and have made overtures to reopen diplomatic relations and promote economic ties. It appears that the Gorbachev leadership is content to work within the hegemonic framework of the US and to accept the US leadership in defining its policy objectives.

Asymmetrical changes are also visible in the area of Soviet and US responses to electoral processes in contested areas. While the Soviets allowed the Poles to run their own elections and even accept US funding leading to the victory of a pro-capitalist party, Washington intervenes with massive flows of money, propaganda and organisational resources to subvert the electoral chances of the Sandinistas in Nicaragua. The sustained economic war and shrill propaganda campaign that Washington mounts against Nicaragua belies the notion that the end of the cold war has the same meaning in the south as it has in the east. On contrary, the decline of the cold war means a free hand for the west to reshape the third world political economies according to their needs—a position that Fidel Castro has noted in several of his recent speeches.

All these concessions from the Soviets have led Washington to seek the ultimate one—the dismantling of the socialist economy and its transformation into a capitalist society open to western penetration. In this regard, Washington has welcomed official and unofficial Soviet denunciations not only of Stalin's crimes, but of its revolutionary origins and socio-economic achievements. It has encouraged Soviet academics to accept western versions of the origins of the cold war and the highly coloured version of the 'consumer society'.

While encouraging Soviet self-criticism and promoting 'radical changes' in socialism, Washington and the mass media have excluded the appearance of any sustained structural criticism of the profound decay of all of its major cities, the profound ecology crisis and the polarisation of US society. Incessant 'news' broadcasts focusing on the failures of socialism and the wonders of the free market have become the propaganda tool to reinforce the concentration of power in the US and its extension abroad.

Conclusion

One of the major consequences of the unequal outcomes in US-Soviet negotiations has been to create in Washington a feeling that it can act with impunity against the third world, disregarding the effects of a Soviet counter-response. The era of the 'free hand' opens the door to brazen violations of sovereignty. While US-Soviet agreements may end the cold war, they seem to encourage Washington to pursue hot wars through surrogates in the third world.

It is a one-sided 'new era'. The interpretation in Washington is that Soviet concessions are signs of weakness and that the US should press its advantages, escalate its propaganda campaigns, deepen its ties with pro-capitalist forces like Solidarity and proceed to total victory, i e, the restoration of capitalist hegemony in eastern Europe. The eastern intellectuals play a crucial transitional role: by discrediting public enterprises and conveniently refraining from examining the negative experiences of the free market (in Latin America, Thatcherite England and in the cities of the US), they prepare the ground for the future subordination of their nations to the unfree markets of the international banks and multinationals, a corporate controlled free media, and a highly polarised pluralist class society forced into unending debt payments to the west. The end result of non-reciprocal reforms and concessions thus could reduce the chances of nuclear war, but it is hardly likely to be a more just and peaceful world.

The Left and Feminism

Kumari Jayawardena
Govind Kelkar

The spectre of western feminism has been used by many left party leaders and left ideologues to attack local feminists as bourgeois, westernised and influenced by 'white' feminism. In such campaigns against feminism, the left often finds itself in strange company along with the Ayatollahs and other fundamentalists, who whip up xenophobia about western 'decadence'.

AS a preamble it is necessary to ask ourselves why we are discussing the question of the left in south Asia and feminism. Some may ask why even bother about the left because the left, whether in socialist countries or in the states of India with communist ministers, does not have a brilliant record on women's issues; or because the left is not an electoral force and has been soundly defeated at the polls in some countries of the region; or because the left, steeped in the jargon and issues of an earlier period, has failed to adapt itself to new movements based on gender, environment and other issues. We are struck by the left amnesia where women are concerned and, hence, their failure to insert the woman question into existing work/revolutionary practice and to transform it.

It is therefore necessary to state that we are discussing the left because we are not merely feminists but socialist feminists, and that our vision of 'a total transformation of society', is not a change from patriarchy to matriarchy, but a transformation to a socialist society where all forms of exploitation and oppression have ceased. Of course, we may all have different visions of what constitutes socialism, or what a feminist socialist society would be. But that is another topic. For the present we feel that the women's issue is part of the democratic struggle which is central to left parties and groups, and which is a struggle they have theorised about for decades. We also feel that a movement calling itself socialist, and not taking up the oppression of women as a question at the core of democracy and socialism, is hardly living up to socialist ideals. Evidently, a correct analysis of feminism cannot be provided by the left unless the left itself is transformed through an attempt to understand and come to terms with patriarchy in its historical setting and its complex and problematic relationship with dominant relations of production.

Arguments against Feminism

In south Asia, the left parties, from their inception, have mobilised women of all classes in the freedom struggle, in trade union activity, in peasant agitation, student and youth movements. There have also been women revolutionaries who have played key roles in organising workers and peasants, participating in some of the historic, anti-imperialist and anti-capitalist struggles, such as the Chittagong Armoury raid, the Telengana and Tebagha uprisings, armed peasant uprisings or the 'Naxalite' movements and numerous militant trade union actions. The left parties in India for example, have also led protests against rape and harassment of peasant women by upper caste landlords, and have been active in denouncing *sati* and fundamentalist laws harmful to women.

The left has also been involved in annual celebrations of women's day, sometimes on a joint platform with feminists and also in the celebration of the U N year and decade of women. A conference backed by the Communist Party of India (Marxist) was held in 1975 in Trivandrum, Kerala on the women's issue and on this occasion, the *Social Scientist* (journal supported by the CPI (M)) brought out a special issue on women. It is interesting to note that the articles in this issue included one by the party leader E M S Namboodiripad, followed by articles by Carol Brown, an American feminist, on 'Patriarchal Capitalism', and Gail Omvedt on 'Rural Origins of Women's Liberation in India'. The various left parties of south Asia have also organised women on international issues such as the campaign to free notable women revolutionaries and freedom fighters such as Angela Davis.

However, the women's organisations of the CPI or of the CPI(M) in India have not used words, or concepts, like feminism and patriarchy. During a discussion with a leading member of the National Federation of Indian Women, she explicitly stated that position:

> We are not a feminist organisation, we ar[e] not anti-men. We are not the only ones wh[o] are exploited, Harijan men are no less ex[-]ploited, of course, their woman are doubl[y] exploited. Since 1971 in the CPI, the tw[o] women-specific points of debate have been 1) how to draw/attract, more women to ou[r] struggle/movement, and 2) how to chang[e] the attitudes of male comrades to encourag[e] women to join the political struggle/the par[-]ty. One has to be a good, sympathetic hus[-]band to allow woman to join the struggl[e] (Govind Kelkar's interview with Viml[a] Farookhi).

While there are some ideologica[l] differences among the left parties/ organisations on national and in[-]ternational issues, they have areas o[f] agreement on feminism. For instance CPI(M) document, *Feminists and Women's Movement* (undated) stated that feminists are the urban middle class women having a desire to divide the people, particularly the working class; they would like "women of all classes should come together to fight against men", (p3); women's organisations, particularly autonomous groups, are responsible for keeping women out of politics and would not like them to join struggle against the state (pp 16-17). According to the document, it is important to realise that the subjugation of women is part of the class society and "when the property relations are abolished, conditions for women's equality as in a socialist society are automatically created" (p 28). At the same time, the document makes a contradictory but candid observation that "the 'patriarchy' or male dominance which does exist in the political parties, trade unions, etc, is to be consciously fought by the leadership of the party and trade unions and also by the women's organisations" (p 10).

Similar arguments against feminism, though perhaps not so crudely and confusedly presented, were stated in another document entitled *The Material Basis for Women's Liberation*. The three writers were in the political range of CPI to CPI(ML). Commenting on the "heinous crimes" of dowry and dowry deaths and how the question is to be taken up from the point of view of a movement for the emancipation of women, the document states:

> The question of dowry is intimately related to the ownership of property; and it exists in a situation where without a hold on private property men cannot hope to gain any self respect and economic status. Given that in our society acquisition of wealth by *whatever means* is given economic and political recognition by the rulers and the state, there is a general degeneration of work and human values in relation to this institution of private

property. Bride-burning is just one and of this spectrum of 'whatever means' and the women's movement has to address itself to whatever in our social order and the problem related to the acquisition of property and social status (p 5).

The document concludes on a prescriptive note to the feminists not to divide the working class families along sex lines. "Hence any women's movement pitted against the oppression of family on women must first learn to fight against the property relations in that society" (p 14) These crude statements and shoddy analysis of feminism in India did not permit even a relationship to be posed between class and women's subordination, or the question of "the domestic enslavement of women", "the first class oppression of the female by the male" which are so evident in Marxian analysis and explicitly stated in Engels' *Origin of the Family, Private Property and the State*. The left has failed to make a deeper analysis of Engels' thesis on the family or the woman question.

Feminist anthropologists and social scientists like Eleanor Leacock (1971), Karen Sacks (1975), Gayle Rubin (1975), Christine Delphy (1986) and Gerda Lerner (1986) have reclaimed Engels' work for its attempt to produce a historically specific account of sexual inequality to counter the universalistic assumption about women's subordination. Their anthropological works went further than Engels to say, first, that female subordination and appropriation of women's labour preceded and played a crucial role in establishing the basis for the emergence of private property and the state (and not the other way around as Engels had assumed). Second, marriage is not just a matter between individuals or at most between the conniving parents but a relationship between larger groups, such as households, families and kinship groups and depends to a large extent on the relationship of these groups to property. Third, they have questioned a Marxist criteria in attributing to women the class of their husbands, which is wrong and un-Marxist too. While it is true that upper class and caste women tend to share some of the privileges with their men, they nevertheless have no direct acces to and control of the means of production (land, property, technology). Women, therefore, have only a derived status or class-caste membership which is not equivalent to that of the male members. Besides, patriarchal oppression, the sexual subordination, the familial duties in the form of child-rearing and care of the family members runs across through class-caste situations which tends to unite them with women of the peasant, working class and reinforces their alienation.

Those left parties involved in parliamentary politics, however, have been mainly active in mobilising women voters for electoral politics at local and national level and in trade union activity. Equal rights of participation in *class* struggles have never been in doubt, but the question of 'women's liberation' as opposed to 'workers' liberation' or 'national liberation' has been subsumed under 'class struggle'. It was argued that, with the overthrow of capitalism and private property, women would be liberated.

Nevertheless, the left being dogmatic, and glued to the 'books' has ironically also had to accept and quote the classic texts of Marxism on women. All the peoples' publishing houses in the region carry both English and local language translations of Engels' *The Family, Private Property and the State* and Lenin's collected essays on *The Emancipation of Women*; and the Maoists, if and when they discuss the women's issue, have inevitably to quote from the classic text of Mao on the four ropes binding Chinese women, the fourth rope being the authority of the husband.

Organisationally, the left has always had women's associations, clearly linked, controlled and organised by the party, with little or no autonomy. There has been a resistance in the left to autonomous women's organisations. For example, when women of two left parties came together in 1947 to form an autonomous women's group in Sri Lanka, in spite of their successes in raising issues concerning working women, the parties which had never been too happy at this show of unity among women, ordered its dissolution after a year.

It is also probably true that neither the left leaders nor the women in left parties have seriously debated the woman question. They have often made self-criticism on right or left deviations, on their failures in mobilising minorities, intellectuals and other groups, but criticism of the failure to highlight women's oppression has not been made. Yet there is no doubt that party leadership is involved at the highest level when decisions are made to attack feminists and women's studies. In Sri Lanka, the secretary of a small Trotskyist party was taken to task by the party for publishing an offensive article denouncing women's day; the article not only attacked feminists as middle-class 'canaries' who think that men should be scraping coconut in the kitchen, but also claimed that too much fuss was being made about violence against women which was only fun and games between husband and wife.

Uneasy Relationship with Feminist Movement

The left in south Asia since the 1970s has an uneasy relationship with autonomous feminist movements which arose in that period. On the one hand, these movements included women socialists and Marxists, and on many of the issues and struggles of feminists, the left was in agreement. But on the other hand, the groups were not controlled by the party, and many of the demands were thought of as extremist or subversive.

Autonomous groups are further criticised by the left as 'apolitical', having a narrow world-view, not being interested in seeking state power. What is important is to recognise that like many other social movements, the women's movement too, is critical of the state, and asks greater self-determination for itself or autonomy from state itself. By no means does this mean that feminism or women's movement is apolitical, not interested in transformation of the character and nature of the state. However, a large section of feminist organisations tend to the view that the very notion of state or political party power for them would negate most of their grassroots aims and essence. Importantly, feminism is indeed anti-systemic in the sense that it challenges the basis of the system and tries to protect its members physically and emotionally from familial and extra-familial violence as well as other vagaries of political economy in south Asia. In an analysis of women's movements in the countries of south Asia, it was repeatedly pointed out that the stands taken by feminists in theory and action, have taken into account class, caste and ethnic issues, for example:

— South Asian feminist movements have been active in raising issues of women's subordination, economic exploitation and social oppression, including restoration of democracy, against militarisation and extreme brutalisation of society, e g, gang rapes of masses of women, parading of naked women.

— They have been active against growing communalisation of society, religious fundamentalism, Hindu and Buddhist chauvinism, Islamisation and ethnic/nationality violence.

— They have struggled against the growth of anti-people science and technologies, green revolution and white revolution technologies, destruction of forests and other natural resources and against attempts to reduce the status of women, in agitations against bonded labour.

— Feminists, individually and collectively, have mobilised people (both women and men) against discriminations against

women, the absence of women in political process, agitation for equal pay and equal opportunities, population control policies, against sexism in the media and the text-books and crimes against woman (e g, dowry murder, sati, etc).

Feminist theory has made efforts to deconstruct family as a natural unit and to reconstruct it as a social unit with an ideology, an institutional nexus of social relationships and cultural forms/ meanings. Besides, feminist organisations have demonstrated more participatory, democratic and mutual support, rather than hierarchical soical relations.

The feminist critique of the family and the open-ended discussion on sexuality and morality initiated by some feminist groups led to the widest controversies. Feminists were depicted as ultra-left, petty-bourgeois, bourgeois, anarchist or worse. The 'worse' was that they were foreign agents, dependent on foreign money, in the pay of foreign governments. In south Asia, sections of the mass media have been particularly prone to use such arguments against the women's movement. In Sri Lanka for example, March 8 has been the occasion each year for attacks on feminists, the most recent example being an editorial entitled 'Female Chauvinism' in the *Island* of March 8, 1989 where stale old stories of western women burning their bras were repeated once again. When such views are put forward, left intellectuals do not come to the defence of the women's movement, leading us to conclude that on the issue of feminism, the right and the left are more or less in agreement. Here one may add that armed groups of youth, defined as 'ultra-left' who are active in the region, along with ultra-nationalist armed groups, have shown no greater awareness on the 'woman question' and some of them have, in fact, been conspicuous for their orthodox and puritan approaches to women, frequently pronouncing on women's 'duties' and giving orders on their behaviour and dress. The left organisations in Bangladesh and India, for instance, have repeatedly demonstrated and urged the state, employers and the public administration that they should enable working women to fulfil their roles as 'mothers' and 'wives' in the family. No effort was made to see any connection between the struggle against patriarchy and the struggle against capitalism and imperialism.

Many of us have also had personal experience of male chauvinism among left intellectuals and scholars of the region—the experience often being that the greater the 'eminence' of the 'important male' the worse his position of feminism. The level of ignorance on the women's issue is a cause for concern; few left intellectuals have bothered to read or understand the theory and practice of feminism, choosing, like their 'bourgeois' colleagues, to dismiss the movement as a western fad of upper-class women which has no relevance to the local situation. A typical example was the recent review of *Women of Pakistan* (by Fareeda Shaheed and Kanwar Mumtaz) made by Babar Ali, a Pakistani left intellectual, who stated that the book was "the westernised affluent bourgeois Pakistani women's story of 'struggle' for essentially westernised bourgeois women's rights".

Today we have to ask why there is such a reluctance to support the struggle for women's liberation among left intellectuals. One may argue that all males, including those of the left, do not want to lose the benefits of patriarchy in the home and in society. It may also be that there is a high degree of conservatism within the left—perhaps due to the largely petty-bourgeois origin of many south Asian left party leaders and cadres.

The underdevelopment of political theory within the south Asian left may also be seen as a major factor impeding a correct understanding of the women question. The dogmatic approach preferred by many left political leaders and intellectuals often means that nothing is 'correct' if not supported by a relevant quote from Marx or Lenin, Stalin or Mao, Castro or Ortega, as the case may be. This of course leaves little or no room for questioning: nor does it encourage discussion on those new areas of philosophy and political theory opened up, not only by the feminist movement but also by the ecology movement.

The spectre of western feminism has been used by many left party leaders and left ideologues to attack local feminists as bourgeois, westernised and influenced by 'white' feminism. It is alleged that in raising feminist issues in south Asia, feminists are causing disruption in the family, dividing the working people along gender lines, and disrupting the party. In such campaigns against feminism, the left often finds itself in strange company along with the Ayatollahs and other fundamentalists, who whip up xenophobia about western 'decadence'. Thus internationalism, which should be an essential element of left thinking, is replaced by narrow nationalism.

However, it would be wrong and un-wise to portray the left movements/ organisations that they have failed to take up women's issues. In the recent years, there has been some perceptible change in shaking off the patriarchal bias in the treatment of women members and women's organisations, though th still don't call them feminists or use t word 'feminism'. A majority of l organisations (in south Asian regio have set up women's wings/cells deal with the women-specific issu They have organised March 8 me ings, demonstrations against wi burning and other forms of violen against women, have helped femini groups to organise conferences on issu like familial violence, patriarchy and so c (example Patna, Jharkhand, Assam Na Mukti Sanstha). However, in these mobil sations they still tend to see women in th wife and mother roles, essentially havin a patriarchal attitude. A few of th CPI(ML) activists have written a mil critique of Engels' view on the family an private property. Yet they did not go fa enough to see the significance of hous work, the gender construction, women sexuality, and other issues raised b feminists. Nevertheless, it was also notic ed that some of those who became voca and active on women- specific = feminis issues, were expelled from their parties

WELCOME NOTE OF CRITICISM AND SELF-CRITICISM

A welcome note of criticism and self criticism of the Indian left on the woman question appeared for the first time or March 8, 1989 in *Mass Line* (a CPI(ML party organ) stating:

> Although women were in the forefront in various struggles and movements erupting across the country, this circumstance was never made use of either to politically develop cadres from among them or to develop a mass movement against the oppression of women. Instead, backward ideas of male supremacy and the like were peacefully coexisted with and even fostered by the party, whose actual role in the struggle against women's oppression was far from positive. In the name of the centrality of class struggle the leadership stubbornly brushed aside the question of women's oppression. The revisionist leaders were thus in fact guilty not just of mechanical thinking but of kowtowing to orthodoxy, of downright rightism. No wonder the lofty goal of the working class movement—the bringing into being of classless, oppressionless society grew more and more distant.

However, such 'theoretical' statements are seen as inadequate by feminists/ women's movements in India, as they have failed to locate the sexual division of the social relations under which women work within the house and outside and the social relations generated by the child-bearing role of women is structured in such a way that relations between men and women are relations of domination and subordination.

The left has given little attention to the

ssue of land rights for women and to rectify the existing agricultural wage system where women wage workers are lower paid than men. Moreover, there is no explanation given for the specific political and ideological oppression of women, the system of male control in the family and outside, the male inheritance of productive resources in connection with either land or factory production and the economic subordination of women in wage labour. Like the sexual division of labour, the sexual division of private property is regarded as natural and therefore not to be questioned. A woman's relation to productive property/land is always mediated through her relation to her husband, father, or brother, precisely her existence in the household where her husband is the head or in the natal family where the father or brother plays such a role.

In view of the above, what is then the status of 'unconscious' feminism? Can we call some women feminists who would reject such a description of themselves? Or, can we ascribe to them a feminism of which they are unaware? Let us see what some of the poor peasant women of Bihar have to say about their marginality in politics. These women critically questioned the sexual division of work in politics and the present-day responsibility of the 'wholetimers' (fully engaged in political work) in maintaining themselves and putting the entire burden of the household on the wife. They grudged that their husbands did politics at the expense of women and as a corrective measure suggested that a wholetimer should (1) share equally and fully the responsibilities and burden of household work and child care; (2) participate in production in order to support himself as well as the dependents of the family; and (3) participate in political work and make full efforts to help women in the family, e g, wife, sister, mother, daughter to actively participate in mass organisation/ political work. Seemingly, only then would it be possible for women to accept ungrudgingly and support the husbands' mass, political work and for the women themselves to participate in the political process of social transformation. Women spoke in the vein of leading Marxist leaders, like Rosa Luxemburg and Mao Zedong, and suggested a sharing and responsible role for male political workers.

Feminism is thus related to the fundamental restructuring of society with a women-centred approach, something that challenges the basic structures of oppression and inequality. However, organisations, including most of all women's organisations, have not yet conceptualised or defined for themselves the specificities of alternate processes/socio-political system or what they should be doing in order to bring about such a change. Accepting the mode of a protracted and organised struggle and realising well that their struggle is the hardest, women activists and researchers have often betrayed anxiety about a wide base of support and identification with peasant and working class women. That, women engaged in the struggle for feminist liberation did need more conceptualising and knowledge of problems of the movement, of history, as well as investigative research and interaction with each other to build up strength through solidarity action, i e, advocacy of their rights and providing support to each other in the women's groups. This has to be expanded regionally and internationally too. More important, women's solidarity action has to be extended to all progressive groups of women and men who question patriarchy and/or are connected with class organisations or other popular organisations.

Alternatives

1 The question of taking feminist issues into mass movements which include left and other organisations.

2 Supporting democratic, progressive women's organisations/groups and their struggles.

3 Coming together with other groups on issues of human rights, peace, ecology, against communal violence, anti-fundamentalist agitations, and for worker, peasant actions.

4 Taking the issues of feminism to woman students, the women's sections of political parties and women's political groups.

5 Raising men's consciousness that the women's struggle and feminism are part of democratic and socialist struggles.

6 Raising the issue of political activism and the need to activate the families of political workers in sharing of political work and household responsibility.

7 Recognition by feminists that left is an ally in the process of social change, based on an awareness of the importance of a class analysis.

8 Recognition of sectarianism and insularity by both feminists and leftists and to continue the dialogue on differences which may exist and on issues which are crucial to both feminists and leftists.

Banking and Economic Development

T K Velayudham

Banking and Economic Development published by the Indian Institute of Bankers, Bombay, 1989; pp 160 + vii, price not mentioned.

THE Indian Institute of Bankers must be congratulated for hosting, for the first time in a third world country, the International Banking Summer School, which is the 41st since its inception in 1948. For those in the banking world, the International Banking Summer School (IBSS) represents a high-level international forum for discussion of banking and financial problems by eminent practising bankers and economists. For this reason, the themes selected for discussion attract considerable attention and, over the four decades, the themes selected have been wide-ranging in scope and variety. The 41st IBSS held in New Delhi from September 17 to September 30, 1988 took as its theme 'Banking and Economic Development' and the papers presented have been brought together in the publication under review.

The publication contains nine papers and three case studies followed by group discussion syllabuses on five subjects. The nine papers presented at the IBSS could be classified into six subject groups and these are: (i) central banking and economic development; (ii) commercial banking in the context of changing global scenario and covering the Indian and Japanese experience; (iii) the international setting, covering the need for reform of the international monetary system and also international borrowing and lending for economic development; (iv) capital markets and economic development; (v) monetary policy; and (vi) competition and regulation in banking for development. This subject grouping is followed for the purposes of this review.

A general comment on the theme selected for the IBSS seems appropriate. Banking in relation to economic development is a theme which has been discussed in its various aspects and at several forums (national and international) for the past two decades or so. Reserve Bank of India itself organised in February 1970 an international seminar on "Banking and Development" and brought out a report. The subjects discussed at the RBI seminar dealt with quite a few of the aspects of banking in the context of development. No doubt, the IBSS has dealt with banking in relation to more recent developments, both national and global, in certain important areas like international monetary reform, international borrowing and lending, capital markets, competition and deregulation, etc. Yet the subject of banking and economic development seems a little hackneyed for an international seminar.

Central Banking and Economic Development

The paper on "Central Banking and Economic Development—Indian Experience" presented by a deputy governor of the Reserve Bank of India quotes the First Plan document to indicate that the role of the central bank in the process of planned development was recognised at an early stage and goes on to bring out the various aspects of the developmental role of the Reserve Bank of India (RBI) such as deepening and widening the financial system, promotion of institutionalisation of savings and investment, covering functional and geographical gaps in banking, creation of new institutions like Discount and Finance House of India, National Housing Bank, etc. Turning to the regulatory aspects, the paper refers to the administered interest rate structure and its impact on instruments of credit control; monetary targeting of a sort; allocation of credit because of the imperfections of the credit market; the RBI's concern for relative price stability; and the changing nature of the central bank's functions over time, both in content and significance. By way of peroration, the paper refers to the promotional and regulatory role of central banks in the environment of developing countries; the occasional conflict between the two roles; their long run compatibility and monetary policy as a countervailing force in the context of expanding development expenditures.

All this is good so far as it goes. In fact, the promotional as well as the regulatory role of RBI has been discussed since the RBI took upon itself the pioneering experiment of playing both the roles and this had invariably been the theme of the speeches of governors, deputy governors and others till the beginning of seventies. One would, therefore, be justified in expecting from RBI a paper containing the *lessons* of the Indian experience spread over almost a period of forty years. This is where the RBI paper does not do justice to the subject. The paper has just recounted the various measures taken by the RBI to promote development and also to regulate the supply of money and credit in the interests of price stability. No attempt has been made in the paper to *evaluate the Indian experience* of the central bank's role in economic development. There are a number of questions which the paper could have attempted to answer. For instance, how did RBI play its developmental role within the traditional framework of central banking provided by the Reserve Bank of India Ac[t] 1935? Was its promotional role direct [or] indirect? If it is indirect, what is it th[at] prevented RBI from assuming directly th[e] promotional role? Similarly, more than itsel[f] participating in the promotional role, ha[s] not the RBI guided and induced commercia[l] banks to play their role in development—which is unique and in contrast to the traditional relationship between central bank[s] and commercial banks? Again, why were th[e] institutions created for promoting development (IDBI, UTI, Agricultural Refinanc[e] and Development Corporation whic[h] became NABARD) delinked from RBI? What are the reasons? Or does the delinking support the 'hive-off' thesis develope[d] by Sayers in his Cairo lectures? Besides eve[n] without an expansionary fiscal policy, ha[s] not the shift in emphasis from economi[c] development to social justice rendered th[e] regulatory role of RBI less and less effective, to the point of ceasing to be a countervailing force? Finally, given the situation o[f] floating exchange rates, what has been th[e] experience of RBI in protecting the value o[f] the currency, as the country is dependent o[n] exports and capital imports so necessary fo[r] development? If only the RBI paper had attempted to throw light on these questions, it would have enhanced the value of the Indian experience considerably for a gathering of international experts who regard the RBI's experience as a model.

Commercial Banking

There are three papers falling in this group. The first, by John G Quinton, chairman, Barclays Bank, deals with commercial banking in the context of the changing global scenario. Quinton examines in his paper those major elements of change which affect the way in which banks (multinational?) conduct their business and also how banks would need not only to face competition but also to capitalise upon the changes so that the banks may continue to grow and prosper. According to Quinton, the Bretton Woods system set the stage for an environment of unparalleled stability in the financial markets in the post-war period which was generally characterised by fixed exchange rates, low inflation, low real interest rates, high growth and very little competition within the banking system. This cosy existence was, however, disrupted by several factors such as the breakdown of the fixed exchange rate system, the oil shocks first in 1973 and again in 1979, followed by inflation and higher levels of interest rates—from the effects of which the third world countries, dependent upon developed countries, could not escape. While these events were a traumatic experience for many countries, the banking profession seized upon the opportunities provided by the disrupting events and the new environment emerging

therefrom. Thus, for instance, the high inflation of the 70s resulted in a move away from fixed rate finance to variable rate financing of many kinds. Similarly, the volatility of exchange rates and interest rates speeded up the growth of markets for such products as forward exchange cover, swaps, traded options, futures, and the like. Besides, the huge imbalances between oil exporting and importing economies enabled the banks to act as intermediaries recycling OPEC surpluses almost to the point of reckless lending.

The main factors which, according to Quinton, are shaping the current financial environment are: (a) globalisation as reflected in the industrial world being dominated increasingly by a small number of multinational corporations; (b) massive investment in information technology arising from the paramount need for immediate and accurate information; (c) deregulation and internationalisation leading to the entry of new players and increased competition; (d) disintermediation as indicated by borrowers and lenders bypassing the banks; and (e) securitisation. In the opinion of Quinton, the most important of these is the technological change because information about money has become almost as important as money; besides, changing technology is also altering the delivery mechanisms for financial services, while, at the same time, it also means that pricing anomalies between markets are short-lived. To top it all is the fact that bank customers have become more discerning in their tastes and that it is no longer sufficient for the banks to be product-led; they need to be market-led. These trends would continue and would have an impact on the business of banks.

By way of conclusion, Quinton asks the questions as to what the way forward is and how would the banks capitalise on these changes which present not only opportunities but threats as well. Quinton believes that a bank must either have global aspirations, i e, it should view its business area as a worldwide integrated market, or alternatively be a niche player. The development of a global market will accelerate deregulation of domestic markets, will increase mergers and acquisitions of banks to achieve larger market coverage and will necessitate restructuring of bank managements.

While Quinton's paper provides many insights into the changing global scenario for banking, it is silent on some important elements in the situation. The first is the unresolved debt problem and given this situation, will the banks succeed in increasing their global operations? According to a study published by the IMF, lending to developing countries (by international banks) has declined since the debt crisis, to reach a low level in 1986-87 while during the same period there was a net increase in lending to industrial countries, which does not seem to be a healthy trend from the view-point of the international flow funds. Besides, quite a few of the international banks suffered capital erosion due to provision of huge loan loss reserves. It should also be noted that the operations of international banks have grown far ahead of the scope for effective regulation and supervision either within the markets or at the level of international institutions and governments. In the absence of any safety-net, would international lending operations by banks remain stable or would they show steady growth? What could be done to ensure this? These points deserve attention.

Turning to the second paper "Banking and Economic Development—Japanese Experience" presented by Shijuro Ogata, it brings out the important role played by the Japanese banks in the periods of high growth and slow growth and the relevance of Japanese experience to other (developing) economies. The role of banks in economic development in the high growth period, i e, since the end of the war to about 1970, has to be viewed in the context of Japanese economic policies the major aim of which was to accord the highest priority to the promotion of exports and private productive investment. This was because Japan, nearly totally destroyed by war, had to start as a small island country without much natural resources and capital. It was essential to import raw materials and food stuffs and export processed products to cover the import bills; and generally speaking, the balance of payments discipline chosen by Japan worked well, because economic policies were geared to high growth with price stability and manageable balance of payments position, through effective mobilisation of domestic savings within the framework of a balanced budget, prudent monetary policy, tax incentives for savings and investment and protectionist industrial policies. During this period of high growth, financial conditions in Japan displayed certain special characteristics. These are: (a) indirect finance was the major approach; financial requirements were met mostly by bank credit and not so much by issue of securities by corporations because of an underdeveloped capital market, meagre private savings mostly absorbed by banks and postal savings schemes and separation of banking business and securities business; (b) presence of different groups of banks called ordinary banks, long-term credit banks and specialised banks to avoid mismatching of funding and lending; (c) regulated interest rates; (d) establishment of government financial institutions; (e) permitting the inflow of foreign capital mainly in the form of short-term trade credits for banks and medium-term for Japanese industries; and (f) overlending by banks.

During the second period, i e, the slow growth period from around 1970, the financial conditions were affected by the changes in the real economy of Japan. The most important factors which brought about changes in the real economy were the slow down of economic growth, particularly after the dramatic rise in oil prices and the change in Japan's external position to that of a surplus country. The impact of these on the financial conditions were: (a) abandoning balanced budget concept and spending more than the revenue by issuing large amounts of securities which led to the development of the secondary market; (b) slow rise in the household sector's wages and incomes leading to diversification of financial asset-holdings in favour of higher earning assets; (c) improved financial position of the corporate sector, resulting in increased internal reserves; (d) liberalisation of exchange control due to surpluses on external account; and (e) flexible or accommodating monetary policy following the sharp rise in the Japanese yen to mitigate the adverse impact of the yen's appreciation. In these conditions, banks started expanding their international operations, as domestic corporate demand for bank credit was modest. Similarly, the trend towards securitisation became more pronounced. Deregulation and easy money conditions tended to squeeze bank profit margins. The important difference in the role played by Japanese banks during the period up to 1970 and after 1970s is that in the former period the banks played a leading role in development, while in the subsequent period their role has been passive in that they no longer initiated moves to create new economic situations.

The question is: how relevant is the Japanese experience to other economies, particularly developing countries? In two respects the Japanese experience is unique for that country and for that particular period. The first is that Japan started its post-war reconstruction and development when the world economy and world trade were growing with stable exchange rates, trade preferences and with the support of the strong key-currency country, viz, the US. Second, Japan was able to isolate, to a great extent, its economy and its economic management from outside influences. Nevertheless, some aspects of Japanese experience seem applicable to other countries. These are briefly: (a) political and social stability; (b) high rates of saving of the household sector which primarily financed economic development (not foreign capital nor government's deficit spending); (c) macro-economic policies which aimed at balancing growth and stability; and (d) financial schemes and banking practices which took into account industrial and social policy considerations. Two important factors which enabled the banks to play their role in development and *which are not referred to* in Ogata's paper are: (a) the deliberate undervaluation of the yen which made possible export-led growth of Japan; and (b) sound co-ordination between monetary and fiscal policies which created a stable price situation for savings and export competitiveness.

The third paper, "Commercial Banking: Lessons from Indian Experience", presented by the then chairman, State Bank of India, seeks to focus attention primarily on the experience of commercial banks in the post-

nationalisation phase. After giving a brief overview of the changes in the banking scenario, the paper discusses the most striking aspects of the impact of nationalisation, namely, shifts in the pattern of deployment of credit, the pattern of administrative intervention and integration with poverty alteration programme, and goes on to highlight the problems of expansion. Dealing with the first striking feature, i e, shifts in the pattern of deployment of credit, the paper refers to the pre-nationalisation position of bank credit which was characterised by a very skewed distribution, concentration within a narrow range arising from low capital base of commercial banks controlled by a few persons and strengthened through interlocking of directorships and the corporate borrowers. What impelled the authorities to curb this concentration and strive for redeployment of credit during the mid-sixties was the demand from the agricultural sector, which became more and more pronounced with the introduction of high-yielding varieties and adoption of capital-intensive agricultural technology, in the wake of two successive droughts. Following nationalisation, there has been a marked shift in the sectoral deployment of credit in favour of agriculture.

How has this change come about? By way of answer to this question, Ghosh makes a neat logical presentation of administrative intervention. After referring to the inadequacies of the market as an allocative mechanism, Ghosh focuses attention on the key elements in administrative intervention and these are: (a) direct exhortation by authorities, government as well as RBI, and through stipulation of targets for lending to those sectors which were hitherto neglected; (b) branch licensing policy which resulted in rapid increase in branch network in rural and semi-urban sectors; (c) indirect inducement through availability of refinance; (d) a scheme of insurance guaranteeing a part of the losses sustained by banks in lending in unknown areas: (e) introduction of differential structure of interest rates linked to income levels and types of lending; and (f) preparation of credit plans for each district by the lead bank whose responsibility it is to co-ordinate the activities of different credit institutions and local development agencies for drawing up the plans and implementing them. All these measures led to a quantum jump in advances to the sectors which, prior to nationalisation, were outside the banking system. However, the realisation that a major part of finance was going to the more affluent farmers necessitated the reorientation of banking policy to support the poverty alleviation programmes for the rural poor. Besides, the banking system brought about changes in the direction of credit flows through a credit plan at the macro-level and through stepping up of credit flow to the industrially backward states.

The achievement of the Indian banking system has been unique in that it has achieved remarkable diversification and expansion within a short period. However, this brought in its wake a number of problems such as: complexities of servicing diverse sectors, substantial administrative and supervising costs connected with poverty alleviation programmes, nursing sick units, personnel recruitment and training, operating on thin margins which are not adequate for maintaining viability. While the paper is a logical account of the evolution of Indian commercial banking and its experience, it has not touched upon some important problems facing the Indian banking system today. These are: large overdues, low productivity, low profitability leading to diversification through subsidiaries to generate surplus for maintaining viability. The paper does not also refer to the problems of additional overhead costs, administrative and personnel problems which are likely to arise from the adoption of the service area approach by the banks. These are the future challenges which the banks would have to face and the paper does not bring out whether the commercial banks, with the given structures and procedures, would be in a position to meet the challenges; nor does it suggest any solutions.

International Setting

The two papers, one dealing with the reform of the international monetary system and the other with international borrowing, seem to provide the international setting for the development theme of the Summer School. The first, presented by Rasaputra of the Central Bank of Ceylon, covers the familiar ground of international monetary problems and the efforts being made to correct them. While nothing extraordinary could be said now on the subject of international monetary reform, which has been discussed over and over again since the collapse of the Bretton Woods arrangement, the paper by Rasaputra makes some pointed observations on the subject. The paper starts by saying that one of the main causes for the present disarray in economic forces is the structure of the present monetary system which has been brought about through years of neglect due to the inertia and inactivity of the rich developed countries to get together with developing countries to arrive at a solution. It is also due to lack of understanding of the monetary system and the way it works, as is seen clearly in the events that overtook the financial markets in the form of unstable exchange rates, growth of the Eurocurrency market, uncontrolled lending and the stock market crash. Besides, the IMF which has been given the necessary authority to supervise the monetary system exercises its powers of surveillance more on developing countries than on the developed and this has been one of its main weaknesses. There is also a tendency to move towards a more liberal system of privatisation, thus leading to a market-oriented international monetary system.

Rasaputra identifies certain areas of reform. The major area of reform is th exchange rates. Neither the Bretton Wood formula nor the floating rates will give a ideal exchange rate that would facilitate th movement of goods, services and capital t promote optimum growth. Though th markets are used to dealing with floatin rates, uncertainty prevails in trade an payments which has its repercussions on pro duction, employment and growth. Secondly the role of IMF in managing the exchang rates has been considerably reduced by th demise of the Bretton Woods system. Th belief that floating rates would lead to a more organised adjustment process guided by market forces has not been borne out, a is reflected in continuing uncertainties imbalances in balance of payments, increas ing movements of speculative capital an erratic movements in exchange rates. Third adoption of target zone may have limited significance if IMF's surveillance is confined to borrowers from the Fund. Fourth, the in adequacy of IMF resources creates a liqui dity problem, forcing the countries to borrow from private capital markets without any conditionalities. Finally, there is the problem of transfer of resources from developing to developed countries as a result of heavy accumulation of debts. By way of conclusion, Rasaputra says that proposals for monetary reform should not be discussed only at the Rich Man's Club, that unilateral decisions taken by developed countries cannot lead to a satisfactory system in the long run and that the developing countries should have a share in the decision-making process.

The paper on international borrowing and economic development by Robert J White outlines briefly (a) the sources of capital for development and (b) the reasons for borrowing in general and puts forth the maxim that sound investments make borrowing profitable. The paper also makes the point that people or nations who borrow now without careful consideration of the need for and the means of servicing repayment, misunderstand the nature of debt and that debt mishandled carries its own penalties. After tracing the developments from oil prices to the debt crisis. White observes that international debt obligations can be met without driving the debtors' economies to the ground only by turning the current account deficits into surpluses. This can be achieved by taking the high road of export-led growth or the low road of import-depressing recession. Of the two, the former is clearly more attractive. An export-led recovery based on currency depreciation and restrained domestic spending creates a favourable climate for debt-servicing. White cites the experience of Australia and South Korea as case studies in weathering the debt problem and draws the conclusion that successes such as Australia and South Korea demonstrate that the risks can be managed if there is willingness to implement painful adjustment policies in the face of adverse and unforeseen circumstances.

Considering the growth and magnitude of the international debt problem and the com-

plications it led to as also the efforts being made to provide relief to debtor countries, White's analysis of international borrowing seems an oversimplification. Simiarly, the debtor economies being different as also their problems, the success stories of Australia and South Korea may not be of much guidance to these countries. Besides, the paper gives the impression that the debt crisis is the debtors' own making and that they have to accept the process of adjustment however painful. This is unrealistic. Though the debtor nation did borrow for a number of reasons, the liquidity crisis they got into was due to certain developments over which they had no control, i e, high interest rates, economic recession, decline in commodity prices and exchange rate variations. Lastly, it is surprising that presenting his paper in 1988, White did not even refer to James Baker's plan to provide relief to heavily indebted nations particularly in Latin America.

Capital Markets

In his paper "Capital Markets and Economic Development" Phillip B Lassiter of Citicorp International focuses attention on the role that capital markets play in efficiently moving capital from the sources to its users and the impact on economic development. For the capital markets to contribute to economic development, there must be a framework that (a) brings together holders of surplus funds and users of such funds and (b) offers to both investors and issues a broad spectrum of investment choices in terms of risk, reward and liquidity. Further, the growth and development of capital markets requires an environment that inspires confidence—the main ingredients of confidence being political stability, favourable regulatory/tax environment, reliable information flow, liquidity and perceived fairness.

Recognising that in the case of developing economies, the size of investment and the long-term pay-back requires external resources to supplement scarce domestic capital, Lassiter considers funding from external resources as most suitable, though it is not without pitfalls, as the recent international lending crisis has shown. However, this experience has yielded some basic lessons which according to Lassiter are: (a) it is not so much the absolute size of external finance as its mix that causes concern; (b) the importance of proper mix of direct investment and debt; (c) the case for investment in import substitution industries where economies of scale are not likely to be cost competitive; and (d) domestic industries, over time, must be exposed to world competition. Towards the end of the paper Lassiter touches upon the impact of capital markets and economic development on the banking system and is of the view that in developing countries, traditional banking would essentially disappear and illustrates this possibility by reviewing the evolution of banking in the US. The accelerating pace of technological change and information cost reductions will continue to radically alter the role of banks and the competitive environment. In the 1980s banks came under much pressure as securitisation and globalisation of markets gained momentum. In conclusion, Lassiter observes that banking systems in all economies must recognise the need to adjust their roles to respond to the changing environment and that banks have the opportunity to influence and shape the evolution of capital markets in developing economies.

While much of what Lassister says may be valid, in developing countries like India, given their structure, control and ownership, banks' role in shaping the capital market is limited. On the contrary, the developments in the capital market seem to influence the role of Indian banks—the recent manifestation of this being the process of disintermediation. It is this rather than technological progress and information cost reduction that may reduce the traditional role of Indian banks. Incidentally, Lassiter makes no reference to deregulation which, along with technological change and cost reduction, has made the banking environment more competitive.

Monetary Policy

The paper "Monetary Policy Revisited" by I G Patel is perhaps the best of the lot because of the incisive and illuminating nature of the analysis and because of its relevance to economic management in the context of developments, in both developed and developing countries. Patel begins with the question whether the recent monetary policy experience of industrial countries has any relevance to developing countries and observes that the question cannot be dismissed as irrelevant simply because there are obvious differences between industrial and developing countries. According to Patel, there have been of late far-reaching developments at least in some developing countries, particularly in the debt-ridden countries, and it would be interesting, therefore, at the present juncture, to look at the evolution of monetary policy in recent years with one eye on the developed countries and the other on developing countries.

Taking the industrial countries first, Patel refers to some important features of monetary policy and comments on them. First, there has been a shift from fullemployment as an objective of economic policy, to control of inflation; as far as trade-off between growth and control of inflation is concerned, there has been a common ground now in developed and developing countries and there is no trade-off but a virtuous circle where growth and control of inflation mutually reinforce each other. Secondly, there has been a shift of emphasis from short-term management to long-term growth in developed countries, that is, a shift from demand management to supply side economics or from macro to micro economic management. Third, there is the paradox that, while there is a decline in emphasis on short-term demand management, there is an equally firm belief that inflation can be curtailed by controlling demand. As far as anti-inflationary policies are concerned, there is no difference between so-called monetarists and Keynesians as to the need for reducing demand; the difference, if at all, is about the instruments or policies to be applied for reducing demand. Fourth, in industrial countries, monetary policy is viewed in the context of inflation and not in the context of growth. In the developing countries, while promoting development is a primary concern, there are other considerations related to monetary policy. Therefore, in developing countries a good monetary policy may well be one of great self-restraint. Fifth, in industrial countries there has been a growing preference for free market and resistance to government intervention or regulation. Finally, apart from the ideology of *laissez faire* and developments

in financial markets, some of the theoretical refinements in recent years have argued for a less active role for monetary policy in industrial countries. These refinements are: monetary rule, rational expectations and the Radcliffe statement that money is only one among financial assets—each differing in respect of yield or liquidity. Patel concludes that the inference suggested by the developments in industrial countries is that monetary policy is relegated to a more modest role.

Turning to developing countries and the lessons they can draw from their own experience and that of developed countries, Patel focuses attention on certain important aspects of monetary experience. First, monetary targeting. Given the objective of growth with reasonable price stability, it is considered necessary to keep the growth of money supply in step with the demand for it, which is assumed to be uniquely related to national income. This line of reasoning has led in practice to some version of monetary targeting in developed and developing countries. Criticisms of this approach are many: departures from monetary targets are so common as to make them cosmetic; monetary targets at best are intermediate targets; in the ultimate analysis, monetary targeting depends on the integrity with which it is set and adhered to. Can the central bank and the government come to a reasonable understanding on this? Second, discussion on interest rate policy in developing countries should distinguish between two aspects: on an average and over the longer run, how high should the real rate of interest be to provide maximum possible incentive for savings without unduly inhibiting investment? The other aspect is whether the system of administered interest rates be given up to restore flexibility to the rates which would reflect fluctuations in demand. The argument behind the prevalence of administered interest rates in developing countries is the need to avoid excessive variability in interest rates. There are the standard arguments about the relative ineffectiveness of interest rates. According to Patel, while some use of the interest rate instrument is necessary, caution is necessary in its use. The concept of competition in interest rates should also be accepted with great caution. Third, given the limited role of monetary targeting and also the interest rate as a weapon, central banks in developing countries would have to rely on quantitative and direct controls. Without trying to be dogmatic, developing countries can learn from the experience of developed countries which have replaced detailed controls by more general guidelines to encourage competition, while the financial institutions will have to suffer risks inherent in competition. Fourth, it would not be desirable for developing countries to abolish exchange control as it gives them a somewhat greater degree of independence from external developments; but there is need for discussion of an appropriate mix of monetary and exchange rate policy in developing countries. Fifth, the debate and experimentation with stabilisation programmes in developing countries, particularly in the debt-ridden Latin American countries. Lastly, the unfolding liberalisation in many developing countries. The important question here is the role financial liberalisation can play as part of the total process of liberalisation. There is need for a degree of deregulation and competition leading to greater financial innovations. Patel sums up his discursive arguments by saying that monetary policy can at best have a subordinate and supporting role in both developed and developing countries, that there is the danger in developing countries of giving the central banks an exaggerated role and that in the ultimate analysis monetary authorities cannot do much better than emphasise that their own role is only modest.

Patel's paper is of considerable practical value from the point of view of monetary management in developing countries, as it views the entire problem in the context of recent experience of both developed and developing countries. Besides, the paper contains many suggestions which could be examined further. It is interesting that at several points in his paper Patel neatly demolishes some of the major conclusions of the Chakravarty Committee Report, of which RBI is never tired of talking day in and day out.

Competition and Regulation in Banking

The paper "Competition and Regulation in Banking" presented by M Narasimham deals with one of the current problems facing the banking industry in developed and developing countries. There has recently been a strong orientation towards greater reliance on market forces and less on administrative or policy regulation in regard to economic activity and the financial sector has been no exception to this trend. In fact, financial deregulation has become the new orthodoxy. According to Narasimham, while it is tempting to view regulations and competition as antinomies, in the practical world they co-exist, with the frontiers of one determining the extent of the other. Competition and regulation are not alternatives. Up to a point, an efficient and growth-oriented banking system would require some prudential regulation and supervision. The question is: up to what point? This is a judgmental question and the degree of regulation would vary according to the stage of economic development of a country. The goals of regulation, to the extent these could be generalised, are: (a) to promote and ensure the safety and stability of the financial system; (b) to promote economic growth through institutional development; and (c) to enhance the efficacy of monetary and credit policy. Competition in the banking and financial sector implies: (a) freedom of entry and exit of firms into and from the sector; (b) no geographical or portfol restrictions; and (c) absence of or minim regulatory authority. A measure of regul tion is needed to enhance competitio because regulation by and large operat through the market and uses market instru ments. Such market-oriented interventic takes the form of the authorities active participating in the market. India provide a notable example of the extension of i terventionist policies to orient growth c banking towards economic development.

Against this background it becomes clea why the appropriate balance between regula tion and competition leans more towards ac ministrative regulation in developing cour tries. Experience has however shown tha regulation in developing countries tends t become too wide-ranging and detailed to th point of over-regulation. The co-existence o regulation with competition can also be bas ed on encouraging non-price competitio through the provision of new and innovativ savings facilities and by improved efficien cy in service. Perhaps the realisation tha over-regulation has its price is bringin about distinct changes and this is reflecte in financial liberalisation in some south an south-east Asian countries. The most com mon aspect of deregulation has been in th area of administered interest rates. Similar ly, promotion of greater competition ha been in the enlargement of the number o credit institutions. Narasimham conclude by saying that one wants both regulation an competition but not too much—a conclusion which does not seem very helpful fo purposes of policy formulation.

To sum up, the subjects discussed at the International Banking Summer School deal with important facets of the role of banking in economic development. It would have enhanced the value of the publication if these facets had been put together to present a unified theme, instead of allowing the various papers to stand on their own. In fact the subjects covered mesh well into each other. In a developing country, the central bank as the monetary authority has to develop the financial infrastructure to promote institutionalisation of savings and investment. It has also to ensure financial stability by conducting its monetary and credit policy in a pragmatic manner without getting rigid or overactive. Commercial banks which are the links between the real sector and the central bank have to play their role by mobilising savings and deploying them in productive and preferred sectors. The capital markets should be enabled to play their role in mobilising resources, particularly equity capital, by creating appropriate investment climate. Avoidance of over-regulation and unhealthy competition should render the process of development smoother. Given these conditions, a favourable international trade and monetary environment coupled with capital flows on reasonable terms should contribute to the acceleration of the growth process in developing countries.

A History of Achievements

Ashim Kumar Roy

The Asiatic Society of Bengal and the Discovery of India's Past by O P Kejariwal; Oxford University Press, Delhi, 1988; pp xiv + 293, Rs 175.

KEJARIWAL has written this interesting story of the first 54 years of the Asiatic Society of Bengal. The members of the society, all Europeans until 1829, did pioneering work in many fields of knowledge. They discovered Sanskrit literature for the Europeans, translated law books, found out about Indian mathematics and astronomy, deciphered the ancient scripts of India, and brought to the notice of the world the names of the ancient emperors and dynasties. The *Puranas* mention Ashoka as one of the Mauryan kings, but say nothing about his greatness as a man or about the extent of his empire. The *Vishnupurana* mentions only the name of the Gupta dynasty of eastern India, but the names of the kings of this dynasty had been forgotten. Many other dynasties such as the Valabhis, the Maukharies, the Palas, etc, had faded from memory. In short, practically nothing was known about the political history of India before the coming of the Muslims. All these discoveries were made by the members of the Society.

Kejariwal first gives the condition of the intellectual life of India at the end of the 18th century. This he found was nearly moribund. Sanskrit was a dead language. Writings in most other Indian languages, except Urdu, had lost their creative vitality. The only things the Indian intellectuals discussed were grammar and logic, both essentially barren subjects.

Europeans had started coming to India in the early 16th century. They were mainly soldiers, merchants, pirates or outlaws. They were not interested in cultural matters. A few missionaries also came to India, and some of them learned Sanskrit for professional reasons. Among these was Pons, a French priest who, it appears, was known for his scholarship. In 1718, the librarian of the king of France wanted to build up a collection of Indian texts. Pons who was posted in Chandernagore in Bengal, as able to collect many works of the different branches of Sanskrit literature there.

In the second half of the 18th century, Pondicherry in south India became a centre of Indian learning. This was due to Maridas Pillai, a Tamil scholar who knew French as well as Latin. French scholars who visited Pondicherry became his pupils. Maridas translated the Tamil version of the *Bhagavata Purana* into French. The manuscript was sent to Paris where Joseph Deguignes found the name of Sandragoutten, i e, Chandragupta, in the list of the Maurya kings. Deguignes recognised in this name Sandrakottos of the Greeks, who was contemporaneous with Seleucas Nicator (303 BC). This clue to the chronology of ancient India was rediscovered nearly 20 years later by William Jones.

British interest in Indian studies started after 1765 when they took cover the administration of Bengal. Some knowledge of the Indian system of almanac-making was immediately necessary, for a calendar of Hindu holidays was required by the government. But more important was to find out the laws of the Hindus regarding inheritance, adoption, etc. The study got an added impetus due to the enthusiasm of governor general Warren Hastings in these matters.

Thus the time was ripe for Indian studies when William Jones arrived in India in September 1783. Jones had planned for himself a vast field of study, and engaged himself in these studies at once. On January 15, 1784 he formed the Asiatic Society. The members of the society carried on research in many fields. Jones was interested in literature. He translated the *Shakuntala* and the *Gita Govinda*. Samuel Davis's interest was in astronomy. He translated the *Suryasiddhanta*. Others worked on geography and natural history.

William Jones died in 1794. Among the scholars who carried on Jones's work was H T Colebrooke, a servant of the East India Company, and an eminent Sanskrit scholar. Many years later Max Muller called him the greatest Sanskrit scholar England has ever produced. Colebrooke started with the study of the social customs and laws as depicted in the ancient texts, but later his main interest was in mathematics and astronomy. It was he who discovered that the Indians excelled in algebra and were ahead of everybody else upto the 12th century.

Colebrooke was president of the Asiatic Society from 1806 to 1815 when he returned to England. H H Wilson, another great Sanskritist became the leading figure in the society. An interesting paper that was presented to the society in 1816 was on the 'Existence of the Hindu Religion in the Island of Bali'. John Crawford, the writer, dealt with the subject in great detail. He observed that the Hindu religion was at one time 'extensively spread throughout the oriental archipelago', but had since become confined only to Bali. Here it was the natural religion 'the religion of the nine-tenths of the people'. Many years later Indian historians re-discovered these facts.

Interest in Indological studies diminished among the British when in 1818 James Mill, in his influential work *The History of British India*, denied the existence of civilisation and culture in ancient India. However, not much harm was done, for, by this time, the French and other European scholars had got interested in Sanskrit studies. Schlegel, a German scholar, remarked, "Literary and scientific zeal appears to be unknown to the English in India, and the spirit once called into animation by Sir William Jones seems to have now become extinct."

Though enthusiasm for literary studies diminished among the English in India, it was replaced by the interest in archaeological, epigraphic and numismatic discoveries. The results of these discoveries were not of less importance in unravelling the history of India. Many of these discoveries were made in the period 1832 to 1838 when James Prinsep was the secretary of the Asiatic Society. Prinsep carried on his researches in Calcutta on the basis of the material collected in the field by many archaeologists, the principal among them being Cunningham. The name of Kanishka, the Kushan king, mentioned in Hiuen Tsang's travels, was found on a coin from the north-west of India. The Allahabad inscription about Samudragupta was fully read, and thus almost the complete genealogy of the Guptas could be prepared with this and the Bhitari inscription. The genealogies of the Vakatakas, the Valabhis, and the Kadambas, the dynasties whose names had been forgotten could be drawn up.

But the most important things that happened in this period were the decipherment of the Brahmi script and the identification of Ashoka. Ashoka's edicts which are mostly in this script generally mention him by his epithets *Devanampiya Piyadasi*. Prinsep who read this script could not at first identify this Piyadasi, who had spread his edicts throughout the length and breadth of India, was. The mystery was cleared with the help of the Chronicles of Ceylon, and it was established that Piyadasi was the Maurya king Ashoka.

Kejariwal gives full credit of decipherment of the Brahmi script to James Prinsep. He could have perhaps mentioned that his main aide in this effort was Kamalakanta Vidyalankar who later was made the pandit of the Asiatic Society and Librarian of the oriental books. He might have also mentioned that the German scholar Lassen had already deciphered a few Brahmi letters from some coins of the Indo-Greek kings whose names were inscribed in both Greek and Brahmi letters. But this is nit-picking in this work of painstaking research. The book is also pleasant to read.

Impact of Centre-State Relations on Indian Politics

An Interpretative Reckoning, 1947-87

T V Sathyamurthy

In the last four decades, India has undergone a transformation from a homogeneous polity in which power was shared between the centre and the states under the control of the ruling Congress Party into one in which control is shared between the centre which has continued to be governed by the Congress Party and the states in which a variety of different parties—of which Congress(I) is one—have won executive power in the legislative assemblies. Since the end of the Emergency, and to an even clearer extent since the induction of the Rajiv Gandhi government, an entirely new chapter of co-existence between rival segments of power-holders at the centre and in the states seems to have begun.

This paper discusses the changes in centre-state relations and their impact on Indian politics using the following periodisation: (1) the era of linguistic/cultural differentiation within a framework of unchallenged unity and integrity of the Indian state (1947-67); (2) the era of centralisation following the challenge from the states (1967-77); (3) an interregnum of attempts to redress the balance of influence in favour of the centre (1977-84); and (4) the era of coalition and co-existence between the centre and the states (from 1985).

DURING the last four decades, the Indian state has addressed the task of coping with the tensions arising in different regions of the country by resorting to a variety of means, depending upon the particular facet—economic, political, constitutional or cultural/linguistic—involved in each specific conflict. Shifts have occurred in the major thrust of centre-state[1] conflicts and contradictions since independence which—by virtue of their magnitude and in view of the political actors involved—can be best analysed by appropriate periodisation. The interest of these conflicts for the student of politics stems from the following main considerations:

(1) Major political tensions *within* the ruling party at the centre—the ruling Congress Party in its different transmogrifications, undivided Congress, Congress (R), and Congress(I), except during the brief post-Emergency interregnum of 1977-1979/1980—as well as tensions between it and a wide variety of opposition parties, which offer more or less plausible alternative centres of power in different regions (and also at the centre, albeit in coalition[2]) are clearly reflected in the unfolding of centre-state tensions in any given period.

(2) Major economic tensions have tended to follow parallel lines. On the one hand, the contradiction between the rising urban and rural working classes (consisting of unskilled, semi-skilled and skilled industrial workers, and their multiplex trade unions rooted in the major political formations in the country—Congress, the Communist Party of India (CPI), the Socialist Party (SP), the Janata Party (JP), and the Communist Party of India-Marxist, CPI(M); and, unevenly and sporadically organised agricultural workers and poor peasants) and the ruling classes has, at least since the early 70s, been successfully deflected by the state. Not only have working class organisations become fragmented and emasculated, but also the ideological underpinnings which imparted class 'militancy' to them have been undermined as a consequence of the emergence of a number of trade union satrapies of which the Bombay textile mill workers under Datta Samant[3] constitute but the most recent and dominant example.

At the same time, the logic of economic development under Indian conditions of dependence and unevenness[4] has rendered the working class as a whole unstable in composition. The instability of the working class, during recent decades, has been endemic due to the rationalisation of industry and sudden shifts from labour-intensive to capital-intensive production, and the large scale transformation of subsistence agriculture into cash crop agriculture. As a result, widespread displacement of labour has occurred, leading to the expansion of marginalised, unorganised and seasonal-migrant labour forces which are, politically and economically, even weaker than the unionised workforce.[5]

On the other hand, as we have argued elsewhere,[6] there has been an intensification of the horizontal contradiction *within* the dominant class during recent decades. The conflict, at least in the short run, between the industrial bourgeoisie (which has been, on the whole, the greatest beneficiary of central planning and public sector expansion policies of the central government) and the rising rich and middle peasant classes (which have effectively displaced the 'feudal' landed classes of the colonial period) has not been easy to contain. By adopting the green revolution strategy, the Indian state created conditions under which the development of agriculture took place along lines that ensured not only a sharp differentiation of rural classes and contradiction between them in the countryside (i e, between the rich and middle peasants on the one hand, and the poor peasants and landless labourers on the other), but also a divergence of interest between the industrial bourgeoisie and the rural rich.

This horizontal conflict has been activated since 1972 when, for the first time, India attained self-sufficiency in food. Throughout the 70s and 80s, the tension between the industrial capitalist forces and the rural rich has been aggravated, with centre-state relations providing the political arena in which they are manifested. Except during the brief period (1978-79) when Chowdhury Charan Singh was successively finance minister and caretaker prime minister, the central government has been seen invariably as the custodian, by and large, of the interests of India's national industrial bourgeoisie in this conflict. Over the last two decades, the state governments (especially in regions where the green revolution has been successful—e g, the Punjab, Haryana, and Uttar Pradesh) have emerged as the natural champions of the interests of the rich and middle peasant classes.[7] This aspect of power-sharing between the centre and the states has undergone some modification since the assumption of power by the Rajiv Gandhi government.

(3) Cultural and linguistic differences, which have no doubt contributed to the political idiom specific to centre-state relations right from independence, are generally given too much or too little importance

n the two major strands of the literature—functionalist and Marxist. Whilst political and economic conflicts develop centre-state conflict dimensions of their own, conflicts involving linguistic and cultural (and even communal) dimensions have tended to assume significance under certain circumstances.[8]

First, language and culture are emphasised (especially in the regions lying outside the Hindi-speaking heartland of India, embracing Uttar Pradesh, Bihar, Madhya Pradesh and Rajasthan) as features unique to the different 'nationalities' comprising India.[9] Demands for an equitable distribution of political power and privileged access for weaker regions to economic resources are often couched in the language of demands for greater autonomy for the different states as well as for a more generous investment of central plan resources in remoter regions far away from the 'heartland'. Second, poorer states which do not have an active 'producing' class capable of accumulating surplus through agricultural or small industrial economic activities have shown themselves to be specially skilled in raising the banner of rebellion against the centre.

Thus, the Assam agitation[10] must be distinguished from movements such as Udayachal, Jharkhand and Gorkhaland movements in which the sheer despair of oppression by a majority community is believed to justify rebellion. The difficulties in the relations between the centre on the one hand, and on the other, small but strategically significant states on India's periphery can be legitimately viewed in terms of pressures generated by the ruling elements of the various 'nationalities' involved. Thus, for example, the ruling elements in the societies of Jammu and Kashmir and the 'seven sisters' of the north-east (with the exception of Tripura), which may be more or less adequately characterised as 'non-productive' petit bourgeois forces, have been involved during recent decades in constant agitation to secure increased flow of resources from the centre and the state governments' right to exercise control over them.

In the existing literature on the cultural and linguistic dimensions of centre-state relations, one strand lays far too great an emphasis on aspects relating to such questions as 'Hindi imperialism',[11] 'unitarisation of the federal polity'[12] by manipulating the Indian constitution, and 'foreign influences'.[13] Another strand tends (mistakenly) to dismiss these as unimportant in preference to locating centre-state tensions in the tensions and contradictions between classes *qua* classes, without providing a detailed empirical characterisation of the class configuration developing in India and of the role played by the Indian state in the process of its unfolding. Only very tiny segments of the literature show evidence of an appreciation of the complex character of the inter-weaving between linguistic/cultural and political/economic factors underlying centre-state conflicts in independent India.[14]

During the first four decades of independence, three major shifts have occurred in the pattern assumed by centre-state conflicts. The original impetus for these was provided by the cultural and linguistic divisions between heartland or hinterland states in which Hindi is spoken and the states/regions on the periphery in which non-Hindi languages predominate. Whilst the importance of the centre-state conflicts of the fifties for the unity of India were magnified and exaggerated out of proportion outside India,[15] they were viewed within India as no more than teething troubles of the new federation in which power was shared between like-minded politicians and mutually compatible economic groups in the states and at the all- India level.[16] Even so, it is worth remembering that intra-Congress rivalries between state-level leaders and the centre did take place in the political atmosphere surrounding a not-as-yet sufficiently fortified Indian state.

As political opposition to the Congress Party grew in the states on the periphery, apparently cultural and linguistic divergences acquired economic overtones and developed into competition between different segments of the ruling elements in a number of states for control over the executive power in governments. With electoral success, state-based 'nationality' movements in regions such as Tamil Nadu, along with much weaker national opposition parties have been able to mount a steadily accelerating challenge to the centre's power.[17]

The relationship between the Congress Party and the opposition parties in general and provincially based opposition in particular was modulated in a rapidly changing political atmosphere in which the Indian state was being steadily strengthened and its coercive power was becoming capable of ever more rapid deployment throughout the country. Even so, within a period of less than two decades ending with the Emergency, centre-state relations had come full circle with the dawning of the realisation that the era of massive centralisation of power in the state as in the central ruling party did not automatically result in the victory of the centre over the states. However, since the end of Emergency, and to an even clearer extent since the induction of the Rajiv Gandhi government to power, an entirely new chapter of co-eixstence between rival segments of powerholders at the centre and in the states seems to have been begun in the history of independent India.

The periodisation suggested in this article is as follows: (1) The era of linguistic/cultural differentiation within a framework of unchallenged unity and integrity of the Indian state (1947-67); (2) The era of centralisation following the challenge from the states (1967-77); (3) A brief interregnum of attempts to redress the balance of influence in favour of the centre (1977-84); and (4) The era of coalition and co-existence between the centre and the states (from 1985).

I

The political emphasis of the Indian constitution rapidly shifted from a confederal to a federal to a unitary conception of the Indian union during the brief life time of the constituent assembly.[18] The overwhelming popularity of the Congress Party throughout the country at the time of independence; ensuring a homogeneous government at the centre as well as in *all* the states, enabled the Indian government to create the impression successfully that the constitution was federal in character and power would be shared between the two levels of government rather than imposed by the centre on the states.

The pressure in favour of linguistic states intensified during the initial stages in the provincial Congress organisations in the non-Hindi regions, except in Tamil Nadu where a widespread popular opposition to Hindi led by non-anti-Congress elements went hand-in-hand with demands for a Tamil state defined by the regional language which emanated from the Tamil Nadu Pradesh Congress. Very early on the Indian state established a double standard in the measures that it adopted to deal with *mass* agitations (e g, the linguistic agitation of Telugu-speaking Andhra people led by the Congress) and class agitations (e g, the Telengana agitation, also in Andhra) led by the Communist Party of India (CPI).[19] Even though national leaders (e g, Nehru) were not nearly as keen after independence as they had been before the idea of linguistic states, the Congress Party organisation (which continued to bear the imprint of Sardar Patel's style of functioning even after his demise) was not averse to the idea of strengthening the state governments as a means of maintaining its mass following.

During the period 1947-57, there was no other party in any of the Indian states which posed a sustained electoral challenge to the Congress.[20] With the CPI tamed after Telengana into a parliamentary opposition force (after being forced to all but give up its insurrectionary or revolutionary role) and the Congress at the helm both at the centre and in the state,[21] the centre appeared to yield to linguistic pressures in line with the ruling party's commitment, during the nationalist struggle, to re-divide India into politically homogeneous states reflecting the country's national unity in cultural/linguistic diversity.

As a result of the recommendations of the high powered States Re-organisation Commission (SRC), large new states were brought into existence, Andhra Pradesh, Maharashtra, Gujarat and Karnataka. Nevertheless, the general understanding of the non- contradictory (in fact, even mutually complementary) character of the power-holders at the centre and in the states underlying the first great spurt of re-carving the internal boundaries of multi-lingual India did not extend to three specific areas.

In the case of Uttar Pradesh, a powerful

argument was advanced by K M Panikkar (one of the three members of SRC) to the effect that the opportunity provided by linguistic events to re-draw state boundaries should also be taken advantage of to divide the administratively unwieldy and economically unevenly developed state of Uttar Pradesh into two more viable states. This recommendation, in the form of a lengthy dissenting minute, was greeted with such hostility by the ruling party that it was widely believed to be animated by a touch of 'Hindi imperialism' and 'hegemonism of the north'.

The linguistic demands of the Punjabi-speaking population, largely but not exclusively Sikh in composition,[22] were ignored by a provincial leadership dominated by Hindus which engaged in a political manipulation of linguistic census in such a manner as to create a false impression to the effect that the Punjab was a largely Hindi speaking region. Nehru believed that the Punjab should be regarded as a special category of state (bordering as it does on Pakistan) to which the restrictions of 'unitarism' rather than the flexible adjustments characteristic of 'federalism' ought to apply.

In the case of Assam, compounded by the rising tensions of the north-east as a whole,[23] the linguistic conflict with took on a new dimension (by virtue of the fact that the economic, educational and administrative life of the state was dominated by an immigrant upwardly mobile Bengali community, and the economic future of the mass of the people belonging to the Assamese linguistic/cultural nationality was being imperilled by the regular exodus of Bengali people—mainly poor Muslim peasants and landless labourers—from East Pakistan into Assam) was not given the attention that it deserved until it exploded into a big violent crisis for the first time in 1962. In the north-east as in the north-west, arguments of national integrity, unity and security were invoked to suppress political demands in Assam that were met as a matter of course in other parts of the country.

By and large, however, 'federal' India, during the period 1947-67, was characterised by political homogeneity. The power of the state, as indeed power in the states, was wielded by the same political force represented by the Congress.[24] No great conflict had yet surfaced between the captains of industry who envisaged a dominant role for the state in the modernisation of the Indian economy on the one hand, and on the other, the newly arisen 'rural rich' whose interests in the states were largely represented by the pradesh Congress leaders in control of executive power.[25]

During this period, significant economic changes were introduced mainly through the instrument of central planning. The expansion of industry throughout the country under the aegis of the state, the widening of the market accompanied by its penetration of wider and wider sections of the population, the vastly increased scope for the expansion of private industry in general and small and medium industries in particular, and the opening up of the whole of the country to entrepreneurs from any part of it wishing to invest, produce and sell, contributed to a process of economic unification of India and of giving its rising industrial bourgeoisie a 'national' (as differentiated from a sectional, regional or partial) identity. The Indian national bourgeoisie, for its part, welcomed these changes and the opportunities that they presented for industrial expansion and diversification.[26]

The agrarian economy of India, also in the throes of far-reaching transformation, however, presented a somewhat different picture. Indian agriculture was even more unevenly developed than Indian industry. The social and political changes required to place Indian agriculture on a modern footing were enormous by comparison with the modest beginnings which most Congress governments were prepared to contemplate during the first three five-year plans.[27] Even although the days of the pre-capitalist landlord class of the colonial period were numbered, feudal relations of production continued to exercise a sway in many parts of India.[28] The rise of a new class of more or less 'capitalistically' orientated rich and middle peasantry (drawn largely from the ranks of the 'tenantry' of the colonial era) on the one hand, and on the other, the emergence of a 'wage' conscious landless labour class and poor peasantry (in the place of bonded serfs in a state of perpetual indebtedness) with a potential claim to the land tilled by them, was a slow process, the full dynamic of which had not yet begun to unfold itself.

The drama of subsequent decades, located in a plot dividing the agrarian and industrial segments of the Indian capitalist class into mutually antagonistic elements—combining together to constitute an increasingly fractured ruling class impinging upon a rapidly fragmenting political system—was scarcely discernible, except as a distant portent, so long as Congress successfully appeared to perform the tasks of a ruling umbrella party capable of serving the interests not only of antagonistic classes but also of mutually antagonistic segments within the same class.

On the eve of the fourth general election (1967), India presented a picture, the main components of which were a considerably more powerful state (than at independence), capable of exercising coercive power on the mass of the population more or less at will, an economy dominated at the national level by the state acting mainly in the interests of the national bourgeoisie and a rising class of as yet not strongly differentiating rich and middle peasantry, and a polity in which the intra-party differences of the Congress revolving round the question of the relative autonomy of the states within the federal framework of the Indian constitution were rapidly yielding place to conflicts of a substantial nature between the Congress Party on the one hand, and on the other, national and regional opposition part[ies] belonging to the entire political spectr[um] from the left to the right.[29]

The failure of successive Congress a[d]ministrations at the centre and in the sta[tes] to alleviate the harsh economic conditi[ons] of the mass of the Indian people led [to] widespread alienation and disaffecti[on] throughout the country which were reflect[ed] in the disastrous performance of the ruli[ng] party in the 1967 general election in [a] number of states and in its much reduc[ed] majority in Lok Sabha.

II

Of the several opposition governmen[ts] which took power in the states during t[he] interregnum between the indecisive four[th] general election and the much more decisi[ve] fifth general election (1971), the governme[nt] of Tamil Nadu led by the Dravida Munnet[ra] Kazhagam (DMK) Party[30] was the first [to] take on board the question of centre-sta[te] relations on a political level in a systemat[ic] manner. In the other states where the Co[n]gress Party had lost control, executive pow[er] was wielded for brief uncertain periods (i[n]terspersed with intervals of President's ru[le] under the governor) by far-flung coalition[s]. They were inherently unstable by virtue o[f] their eclectic political colouration, and the[ir] sole purpose seemed to be to keep themselv[es] afloat in the face of the machinations of th[e] Congress Party which manifested a decisiv[e] proclivity to encouraging defections fro[m] almost all non-cadre parties (especially in th[e] Hindi-heartland states) with the aid o[f] monetary and other incentives.[31]

On the left of the political spectrum, th[e] 1964 split of the undivided CPI had the ef[fect] of hamstringing the much more popula[r] Communist Party of India (Marxist) CPI(M) in West Bengal, Tripura, and Kerala. For, the CPI(M) was, on the one hand, no[t] well placed (especially in West Bengal) t[o] cope with opposition from the Naxalites o[r] the Communist Party of India (Marxist-Leninist) (CPI-ML) elements[32] withou[t] unleashing violence and resorting t[o] desperate measures, whilst on the other, i[t] was unable to prevent the CPI from slipp[ing] into the role of the Trojan horse of th[e] left by edging closer and closer to the ne[w] brand of shibboleth socialism that the rul[ing] party was propagating during the run u[p] to the 1971 general election.

Although CPI(M) did raise the issue o[f] centre-state relations during the 1967-6[9] United Front experiments in Kerala, Wes[t] Bengal and Tripura (in which it shared ex[ecutive] power with other parties), it[s] substantive contribution to the debate ha[d] been minimal. The Rajamannar report,[33] commissioned by the Tamil Nadu govern[ment], was the first detailed official docu[ment] published by a state government to dea[l] with various aspects of the political, finan[cial] and economic relations between the cen[tre] and the states.[34]

The ruling party at the centre was much nore concerned during this period with efurbishing its image in the eyes of the mass of the Indian electorate, whilst the Indian tate embarked upon a strong programme of containing popular unrest, of de-stabiising popularly elected but oppositionontrolled state governments, and of attemping to emasculate and crush left parties in general and CPI(M) in particular. The already impressive and far-reaching coercive power wielded by the Indian state apparatus was further augmented in the performance of these repressive tasks by repeatedly invokng the need to safeguard India's unity, integrity and security from internal and external threats.

The strategy adopted by the leadership of the Congress Party to improve its public standing consisted of provoking an internal split aimed at cleansing the organisation of the baleful influence of the so-called 'Syndicate' and entrenching the sway of a catchy brand of pseudo-radical populism championed by those in positions of influence who favoured a greater centralisation of power and a much more *dirigiste* orientation to politics in the states.

It was, in fact, during this period, that the practice was begun of the central organisation of the party imposing its own nominees for the chief ministership of Congress-ruled states and of changing their incumbents at will.[35] At the same time, the practice of democratic election of office-bearers at various levels within the party was brought to an indefinite standstill.[36] Thus, even though the immediate reason behind the 1969 crisis within the party was provided by intra-party differences over who should be the Congress nominee in the presidential election (1969),[37] the organisational changes initiated during the 1969-70 period were to have far-reaching effects on the internal working of the Congress Party, on the role of the Indian state in dealing with legitimate opposition, and on the role of the Indian Constitution and the machinery of government established under its provisions.

During the period 1969-75, attempts were made by the centre to clamp down opposition which manifested itself mainly in the form of trade union agitation by organised sections of labour, a brief but unconvincing return on CPI(M)'s part to revolutionary activity[38] after its retreat from the parliamentary path compelled by the ruthless application of state power against the organisation and its cadres, and the mass movement (especially but not only in Bihar and Gujarat) against corruption under Jaya Prakash Narayan's leadership.[39]

Compared to these large-scale manifestations of discontent,[40] the challenge—already watered down in content and portent due to years of less than incorruptible exercise of power, to say the least—posed by a regional opposition party in control of executive power in a single state (DMK of Tamil Nadu) was negligible. The centre under the Congress Party and the Tamil

Nadu state under DMK had become habituated to a regimen of co-existence without wires being crossed between the two sides about the extent of leeway a state could expect from the centre. All this, notwithstanding the political wisdom enshrined in the celebrated Rajamannar report.

The impetus for the Indian Emergency (1975-77) was thus derived not from any contradiction between the different instruments of federal power representing the centre and the states, but predominantly from political challenges that sprang from out with the confines of government and which were interpreted by the Indian state as a threat to its integrity and security rather than as demands for a new democratic mandate for the control of its power. The full impact of the Emergency can only be understood against a background of three related considerations. First, with the success of the green revolution, powerful political forces rose to the surface in a number of regions which represented the interests of the 'rural rich', more specifically the rich peasantry and the middle peasantry.[41] Whilst the Congress Party was in a position to put itself forward as the champion of the interests of the rich and middle peasant classes through the ranks of its regional elites, its influence among these classes was being eroded for two major reasons:

(1) The centre came under increasing pressure from industrial capital to release some of the surplus derived from agriculture for furthering the industrialisation and modernisation of the Indian economy. With the achievement of self-sufficiency in food, it was argued, the balance between industrial capital and agricultural capital should be reconstituted by government policy at the state level aimed at reducing grants, keeping down procurement prices and introducing a measure of agricultural taxation.

(2) The rural poor (and, in particular, the landless labourers and the poor peasants), largely consisting of low caste people and Muslims, who looked up to the Congress Party which they supported in elections, bore the brunt of local oppression by landowning castes whose interests were served by the ruling party as well as several regionally-based opposition parties.[42] Over a period of time, the rural poor became disenchanted with the Congress as well as with other non-left regional parties.[43] Except in Kerala, West Bengal and Tripura where CPI and CPI(M) had shown themselves to be capable of introducing limited but enlightened land reform, and in Karnataka where the relative lack of entrenched rich peasant power enabled the Congress chief minister Devraj Urs to implement (during the 70s) a liberal land and agricultural policy, the plight of the poor peasantry and landless labourers rapidly worsened throughout India in an economic atmosphere of downward differentiation leading to an expansion of the ranks of agricultural (and especially landless) labourers. The Emergency simply added a new dimension of state oppression and tyranny to the economic and social oppression that they suffered in their daily lives. All the more ironic, in view of the government's claim that its 20-point (and Sanjay Gandhi's five-point) justification of the Emergency—that it was solely inspired by concern for the welfare of the poor and the oppressed.

Moreover, the 1969 split, far from healing the rift within the Congress, simply had the effect of opening the floodgates of factionalism, groupism and dissidence even wider. In order to deal with the process of internal disintegration and the momentum rapidly gained by the growing contradiction within the party between those in control of state power (i e, the central leadership personified in the prime minister[44]) on the one hand, and on the other, the Pradesh level leaders, power was concentrated in the hands of a coterie which enjoyed the confidence of the prime minister and her family. The Pradesh Congress organisations were pitted against opposition parties (e g, the Bharatiya Kranti Dal (BD) and its various subsequent fragmentations and transmogrifications) which put themselves forward as champions of the rich and middle peasant classes in their struggle against a centre eager to seize the political opportunity to compel them to agree to a policy of transferring surplus from agriculture to industry by reversing the terms of trade between the two sectors of the economy. They were also confronting the central Congress leadership which took advantage of endemic dissidence within the ruling party[45] to impose its own nominees as chief ministers of Congress-ruled state governments and leaders of the various Pradesh Congress organisations.

The Pradesh Congress organisations were thus undermined and their leaders (with individual exceptions) lost touch with the mass of the people. At the same time, money power became a substitute for mass contact. A huge parallel economy fuelled by black market money became the engine through which such a basic transformation of the Congress organisation was achieved in such a brief period of time. Several leaders who had a talent for making the right contacts with black market barons emerged within the organisation resulting in support for the government being purchased rather than won by argument and persuasion.[46] The Indian state did little to curb the black economy which, from the early 70s onwards, had become the demi-goddess presiding over the fortunes of the ruling party of the government.

Further, the literature on political developments in India rightly lays stress on the enormous increase in the coercive power of the state during the last quarter of a century and the consequent undermining of democratic processes, values and elementary liberties guaranteed under the Indian Constitution. At the same time, popular democratic resistance to the government's arbitrary political behaviour has also markedly increased during the last two decades though it is not invariably manifested in a concerted manner except when electoral opportunities become available.[47] Established political parties including cadre-based organisations had failed to provide adequate leadership in channelling popular discontent in a democratic and constructive manner. However, during the Emergency, they did take part in a joint organised democratic resistance[48] to the central government's arbitrary rule which spread far beyond the confines of party-based action to mass-based opposition. The success of such a general strategy of opposing the Emergency was reflected in the resounding defeat suffered by the ruling party at the centre and in a majority of the states in the general and state legislative assembly elections held in 1977.

Centre-state relations, during the 1969-77 period, were practically reduced to a state of near non-existence as a problematic of federal politics in India. Unitarism triumphed under the aegis of a strong state whose power was controlled by a ruling party which had lost its democratic mainspring. Centre-state relations were, at independence, orchestrated in accordance with an equilibrium model in which politically homogeneous states on the one hand and the centre on the other acted as countervailing forces in the evolution of a powerful post-colonial state. At the end of the Emergency and on the eve of the 1977 general election, however, they had undergone a paradigm shift characterised by a puissant centre presiding over a federation of thoroughly enfeebled states.

The Indian state itself was no longer controlled by a popular mass party functioning through a complex and reticulated organisation but by a clique of powerful elements which could be relied upon to strike terror among potential opponents of the new brand of politics.[49] The 1977 elections exposed the shallowness of the achievements of the Congress as the ruling party and helped reverse the process of paradigmatic shift described in this section by strengthening democratic opposition to the regime and once again bringing out the question of centre-state relations into the open as one of fundamental importance for the future of the Indian state.

III

The 1977 general election provided the first occasion for the transfer of the control of state power from the Congress Party to the loose-knit Janata coalition representing a variety of ruling class interests[50] without putting on an artificial gloss of homogeneity to cover their disparateness and contradictions. Even though the new ruling coalition, unlike the Congress Party, was both organisationally and ideologically weak, it did preside over a state which had become immensely strengthened during the previous three decades.[51]

Despite its impressive majority in the Lok Sabha, Janata's grasp of state power was, however, severely compromised by its lack

of political clout and by the chronic inability of its ageing leaders to unite together on a positive programme.[52] The abrupt change from an autocratic unitarist to an entropic polyglot pattern of wielding state power was accompanied by centrifugal tendencies plaguing the very heart of the political system in its day-to-day functioning.

Yet, the new leaders (who were uncompromisingly, 'constitutionalist' in their determination to restore the primacy of parliamentary institutions and their practices in spirit as in letter) shared the political orientation of their predecessors on the question of centre-state relations.[53] They were not basically sympathetic with demands for increased autonomy from the states except in certain well-defined spheres, and certainly not when they were couched in combative political terms. Their grounds for believing that a strong centre and weak states did not represent an unhealthy combination were similar to the arguments advanced by the Congress Party when it was in power.

The sudden removal of the Congress Party from the centre, followed by the election of a number of state governments led by parties other than the Congress[54] breathed new life into the question of centre-state relations which had been put under constitutional sedation following the systematic de-stabilisation by the centre and the Congress Party of the non-Congress state governments during the period 1967-70. The resurgence of interest in this question in post-Emergency India was manifested in three different forms.

(1) States in which there was a strong tradition of Congress rule, where its popularity had not suffered during the Emergency,[55] found themselves on the defensive for the first time since independence. Their governments attempted to raise the question of the autonomy of states by protesting against imagined encroachments by the centre which was under the control of the traditionally opposition forces. The very act of restoring the Constitution to its pre-1975 condition by the new government at the centre was criticised by the Congress chief ministers of the southern states of Karnataka and Andhra Pradesh and by the Pradesh Congress organisations as a deliberate attempt to curtail state autonomy. In the event, not much political mileage could be derived from such protests.[56]

(2) Following Janata's landslide victory in the 1977 general election, a number of non-Congress governments won majorities in the state assembly elections that followed in its wake in many states. Janata, CPI(M)-led United Left Front (ULF) and other governments[57] took control of executive power based on substantial majorities in the assemblies. In putting the centre-state relations issue back on the political agenda, the leaders of these new ruling parties/coalitions were seeking not to confront the centre but rather to raise a number of crucial questions affecting economic development.[58] In other words, the question of centre-state relations was raised by a number of state governments

as a means of readjusting the relations between the two sides and of achieving a *modus vivendi* that would take account of genuine economic and political grievances. Despite the new prime minister's personal reluctance to depart from his predecessor's general line on the subject, the Janata government—itself new to the art of wielding political power and accustomed much more to an oppositional than to a governmental role—was, by and large, prepared to accommodate these pressures mainly by a return to the Constitution and by re-activating such instruments as the National Development Council (NDC)[59] The Janata government also reviwed the process of planning, specifically with the aim of bringing about a mutually acceptable readjustment of fiscal allocations by the centre to the states, and of initiating agricultural procurement policies from a much more differentiated perspective than that to which the centre had been accustomed in the past under successive Congress prime ministers.[60]

(3) From the perspective of centralists/unitarists, agitation for greater political autonomy for the states assumed its most dangerous form whenever it was advanced in the name of more or less direct mass democratic political participation of aggrieved segments of the people. Thus, in the Punjab, in Jammu and Kashmir,[61] in Assam, and in several of the north-eastern states, pressure for a radical re-ordering of centre-state relations did not arise during this period (1977-84) from political parties/coalitions in control of state governments as such. Rather, it arose from powerful political movements enjoying a degree of mass popularity[62] which they were in a position to augment by carrying the banner of political protest and by raising demands of a basic nature which would have been stifled in the past by a powerful centre on the ground that states on India's periphery were specially sensitive and vulnerable to foreign penetration and infiltration.

During the Janata interregnum, these popularly-based forces seriously reared their heads for the first time with the covert encouragement of Congress(I)[63] whose main aim was to expose the political weakness of the Janata, to undermine it by exploiting its inner contradictions, and to bring its rule to an end by whatever means available.

In the Punjab, the Congress(I) strategy took the form of supporting Jarnail Singh Bhindranwale as a fundamentalist Trojan horse within the political sphere of the *Shiromani Akali Dal* (SAD) and the *Shiromani Gurudwara Prabandhak* Committee (SGPC). As a result, the SAD-led government (1977-80) was successfully destabilised more or less simultaneously with the bringing down of the Janata itself.[64]

It is important to note that the Janata Party in particular and the Janata government as a whole were deeply opposed to the fundamentalist Sikh political forces which gave an entirely new twist not only to the spirit of the Anandpur Sahib resolution[65] but also to the question of state autonomy itself. They were equally disapproving of the Assam students' movement and to populist movements such as the Mizoram National Front (MNF).[66] But, unlike the Indira Gandhi (Mark I) government (in its 1969-77 phase) which deployed all the political and governmental power at its command to thwart such movements, the Janata coalition found itself too much at odds internally to be able to give attention to these new tensions and contradictions entering the picture of centre-state relations in the aftermath of the ruling Congress Party's defeat.[67]

When Congress(I) was returned to power in 1980 under Indira Gandhi (Mark II), the crises which it had helped keep stoked up when it was out of power had already become firmly imbedded in the political life of the country. Our aim here is to outline the strategy adopted by the new Congress(I) government to deal with centre-state tensions during its four years in power.[68]

The Janata was a weak and badly-organised political coalition which accidentally gained control over an extremely powerful state. The weakness of the ruling coalition during the 1977-79 interregnum was reflected in the reduced effectiveness of the state in dealing with political tensions and conflicts.[69] By the same token when the Congress(I) took power, its hold over the state was qualitatively different from what it had been under the Indira Gandhi (Mark I) government.

Democratic opposition in different forms, once given a powerful voice not only by parties other than Congress(I) enjoying executive power in certain states but also by mass-based opposition movements challenging the centre's right to limit the democratic rights of the people, could no longer be stifled. Congress (I) was returned to power by an electorate which found Janata wanting, but which had by no means forgotten the Emergency or forgiven its perpetrators. There was no doubt in 1980 that the Congress(I) government was elected as a lesser evil and not as a popular alternative to the Janata.

The re-inheritance of state power by the Congress(I) in 1980 was marked by two other major shifts in Indian politics. First, the agricultural bourgeoisie had emerged as a formidable national force capable of claiming a share of central state power. It was no longer to be confined to the narrower limits of state politics. Chowdhury Charan Singh, as caretaker prime minister (July 1979-January 1980) became the political symbol of the insistent demands in favour of a shift in the terms of trade between industry and agriculture which had gathered momentum during the mid-70s. Even though it was not yet in a position to sustain itself in control of the commanding heights of state power, the agricultural bourgeois class had so successfully entrenched itself in the state structures that no ruling party (including Congress(I) could afford to underestimate its importance. The increased political restiveness of a number of state governments—not limited only to those governed by opposition parties but also extending to such impor Congress(I)-ruled states as Maharasht should be viewed as a reminder that In agricultural bourgeoisie have come to as a dominant class force with consider potential for national cohesion in foreseeable future.

Second, during its brief tenure, the Ja government, released from the strangle of its predecessor's socialist shibboleths slogans, embarked upon the second stag the Indian state's task of strengthe capitalist development in India.[70] It t the initiative to open up the Indian manu turing industry to powerful thrusts foreign and multinational captial under guidance of George Fernandes, the 'socia minister for industries. The task of fina ing the engines of capitalist development the gigantic but nevertheless chronic dependent Indian economy would, Janata government believed, require subst tial participation of foreign capital.

Whilst eager to continue the Janata po of encouraging foreign capital in Indian dustry, the Indira Gandhi (Mark II) gove ment was unable to reverse the democra political trends set in the country as a c sequence of the re-emergence of self-co dence among different (and, especially, relatively deprived) segments of the rul class and its supporters among the pe bourgeoisie and the intelligentsia (as wel organised labour) during the 1977- interval.

Notwithstanding attempts made by Indira Gandhi (Mark II) administration re-introduce the Emergency by the backdoo indecision and drift were the characteris features of its policy towards the vari regionally-based opposition parties a popular movements in different parts India. The prime minister continued espouse the view that opposition to the ce tre was *ipso facto* against the interest a integrity of the nation. But the ruling pa which controlled state power was far riven by internal dissension[72] (the m feature being the revolt of the agricultu middle classes) and by conflicts appeari in the seemingly menacing guise of prote by different nationalities, to prevent t creeping paralysis of the system of confl management that a democratic polity ba ed by a powerful state ought to be in a po tion to wheel into action.

Paradoxically, the centralising a autocratic approach adopted by the Indi government to centre-state relations and such regionally-based opposition to the ce tre as the Assam students' movement, as e emplified in a repeated resort to presiden rule in the offending states, had the effe of exposing the limitations of deploying t main force in the form of an unbridled u of the coercive power of the state appara in order to stifle democratic dissent. At t same time, not only was the Congress severely defeated in a series of sta legislative assembly elections during t period 1982-84, but also essentially dem cratically organised opposition to the ce

e in such states as the Punjab, Assam, and ammu amd Kashmir quickly acquired an verlay of communalism and 'extremist' iolence. Operation Bluestar and the eventual assassination of the prime minister thus ppeared as the obverse and reverse of the ame coin.

IV

Indira Gandhi's efforts to restore the alance of influence in the centre-state conlicts in favour of the centre failed because he was not willing to change her political nethods of the early 70s in the changed ocio-economic circumstances of the 80s. The Janata coalition had an adequate undertanding of the tensions brewing in the relaions between the national industrial bourgeoisie and the agricultural bourgeoisie which could only be resolved by loosening he political grip of the centre over the states and by establishing a broad consensus betveen the different opposing segments of the uling class dominating different spheres of he economy and in acute competition with each other for resources for development. ts failure lay in its inability to build a ruling political party capable of reflecting such consensus as an alternative to the Congress Party.

The failure of the Indira Gandhi (Mark I) government lay in the fact that the prime minister refused to acknowledge the need for a coalition between the agricultural and industrial (as well as other) segments of the dominant class, preferring instead an immobilised state to a centre in which different nterests would be reflected as they manifested themselves at the level of the state and n society at large. In an epoch demanding power-sharing between competing segments of the ruling class, the anomalous political behaviour of the Indira Gandhi (Mark II) government resulted in a petrification of the centre's resources for compromise and consensus.

Rajiv Gandhi's government (from 1985) has not departed from the style of functioning of the Indira Gandhi (Mark II) government; however, its instinctive understanding of the social and economic forces at odds with one another in the Indian polity is somewhat more pragmatic and less rigid than that of its predecessor. The development of centre-state relations during the present period must be viewed within a larger framework of the major tensions and contradictions of contemporary Indian society.

Under the Rajiv Gandhi government, the rhetoric of forging ahead into the 21st century[73] is being used to justify inegalitarian policies as well as an economic strategy directed towards an expansion of industrial capacity and towards increasing the resilience of industrial capital. Whilst the economic trend set in 1977 of injecting significant amounts of international and multinational capital has been given an additional fillip by the present government, the Janata government's policy of even-handed treatment of the industrial and agricultural

bourgeoisie no longer fits in with its general economic orientation. The needs of the agricultural bourgeoisie—a crucial class rooted in the states—which is committed to a general policy of modernisation, expansion of its productive base, and a more rapid reproduction of capital in its sphere (all with the continued aid of the state) can no longer be given the same importance as those of the industrial bourgeoisie.

It is a characteristic feature of the Indian political economy that agricultural and industrial capital cannot, in the long run, expand simultaneously within an indigenous framework. Each segment of the bourgeoisie would inevitably regard the preponderant development of the other as taking place at its expense. In recent years this trend has been increasingly discernible.

Dependent capitalist development under acutely uneven conditions of development of production relations cannot take place without giving rise, in the long run, to conflicts between different segments of capital or without transforming existing intra-ruling class conflicts from a basically non-antagonistic to an increasingly antagonistic state. But, in adopting Rajiv Gandhi as its most favourite candidate to date for piloting the ship of state into the future, the industrial bourgeoisie of India may have been prematurely confident of the potential for growth inherent in Indian capital and of its own capacity to withstand, even with the aid of state power, the vigorous onslaught of the rural rich that is bound to follow sooner than might be anticipated. It is against this general background that centre-state relations during the final phase of this discussion must be viewed.

Since its accession to power under Rajiv Gandhi's leadership, Congress(I) has had to face 16 state legislative assembly elections. Of these, ten states went to the polls within six months of the eighth general election (1985). State legislative assembly elections in the Punjab (1985), Assam (1986) and Mizoram (1987) were called on the basis of accords signed between the government at the centre and leaders of popular movements based in the states. Of the three most recent state legislative assembly elections (March 1987), those in West Bengal and Kerala were regular quinquennial ones required under the Constitution. The election in Jammu and Kashmir took place after a brief interruption of president's rule during which a deal had been hammered out between the National Conference (NC) (led by Farooq Abdullah[74]) and Congress(I). These developments throw into bold relief three trends of importance for the future of centre-state relations in India.

In the heartland states and in the states in peninsular India, the Congress(I)'s strategy of frightening the electorate by means of warnings that state governments controlled by parties other than Congress(I) could be starved of development resources was counter-productive to varying degrees. The sense of disgruntlement of local elites (predominantly rural in character, with some links with the wider economy through small industrial enterprises, especially in the south) laced with popular support for 'democratic' values (in the given context) led to opposition parties being returned to power with comfortable majorities.[75] In Uttar Pradesh and Bihar, the Dalit Mazdoor Kisan Party (DMKP)[76] emerged as a substantial force on the opposition benches of the legislative assembly with the Congress(I) in a majority.[77]

In Maharashtra, the People's Democratic Front (PDF), a coalition representing powerful agrarian interests, established itself as a substantial presence in the assembly, though not in a majority, after a successful campaign demanding crop protection insurance by the state and better procurement prices for jowar and cotton. The Congress(I)'s two-pronged strategy of dealing with a potential crisis in Maharashtra consisted of replacing the locally chosen compromise candidate for the chief minister's post by a more powerful figure from the central cabinet and of wooing Congress(S), the most influential segment of PDF, back into the Congress(I) fold.[78]

The case of Maharashtra also illustrates a fundamental weakness of the political organisation of the Congress(I). We have already noted that the erosion of internal democracy was an important factor in the debilitation of the ruling party in a number of states. Central dictation as to who should be chief minister as well as the arbitrary removal and replacement of elected and incumbent chief minister of the Congress(I)-ruled states with lightning rapidity and without proper consultation have sharpened the contrast between them and the states in which executive power is held by opposition parties which invariably function according to well recognised democratic principles practices and procedures.[79]

The second broad trend relates to tensions arising in the states closely linked to the heartland where a political backlash has affected the relations between the different segments of the regional elite. In Gujarat, for example, where the numerical proportion between 'forward' and 'backward' classes/castes[80] is more balanced than that prevailing in states such as Tamil Nadu, say, the policy of showing positive discrimination towards 'backward' castes, pursued by successive Congress governments of the state, was believed by 'forward' castes to have resulted in unfair disadvantage to them over the years in the spheres of education, employment, social welfare, etc.

The movement led by the late Jayaprakash Narayan during the mid-70s against government corruption caught on in a big way in Gujarat. After the Emergency, however, fresh agitation for social and economic justice was mounted by the socially 'forward' but by then deeply aggrieved castes. Their leaders claimed that 'forward' castes had indeed rendered economically 'backward' as a result of three decades of Congress governments' policy affecting their interests.

The central government, led successively by Janata, Indira Gandhi's Congress(I), an[d] Rajiv Gandhi's Congress(I) has been unab[le] to deal with this intra-elite strife in Gujara[t] in an effective manner because of the fea[r] that (1) a reversal of the policy of 'reserva[tion]' under pressure would be a cure wors[e] than the disease because well-entrenche[d] political and socio-economic forces represen[t]ing the interests of 'backward' castes/classe[s] would be up in arms[81] and (2) Gujarat i[s] not alone in facing the problem of the im[]balances where decades of working a polic[y] of 'reservation' has come home to roost i[n] the form of new pressures which cannot b[e] satisfactorily dealt with by a mechanica[l] reversal of existing policy.[82]

The case of Gujarat is of particular signi[]ficance in view of the fact that its relation[s] with the centre have always been close, eve[n] as its influence on the national economy ha[s] been considerable.[83] But the ruling Con[]gress(I), which was returned to power in th[e] 1985 state legislative assembly election wit[h] a sizeable majority, had so completel[y] miscalculated the mood of the middle clas[s] elements belonging to the 'forward' castes that its administration was brought to a hal[t] by strikes and social clashes[84] within weeks of assuming power. The centre's response to the crisis in Gujarat was to change the chief minister rather than to give political leadership by tackling the question of 'reservation' in a sensitive manner. Thus, even though Gujarat poses no great threat to the existing scheme of federal relationships in India, it illustrates the practically intractable nature of the socio-economic tensions and contradictions that can emerge under the specific conditions of adjusting political power relationships between unequally developed segments of ruling elites exemplified in the context of this discussion.

To the third tier of development of centre-state relations in contemporary India belongs the far more complicated questions posed by those states in which the economic logic of protest is overlaid by a clearly augmented consciousness of cultural, communal, linguistic, jurisprudential and other forms of neglect on the part of the Indian state. At the present moment, Punjab and Assam clearly belong to this category, but the states on India's land periphery (e g, Jammu and Kashmir and the north-eastern states such as Mizoram[85]) are equally susceptible to such pressures. Such social and cultural aspects of their role accrue to these peoples as minorities or separate nationalities (not to be confused with 'nations')[86] and they can only be brought into the mainstream by taking cognisance of their susceptibilities which have been suppressed by a stepping up of coercion on the part of the state apparatus.

The Rajiv Gandhi government's initiatives in respect of the Punjab question have, to date, wavered between extending the olive branch of conciliation to the aggrieved Sikh community in the hope of isolating Sikh 'extremists' on the one hand, and on the other, lapsing into a continuation of the repressive policy orientation of the Indira Gandhi

Mark II) government.[87]

The Longowal-Rajiv Gandhi accord (1985) eemed to open a fresh chapter of healing ne rupture between the centre and the state f Punjab based on a serious attempt on the ormer's part to remove the political, social nd economic grievances embodied in the nandpur Sahib resolution of SAD. But the kali Dal government which took power in eptember 1985 received no real support rom the centre which was content to blame ne popularly elected state government for ne persistence of terrorism and of tension nd conflict between the Sikh and Hindu ommunities. Not a single undertaking by ne centre outlined in the Longowal-Rajiv Gandhi accord was carried out.

Apart from the centre's belief that the administration of Punjab could not be left enirely in the hands of the government duly lected for the purpose,[88] it was subject to normous pressure from elements within Congress(I), particularly in neighbouring Haryana[89] (and, to a lesser degree, Rajasthan) which successfully frustrated ven the tentative moves which the Indian government appeared to be ready to initiate n relation to the demands of Punjab.

The Punjab situation deteriorated despite chief minister Barnala's determination to ustain the credibility and viability of the SAD government until, finally, the centre dismissed it (May 1987) on the ground that t was no longer capable of restoring law and order. In fact, however, the immediate motivation for dismissing the popularly-elected government of Punjab and imposing president's rule lay in the fact that the state egislative assembly election in Haryana was fast approaching[90] at which Congress(I) would have to acquit itself well if the massive erosion of the popularity of the Rajiv Gandhi government as signified in the results of the March 1987 state legislative assemblies' elections in different parts of India were to be staunched.[91]

The Punjab and Assam crises point up different dimensions of the question of centre-state relations. In Punjab, the main difficulty arose from the Sikh view of the link between politics and religion on the one hand,[92] and on the other, the reluctance of the Hindus to identify themselves primarily as Punjabis rather than as a part of the Hindu mainstream of India. The crisis engulfing Assam arose out of the indigenous Assamese population feeling outnumbered and marginalised in its own home ground. To some degree the problem faced by the Assamese in relation to the Bengalis and Bangladeshis has also been experienced by the different 'tribal' peoples of the north-east in relation to non-tribal settlers in their midst.[93]

By 1973, the proportion of indigenous Assamese to the total population of the state had dropped by over 20 per cent to well below 50 per cent, spreading alarm among a population which, only in 1967, had achieved a new stability with the formation of Meghalaya.[94] The formation of Bangladesh, far from allaying the fears of the indigenous population, aroused anxiety afresh with each successive wave of Bangladeshi emigration into Assam.[95]

The ruling party at the centre and in Assam was unconcerned about the impact of this massive influx of Bengali Muslims for the understandable reason that they,[96] in contrast to the Assamese inhabitants of the Brahmaputra valley (in the upper reaches of Assam), could be relied upon to give electoral support to Congress. But the resulting social disruption posed a threat to the communally-organised agrarian economy of the state because the new immigrants who were accustomed to radically different methods of cultivation sought to establish themselves on the land that they cultivated as individual owners.

The defeat of the Congress Party in the state legislative assembly election in 1978 was followed by the emergence of a mass movement, led by the students, highlighting Assamese grievances.[97] It focused attention on one main demand arising out of a grievance going back to the 60s.

Declaring that the East Pakistan/Bangladeshi immigrants were 'foreign' nationals, the student movement demanded that they should be repatriated to their 'homeland' or sent to any other part of India. The Janata government of the state (1978-80) was paralysed by strikes, blockades, and demonstrations which evoked massive support from the population.

When the Indira Gandhi (Mark II) administration took power, the Janata administration in Assam was summarily dismissed. Its place was taken by a much less popular Congress(I) administration which was defeated in the legislature within a short time. The state could not be governed by the centrally-appointed bureaucrats who stepped into the political vacuum resulting from the collapse of elected government. The student-led movements continued to demand that the Assamese people and not the centre had the right to disenfranchise 'foreign nationals' in the state as a prelude to expulsion.

A constitutional imbroglio of unparalled intensity was thus injected into the very heart of the dispute between the centre and the state of Assam. Even though the central government maintained a pretence of keeping negotiations alive with the student leaders, the prime minister was unwilling to resolve the dispute in a spirit of accommodation. The state legislative assembly election, called in February 1983, ended in widespread mayhem and murder.[98] A government of questionable legitimacy was installed in power in a political atmosphere which reeked of divisions between Assamese and 'tribals', Assamese and Bengalis, Hindus and Muslims, and Hindus and Christians.

The Rajiv Gandhi government's approach to the Assam question appeared to be at least as positive in character as its Punjab initiative. The new prime minister seemed to appreciate that, in order to maintain the *status quo* in broad terms in the country as a whole, the national 'ruling classes' ought to share state power with political forces dominant in the various regions. The Assam accord was signed in an improved atmosphere as a prelude to a fresh state legislative assembly election.[99] It is worth noting that the original demands of the student leaders which had been rejected by the Indira Gandhi (Mark II) government on the ground that they were constitutionally impertinent and injurious to India's integrity were accepted by the Rajiv Gandhi government on purely pragmatic grounds.

By thus distancing itself from the lame duck Congress(I) government, on the eve of the 1985 state assembly election, the centre weakened its already enfeebled position even further. In October 1985, the student movement gave birth to the Asom Gana Parishad (AGP), the first regional party in Assam's history which came to power on a platform emphasising its simultaneously national and regional character.[100]

The communal polarisation of the state had reached such serious proportions that the new government was obliged to begin its career cautiously under the careful scrutiny of the All Assam Students' Union (AASU) which has kept its identity entirely separate from that of AGP. During the last 17 months of its existence, the AGP government has not been signally successful in gaining the co-operation of the centre in the implementation of the Assam accord, especially with reference to the 'foreigners issue'. With the centre far too slow to respond to these pressures and with AASU radicalising rapidly on the issues underlying the tensions engulfing Assam since the mid-70s, the AGP government has lost a good deal of its initial momentum.[101] As in the Punjab, so too in Assam the centre has been caught in a contradiction between an awareness of the need to enlist the co-operation of regional elites and an unwillingness to modify the centralist orientation of the Indian state to which the Indian government has long become habituated.

During the last four decades, independent India has undergone a transformation from a homogeneous polity in which power was shared between the centre and the state under the control of the ruling Congress Party into one in which control is shared between a centre which has continued to be governed by the Congress Party and the states in which a variety of different parties (of which Congress(I) is one) have won executive power in the legislative assemblies.

A vigorous and determined effort on the part of the Indira Gandhi (Mark I) government to prevent this change from setting in by destabilising non-Congress state governments and imposing the central leadership's writ on Congress-controlled state governments in an arbitrary manner failed. But the Indian state has continued to grow in power and has been able to increase its coercive capacity steadily throughout the post-independence phase.

Since the end of the Emergency, attempts have been under way to accommodate the horizontal conflicts between the two main segments of the ruling class (viz, the national industrial bourgeoisie and the regional bourgeoisie, mainly but not exclusively rural in character). These have resulted in the emergence of fairly stable regional parties well entrenched in a number of states, in a strengthening of national parties such as CPI(M) and Janata in certain states, and in enhancing the influence of the rural element in the agriculturally important states where Congress control of the state legislative assembly is becoming predicated more and more on its capacity to collaborate and to share power with its competitors.[102] India may well be on the verge of a new era of power-sharing in which, despite new uncertainties over the correct constitutional relationship between the elected representatives in control of state power on the one hand and the indirectly elected president on the other,[103] powerful states can benefit from a strong Indian state controlled at the centre by a coalition of parties representing diverse ruling class interests.[104]

Notes

1 The constitutional, political and financial aspects of centre-state relations during the first three decades of independence are reviewed in the author's work entitled *India since Independence: Studies in the Development of the Power of the Indian State: Volume I: Centre-State Relations: The Case of Kerala* (Delhi: Ajanta Publications, 1985), pp 20-101.

2 The tension between and within different political parties is analysed in the author's essay entitled 'Maturity at the Polls: Contradiction, Dissent and Dissidence' (Delhi and Calcutta: *The Sunday Statesman*, January 16, 1983).

3 Datta Samant is but one example of trade union initiative being grasped from the well established unions by ambitious individuals. During the 70s, for example, A K Roy, a communist trade union leader, broke away from the communist trade unions and established a personal following among workers in eastern India.

4 See, for example, Ashok Mitra, *Terms of Trade in India's Economic Development*, (London: F Cass, 1976); A K Bagchi, *Private Investment in India: 1900-1939* (Cambridge: Cambridge University Press, 1972); and Francine Frankel, *India's Political Economy 1947-1977* (Princeton: Princeton University Press, 1977).

5 For an excellent study illuminating this process, see Jan Breman, 'Seasonal Migration and Co-operative Capitalism: The Crushing of Cane and of Labour by the Sugar Factories of Bardoli, South Gujarat' (in two parts), *The Journal of Peasant Studies* 6 (October 1978 and January 1979): 1 and 2, pp 41-70 and pp 168-209.

6 T V Sathyamurthy, 'State Power and Social Conflicts in India', *Mainstream*, 21 (June 23, 1983): 38, pp 1-8; 'Piloting a Nation into the Twenty-first Century: The Changing Context of State Power and Class Contradiction in India', *Economic and Political Weekly* 20 (July 20, 1985): 29, pp 1218-1222; 'India Since Independence: A Research Note on the Development of the Power of the Indian State', *South Asia Research* 6 (May 1986): 1, pp 39-50.

7 These classes, which roughly correspond to middle castes in a number of heartland states, have come to dominate the entire spectrum of political parties including Congress (or Congress(I)) and the Socialist Party (e g, Bihar) but not the communist parties. This has been particularly true since the Emergency. See, for example, T V Sathyamurthy, 'State and the People' (in two parts) (Calcutta and Delhi: *The Statesman*, March 14 and 15, 1985).

8 The most recent instance of linguistic and cultural passions flaring up at apparently short notice is provided by Goa (1986). Not unconnected with the unrest in the region has been a recent decision of the Indian cabinet to introduce legislation in Lok Sabha conferring statehood on Goa, thus inducting the 25th state of the Indian Union since independence. A few months ago, another union territory in north-eastern India, Mizoram, was also given the political status of a state. The state of Mizoram came into being after an agreement was signed by the Indian government with the Mizo National Front (MNF) under Laldenga's leadership which subsequently won power in the Mizoram state legislative assembly election (February 1987). See, for example, 'Mizo fighters seek ballot-box victory' (London: *The Times*, February 17, 1987).

9 See, for example, T V Sathyamurthy, 'Indian Nationalism and the "National Question"', *Millennium: Journal of International Studies* 14 (Summer 1985): 2, pp 172-194; and Prakash Karat, *Language and Nationality in India* (Madras: Orient Longman, 1973).

10 The characterisation of the roots of the Assam agitation has been the subject of acute controversy which is still being carried on in the columns of such journals as *The Economic and Political Weekly* (especially during the period 1980-85), *Mainstream* (especially during 1982; 85), *Frontier* (since 1980).

11 See, for example, a recent well-researched PhD thesis submitted to the University of Barcelona by Pilar Casamada entitled *English in India, 1947-1980* (Barcelona: 1987, unpublished).

12 See, for example, Subrata Mitra, 'Competing Models of the State in Indian Political Discourse' (a paper presented at the Political Studies Association Conference) (Aberdeen, 1987, under publication).

13 See, for example, various articles in the two special issues on the Punjab, *Seminar* (Delhi), Nos 294 and 326 (February 1984 and October 1986).

14 This author is currently engaged in resear-

ching a series of volumes on this theme with a view to producing an empirically substantiated characterisation of state power in India since independence. The second volume of the series entitled *India since Independence: Studies in the Development of the Power of the Indian State: Volume 2: Centre- State Relations: The Case of the Punjab* is currently under preparation.

15 For example, Selig F Harrison, *India: The Most Dangerous Decades* (Princeton, New Jersey: Princeton University Press, 1960).

16 A glimpse of the amity that prevailed in the relationship between the centre and the states during the first fifteen years of independence is provided in the recently published correspondence between prime minister Nehru and the chief ministers of different states.

17 T V Sathyamurthy, 'Indian Nationalism..', op cit, *passim*.

18 See, for example, Granville Austin, *The Indian Constitution: The Cornerstone of a Nation* (Oxford: Clarendon Press, 1966); and Chandra Pal, *State Autonomy in Indian Federalism: Emerging Trends* (Delhi: Deep and Deep, 1984).

19 See, for example, P Sundarayya, *Telengana People's Struggle and its Lessons* (Calcutta: Desh Raj Chadha, 1972).

20 PSP in coalition with other minor parties did pose a challenge to Congress dominance in Kerala for a short time, but its leader Pattom Thanu Pillai was bought off by the Indian government with the Governorship of the Punjab.

21 Except in Kerala (1957-59).

22 Between 1947 and 1966 Punjab included the predominantly Hindu Haryana and parts of Rajasthan. Since 1966, with the re-drawing of state boundaries resulting in the creation of Haryana, the Punjab became a Sikh majority state by a small margin. This margin has since increased.

23 Tension developed along the two broad lines of the various tribal peoples of the sprawling north-east region (Assam and NEFA) seeking autonomy, and the indigenous Assamese-speaking population seeking to free itself of the Bengali economic and administrative stranglehold on Assam. Over a period of 20 years, the north-eastern stretch of the country was divided into seven states and union territories (of which Arunachal Pradesh and Mizoram have been conferred statehood during the last two years), Assam itself becoming truncated with the formation of Meghalaya. See T V Sathyamurthy, *Nationalism in the Contemporary World: Political and Sociological Perspectives* (London: Frances Pinter, 1983), Chapter 8.

24 Only in Kerala was a CPI-led government formed after the state assembly election of 1957 which was prevented from completing its normal legislative term by the centre at the instigation of the national and Pradesh Congress organisations.

25 The relationship between prime ministers Nehru and Shastri on the one hand, and on the other, the chief ministers of the larger states of the Indian Union was cordial and more or less equal. In fact, chief ministers of states such as Madras, Bombay (latterly Maharashtra and Gujarat), West Bengal, Uttar Pradesh and Bihar were accorded greater respect than union cabinet ministers within the Congress hierarchy. See note 17.

26 See, for example, Pramit Chaudhuri, *The Indian Economy: Poverty and Development* (London: Crosby Lockwood Staples, 1979), especially pp 17-75.

27 See, for example, B H Farmer, *Agricultural Colonisation in India since Independence* (Oxford: Oxford University Press, 1974), especially pp 87-117, 211-226, and 261- 298.

28 On the long and fruitful debate on the mode of production in Indian agriculture which deals with this question, see Alice Thorner, 'Semi-Feudalism or Capitalism? Debate on Classes and Modes of Production in India', *Economic and Political Weekly* 13 (December 4, 11 and 18, 1982): 49-51, pp 1961-1968; 1993-1999; and 2061-2066.

29 T V Sathyamurthy, 'Maturity at the Polls..' op cit.

30 T V Sathyamurthy, *'Dravida Munnetra Kazhagam* in the Politics of Tamil Nadu: 1947-1971' in B N Pandey (ed), *Leadership in South Asia* (London: Asia Publishing House, 1977), pp 426-460; R L Hardgrave (Jr), *The Dravidian Movement* (Bombay: Popular Prakashan, 1965).

31 In more recent years, Congress(I) has been known to have purchased massive floor crossings from opposition parties to the Congress prior to the swearing-in ceremony of newly-elected state legislatures, e g, Haryana (1982).

32 See, for example, Mohan Ram, *Maoism in India* (Delhi: Vikas, 1971), especially pp 38-77 and 122-136.

33 Government of Madras, *Report on Centre-State Relations* (Chairman: Justice P V Rajamannar), Madras: Government Press, 1968.

37 See T V Sathyamurthy, 'Crisis in the Congress Party: The Indian Presidential Election of 1969', *The World Today* (November 1969). Prior to the 1969 crisis there was only one instance of the presidential candidate's nomination for a second time (1956) being under inner party discussion because of Rajendra Prasad's known opposition to the *Hindu Code Bill*. Since 1969, however, there have been at least two major occasions on which constitutional issues have arisen on the question of the correct relationship between the president and the elected executive. The first con-

34 The Rajamannar Report should be read in conjunction with others such as K Santhanam, *Union-State Relations in India* (Bombay: Asia Publishing House, 1960) and P B Gajendragadkar, *The Constitution of India: Its Philosophy and Basic Postulates* (Nairobi: Oxford University Press, 1969), especially pp 63-88. See also T V Sathyamurthy, *India Since Independence... Vol I...*, op cit, pp 68-101.

35 During the second phase of this period (1971-77), chief ministers of Congress ruled states (e g, Gujarat, Bihar, Uttar Pradesh, Maharashtra and Andhra Pradesh) were changed frequently and in an arbitrary fashion by the Congress Parliamentary Board. During the Indira Gandhi (Mark II) government's rule (1980-84) chief ministers in Congress(I)-ruled states (with the single exception of Vishwanath Pratap Singh of Uttar Pradesh who resigned before he was asked to leave) were changed at the prime minister's whim.

36 Thus, despite extravagant promises to the contrary on the occasion of the centenary celebration of the Congress Party (December 1985), Congress(I) is yet to carry out inner party election at any level. It would appear that the party has become too sclerotic to submit itself to the upheaval of election.

APPOINTMENTS

cerned the manner in which N Sanjiva Reddy was thought to have handled the question of whether or not Jagjivan Ram should be invited to form a government when Desai lost a confidence vote in Lok Sabha (1979). The second concerns the major difference of opinion over the role of the president between prime minister Rajiv Gandhi and president Zail Singh (1986-1987). See for example the article entitled 'The President: Deepening Crisis' in *India Today*, May 31, 1987, p 27.

38 See, for example, Achin Vanaik, 'The Indian Left', *New Left Review*, September/October 1986, No 159, pp 49-70.

39 See R Rajagopalan, 'Background to India's State of Emergency', *The Black Liberator* 2 (January 1975-August 1976): 4, pp 313-319.

40 See Arun Shourie, *Symptoms of Fascism*, New Delhi: Vikas, 1978.

41 In Kerala and West Bengal, as well as in certain parts of Andhra Pradesh where CPI had long been active in the countryside, rich peasant domination was limited by comparison with that in states such as Uttar Pradesh.

42 These parties generally championed different caste members of the rural rich classes. Thus, in Bihar, the Lok Dal championed the cause of the lower of the four landowning castes (the upper ones being served by the Congress Party), whilst in Andhra Pradesh the Telugu Desam Party reflects on balance the interests of the Kamma landowning caste.

43 Even during the brief periods during which they were in office (1967-69 in certain states, 1977-80 in the centre, and since 1982 in certain states), non-left regional parties have shown themselves to be incapable of or unwilling to address the problems of the poorer peasantry and landless labour. Of special interest is the role played by DMK and AIADMK in Tamil Nadu where, during the last twenty years the content of politics has been systematically *lumpenised* as a consequence of the indifference with which the state government deals with the democratic demands of the agricultural poor.

44 During the Emergency, the Congress president (Deb Kanta Barua) earned notoriety by making the statement 'India is Indira and Indira is India', a slogan which he was to rue after the Emergency ended.

45 See note 36.

46 For example, Lalit Narayan Mishra (mysteriously killed in Samastipur in 1974), Chief Minister A R Antulay of Maharashtra, and Kamalapathi Tripathi (until recently the 'working president' of the Congress(I) Party). Even before Indira Gandhi became prime minister, money politics was introduced in a substantial manner by S K Patil, a member of the Congress 'Syndicate'.

47 See, for example, Rajni Kothari, 'The Non-Party Political Process', *Economic and Political Weekly* 19 (February 4, 1984): 5, pp 216-224; 'Will the State Wither Away?', *The Illustrated Weekly of India*, July 8, 1984, pp 8-14; D L Sheth, 'Grassroots Initiatives in India', *Economic and Political Weekly* 19, February 11, 1984: 6, pp 259-262.

48 New organisations were established for the promotion of the democratic rights and civil liberties of the people. These have remained active since the end of the Emergency (e g, PUCL and PUDR).

49 During the Emergency, Sanjay Gandhi, the prime minister's son, led such elements.

50 In an interesting discussion, Sudipta Kaviraj argues that as power has accumulated in the Indian state, paradoxically, institutions designed to safeguard democratic functioning of the state have weakened. In this author's view, this disjuncture between the power of the state and the institutions of democratic rule has in no way undermined the ordinary people's faith in parliamentary institutions and civil and democratic rights for the citizens or even the preference shown by the powerful classes to cling to the rule of the civil constitution in times of crisis. See Sudipta Kaviraj, 'On the Crisis of Political Institutions in India', *Contributions to Indian Sociology (New Series)* 18 (1984): 2, pp 223-243.

51 T V Sathyamurthy, 'India since Independence: A Research...', op cit.

52 With the exception of Jayaprakash Narayan who acted as a peacemaker between the querulous partners of the Janata leadership, all the others were busily engaged in publicly undermining each other. Thus, prime minister Morarji Desai, home minister Chowdhury Charan Singh and deputy prime minister Jagjivan Ram were always at odds with one another. The Janata coalition did not need an enemy to destabilise it. It acted as its own worst enemy. Within eighteen months, a formidable parliamentary majority was whittled down and the ruling coalition had disintegrated into two or three mutually hostile coalitions bent on destroying the government.

53 The prime minister of the Janata government and deputy prime minister Jagjivan Ram (as well as Chowdhury Charan Singh) were reared in the same political tradition as their predecessors in office whose view of centre-state relations was cast in the unitary rather than in a loose federal mould.

54 Upon its receiving a big majority in the 1977 election, the Janata government dismissed a number of state governments where Congress was in power. This controversial decisions, which was sustained by the Supreme Court, was followed by state assembly elections in a number of states. In several states Janata coalitions took power. In West Bengal and Tripura CPI(M)-led United Left Front coalitions received substantial majorities. In Kerala, which went to the polls at the time of the parliamentary election (March 1977), electoral choice had gone against the grain of the rest of the country and a Congress-led coalition won by a narrow majority.

55 For example, Andhra Pradesh and Karnataka (and to a lesser degree Maharashtra).

56 Characteristically, the Congress-led Andhra Pradesh government blamed the central government for failing to come to its rescue when the state was faced with famine, floods, drought and other disasters.

57 A SAD-led government was formed in the Punjab; the AIADMK government of Tamil Nadu had a big majority in the Tamil Nadu legislative Assembly.

58 For example, questions relating to the method and criteria of allocation of resources for development, and how the interests of the regional classes and social groups represented by the new parties in control of federal and state power should be presented.

59 It consists of the prime minister and the chief ministers.

60 With the exception of the brief interregnum (1964-66) when Lal Bahadur Shastri was prime minister.

61 Jammu and Kashmir has a Constitution of its own. Its special status is recognised in Article 370 of the Indian Constitution. See Roop Kishen Bhatt, 'Kashmir: The Politics of Integration' in Iqbal Narain (ed), *State Politics in India* (Meerut: Meenakshi Prakashan, 1976), pp 146-176; for a recent analysis of political changes in that sensitive state, see Balraj Puri, 'Fundamentalism in Kashmir, Fragmentation in Jammu', *Economic and Political Weekly* 22, May 30, 1987 22, pp 835-837.

62 In many instances, as in the case of Telugu Desam, for example, the political forces that arise out of these movements reflect the interests of narrow segments of the population.

63 For example, Jarnail Singh Bhindranwale's emergence as a leader of the fundamentalist Sikh mass could not have been smooth and sudden without the collusion of Zail Singh, one of Indira Gandhi's closest followers.

64 The Janata government was brought down in July 1979. In a series of moves in which Indira Gandhi, president Sanjiva Reddy, Chowdhury Charan Singh and Raj Narain were involved, Jagjivan Ram who could have formed an alternative government under Janata was sidelined. Charan Singh formed a government which was toppled in a fortnight.

65 T V Sathyamurthy, 'India's Punjab Problem: Edging Towards a Solution?', *The World Today*, March 1986, pp 46-50.

66 'Mizoram: Vote of Hope' (editorial), *Economic and Political Weekly* 22, February 28, 1987, 9, p 347.

67 The internal dialectic of the Indian ruling class was reflected in a deepening of the horizontal divisions within it. Janata was simply a political reflection of the impasse which had been reached earlier during the decade (1972-77) in the intra-ruling class relations between the national industrial capital and the agricultural rich.

68 See T V Sathyamurthy, 'Centre-State Relations: A Pre-Election Reckoning', *Economic and Political Weekly* 19 (September 29, 1984): 38, pp 1692-1695.

69 The industrial policy of the government under George Fernandes and its agricultural policy under Barnala (and Charan Singh) reflected the conflictual nature of the relations between the rival segments of the bourgeoisie. See Charan Singh, *India's Economic Nightmare* (Delhi: Allied, 1981)

70 Under the first five five-year plans, state policy gave great emphasis to heavy indus-

try which the national industrial bourgeoisie could not be expected to develop out of its own capital resources. See Ranjit K Sau, *India's Economic Growth: Constraints and Prospects* (Calcutta: Orient Longman, 1973) for a background to these developments.

71 See, for example, Ashok Mitra's three part essay entitled 'The Legacy of Indira Gandhi', *The Illustrated Weekly of India* (December 15, December 22, 1985 and January 5, 1986).

72 See, for example, Achin Vanaik, 'The Rajiv Congress in Search of Stability', *New Left Review* (November/December 1985): 154, pp 55-82 (especially pp 55-70 and 76-77).

73 T V Sathyamurthy, 'Piloting...', op cit.

74 During the 1982-83 period, Abdullah had been a key opposition chief minister who mustered support for a sustained agitation of the states against the centre. In the event, his government was toppled by Congress(I) machinations which resulted in detaching a clique led by Abdullah's brother-in-law (G M Sadiq) from NC. Overnight the government of Jammu and Kashmir changed hands and G M Sadiq became chief minister dependent upon Congress(I) support in the state legislative assembly.

75 Since 1982, Telugu Desam in Andhra Pradesh and Janata in Karnataka appear to have consolidated their position by winning two successive state assembly elections. In the former case, the clumsy effort to topple a popular government gave rise to mass protest of unprecedented intensity spreading far beyond the boundaries of Andhra Pradesh (1984).

76 T V Sathyamurthy, 'Piloting A Nation.', op cit.

77 The existence of such a large number of legislators belonging to a party exclusively devoted to the interests of the rich and middle peasantry (even though the party has been subject to numerous splits based on personal rivalries among the leaders and particularly on the question of who should succeed Chowdhury Charan Singh as party leader) is itself a factor contributing to the instability of the Congress(I) majority and to increased dissidence within the ruling party.

78 With S B Chavan as chief minister and Sharad Pawar, the Congress(S) leader and influential spokesman of the agricultural lobby, back in Congress(I) a brief respite has been gained in the conflict between different segments of the dominant elements of Maharashtra political economy. But it is more than likely that within a brief period of time the struggles which have persisted in Maharashtra since the mid-70s will resume.

79 Even in regional parties such as AIADMK and Telugu Desam which depend upon the charisma of a single leader, a semblance of local democracy is observed either in the party organ or in the election of local authorities with a modicum of devolution.

80 'Forward': 'Backward' castes :: 3:4.

81 *The Economic and Political Weekly*, Vols 18, 19 and 20 (various issues), 1983-85.

82 Ibid.

83 T V Sathyamurthy, 'Indian Nationalism...', op cit.

84 T V Sathyamurthy, 'Piloting...', op cit.

85 See for example, Balraj Puri, op cit; and Udayon Misra, 'Assam: All Assam Students' Union—Crisis of Identity', *Economics and Political Weekly*, 22, (March 28, 1987): 13, pp 535-536.

86 T V Sathyamurthy, *Nationalism in the Contemporary*... op cit, Chapters 2 and 3.

87 T V Sathyamurthy, 'Problems in Punjab' (an essay in three parts), *The Statesman* (Calcutta and Delhi: December 12, 13 and 14, 1983); 'Punjab: The Real Problem', *The Illustrated Weekly of India* (Bombay: March 4, 1984), pp 36-43.

88 See, for example, Special Feature on 'Haryana: A Fortress Besieged', *India Today* 12 (May 16-31, 1987): 10, pp 38-43.

89 The Haryana state legislative assembly election, along with the West Bengal and Kerala polls, were held (June 17, 1987) in the expectation that a spectacular victory in it would enable the centre to retrieve its fast eroding popularity. The main contenders were the Lok Dal(B) led by Chaudhury Devi Lal, a senior opposition figure representing the interests of the *kulaks* and the middle peasantry (joined by the largely urban-based BJP) on the one side, and by Congress(I) on the other (joined in a *marriage de convenance* by a Lok Dal splinter purporting to represent the interests of the Chowdhury Charan Singh dynasty). Even although the Haryana opposition parties' campaign started on local issues in general, and on the divergence and conflict of interests between Haryana and the Punjab, it soon fanned out to issues of national importance on which the Haryana electorate was called upon to pronounce a verdict. The latter included the corrupt and authoritarian behaviour of the centre bedevilled as the ruling party then was by a mounting catalogue of scandals reaching well beyond the pale of national politics into the international arena. Of particular importance to the main thesis argued in this discussion is the importance attached by Chaudhuri Devi Lal, during the election campaign, to rich and middle peasant interests. This was reflected in his attack against the central government's modernisation policies, which he sometimes couched in 'rural versus urban' terms and on other occasions in terms of a conflict between the western oriented upper class minority and the mass of the people! (See, for example, the editorial, *Economic and Political Weekly*, Vol 22, No 25, June 20, 1987, p 959.) The significance of this state assembly election thus went far beyond the confines of the Punjab versus Haryana issue. One of the main planks of the platform of the Lok Dal(B) election campaign consisted of a promise to write off all loans under Rs 15,000. In fact, it even threatened, albeit for brief moment only, to add to the uncertainty prevailing in the constitutional conflict then still under way between the prime minister and the president (Zail Singh); for, were the opposition to win a decisive victory in one of the heartland states, there could well be a concerted effort on the part of the non-Left opposition parties to provoke a split within the ruling party by making use of the presidential election that was due to take place in July 1987. The spectacular victory won by Lok Dal (B)-BJP alliance even exceeded the 1977 victory of the Janata Party in Haryana. Devi Lal's *nyaya yatra* thus ended in the coalition led by him winning more than 75 per cent of the total seats, with Lok Dal(B) itself winning a clear majority in the assembly. Congress(I)'s defeat in Haryana may thus be said to have increased the chances of its future in the rest of the heartland being problematic during the interval between the Haryana state assembly election and the ninth general election due in 1989.

90 See, for example, Special Report on 'Haryana Election Analysis: A Delicate Balance', *India Today*, 12 (June 1-15, 1987): 11, pp 32-34.

91 West Bengal returned the Left Front to power with an enhanced majority (and a majority for the CPI(M) component); Kerala returned a Left Front coalition to power, defeating the United Democratic Front which, under the leadership of Congress(I) held power from 1982 to 1987; Jammu and Kashmir returned the National Conference under Abdullah's leadership to power. NC fought the election with the support of Congress(I).

92 *Seminar* issues specially devoted to the Punjab, entitled 'The Punjab Tangle' (February 1984, No 294) and 'Punjab Perspectives' (October 1986, no 326) deal with this aspect of the Punjab crisis in several contributions.

93 See T V Sathyamurthy, *Nationalism in the Contemporary*..., op cit.

94 Ibid, Chapter 8.

95 During the 60s and 70s, when Assam's importance to the Indian economy rose with the sinking of oil wells, massive influxess of Bengalis from East Pakistan = Bangladesh continued, variously estimated at one to two million. By 1973, the proportion of indigenous Assamese to the total population of the state had dropped to less than 50 per cent.

96 Along with a section of the tribal population, tea garden workers as well as other non-Assamese people living in the Barak valley of lower Assam.

97 By 1979 (November), popular discontent in Assam with the centre crystallised around two student organisations—the All Assam Student's Union (AASU) and the All Assam Gana Sangram Parishad (AAGSP). Between them, the two organisations were able to bring public life to a complete halt for prolonged periods. Their challenge to the centre with the support of the mass of the Assamese people belonging to different socio-economic groups was at times reminiscent of the May 4, 1919 Movement in China.

98 In one area (Nellie) alone, many hundreds were massacred on election day. The boycott called by the Assam students in Assamese constituencies had been so successful that in one parliamentary constituency only 11 electors turned up to cast their votes on election day!

99 Under it, the centre undertook to ensure that all illegal immigrants who entered the state during the 1961-71 period (especially 1966-71) would be disenfranchised (though they might be allowed to stay in the state) until 1995, and to expel those immigrants who had illegally entered Assam across the porous Bangladesh border after the cut-off date of March 25, 1971.

100 AGP contested 117 &out of a total of 125Assembly seats and 11 &out of 12 Lok Sabha seats. It won 64 Assembly seats &Congress&I 2 5ànd seven Lok Sabha seats &Congress&I 4 : The United Minorities Front &UMFwhich broke away from Congress&I &because of its opposition to the Assam Accordwon 17 Assembly seats and one Lok Sabha seat. AGP, Congress&Iànd UMF gained 35 per cent, 23.4 per cent and 11 per cent of the total votes polled respectively.

101 See, for example, Udayon Misra, 'Assam: All Assam Students' Union—Crisis of Identity', *Economic and Political Weekly*, 22 (March 28, 1987): 13, pp 535-536. The loss of momentum has been further exacerbated by the economic problems caused by the recent floods (August-September 1987). See, for example, 'Assam: Some Boeing, Some Flying', *Economic and Political Weekly*, 22 (September 5-12, 1987): 36 and 37, pp 1515-1516.

102 Two genres of opposition have thus developed—one, opposition in the form of states governed by parties/coalitions opposed to Congress(I) and the other in the form of internal opposition in agriculturally important states from rich and middle peasant classes irrespective of whether their supporters vote Congress(I) or one of the peasant parties. The former has now become so entrenched that they express opposition to the centre in a more or less concerted form through periodic meetings of chief ministers of non-Congress(I) states (Madras, Vijayawada, Calcutta, Srinagar, Bangalore during the 1980-84 period, and Delhi in April 1987). See, for example, this author's 'Southern Chief Ministers' Meeting', *Economic and Political Weekly*, 18 (April 9, 1983): 15, pp 576-579; Sumit Chakravarty 'Meeting of Chief Ministers', *Mainstream*, May 2, 1987, pp 3-4, 34.

103 The crisis in the relationship between the president and the prime minister (1986-87) is without precedent and holds a portent of deep potential significance for the Indian Constitution and its political expression. No clear analysis has yet appeared about its nature and import, but a number of thoughtful observations have been published all the same. See, for example, Prabhu Chawla, 'The President: Deepening Crisis', *India Today*, May 31, 1987, p 27.

104 Recent developments, not only in the states lying outside the heartland but also in the heartland states such as the Punjab, Haryana and Uttar Pradesh would point in this direction. Furthermore, the general drift of the political implications of the main findings of the Sarkaria Commission report, the twists and turns in the political processes underlying the consolidation of national opposition to Congress(I) around the National Forum (which includes regional and central opposition parties) in general and the Janata Dal (embracing different centrist parties of the national opposition) in particular, and last but not least, the tendencies evidenced by the results of the elections to the state legislative assemblies of Tamil Nadu, Nagaland and Mizoram in January 1989, would seem to contain intimations of the heralding of a new era in centre-state relations on the eve of the next decade.

NOTICE

It is hereby notified for the information of the public that **ZUARI AGRO CHEMICALS LIMITED** proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section &2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969 for approval of the establishment of a new undertaking/unit/division.

Brief particulars of the proposal are as under:-

1. Name and address of the applicant : **ZUARI AGRO CHEMICALS LIMITED**
   Jai Kisaan Bhawan,
   Zuarinagar,
   Goa 403 726.

2. Capital structure of the applicant organisation : The capital structure of Zuari Agro Chemicals Ltd. is as under:

	Rs. in lakhs	Rs. in lakhs
Share capital Authorised		
1,27,50,000 equity shares of Rs. 10/- each	1,275	—
4,25,000 redeemable cumulative preference shares of Rs. 100 each	425	1,700
Issued and subscribed:		
1,24,26,400 equity shares of Rs. 10/- each fully paid up	1,242.64	
4,02,180 15% redeemable cumulative preference shares of Rs. 100 each fully paid up	402.18	1,644.82
Add: Paid up amount on forfeited shares		.06
		1,644.88

3. Management structure of the applicant organisation indicating the names of the Directors, including the Managing/wholetime Directors and Manager, if any : ZUARI AGRO CHEMICALS LIMITED.
   The Company is managed by a Board of Directors comprising of the following Directors:
   Mr. K, K. Birla, Mr. C. A. Corry (Alternate: Mr. S. Y. Rege), Mr. R. P. Fitton (Alternate: Mr. C. H. Pardiwala), Mr. S. Gopalan (IDBI nominee), Mr. E. F. Guna (Alternate: Mr. D. B. Engineer), Mr. D. M. Laws (Alternate: Mr. H. C. Asher), Mr. M. D. Locke &Alternate: Mr. A. R. Wadia), Mr. D. P. Mandelia (Alternate: Mr. R. Maheshwari, Mr. S. V. Muzumdar, Mr. R. C. Wortley.
   Manager: Mr. R. Kapoor.

4. Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division : The proposal relates to establishing a new undertaking

5. Location of the new undertaking/unit/division : Zuarinagar, Goa 403 726

6. Capital structure of the proposed undertaking : The proposed undertaking will be a part of the applicant company whose capital structure is given at &2) above

7. In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate:
   i) Name of goods/articles : Hydrogen Peroxide
   ii) Proposed licensed capacity : 5000 Ts.p.a. (100% W/W)
   iii) Estimated annual turnover : Rs. 27.0 crores

8. In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value, income, turnover, etc. : Not Applicable

9. Cost of the project : Rs. 45 crores

10. Scheme of finance, indicating the amounts to be raised from each source : Internal resources Rs. 15 crores.
    Term loan and/or debentures Rs. 30 crores.

Any person interested in the matter may make a representation in quadruplicate, to the Secretary, Department of Company Affairs, Government of India, Shastri Bhawan, New Delhi within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

For **ZUARI AGRO CHEMICALS LIMITED**

B. B. SHARMA
COMPANY SECRETARY

Dated the 2nd day of September 1989.

Tertiary Sector and Net Material Product
Indian Economy, 1950-51 to 1983-84

Madhusudan Datta

This paper argues that there has been no significant difference between the rates of growth of NMP and NDP for the Indian economy. This has been so in spite of the rapid growth of the tertiary sector. In this context the paper briefly analyses the implications of the rapid growth of distributive trade and transport services for NMP. The author also takes a quick look at the growth of the services rendered by 'Public Administration and Defence', which are excluded from NMP.

I

THE rapid growth of output of the tertiary sector in the Indian economy over the plan period naturally raises questions regarding the significance of the phenomenon. Some economists hold the view that the net domestic product becomes a misleading indicator of eocnomic progress of a poor country if the tertiary sector grows rapidly (Chandra, 1982). The point, however, has seldom been clearly elaborated. It has sometimes been argued (Katousian, 1970) that the rapid growth of public administration in most less developed countries is not always dictated by concern for economic progress. If we grant the above argument, a part of the output of the tertiary sector may be considered as having no contribution to the growth potential of the economy. While it is difficult to arrive at a precise estimate of this part, it is in all probability only a small fraction of the total output of the tertiary sector. But, for this reason, should one consider the rapid growth of the tertiary sector as a whole, undesirable? Or, more specifically, should one consider the rapid growth of transport, trade and bank services in the Indian economy as undesirable?

The present paper examines the above questions in the background of a study of the growth of net material product in India over 1950-51 to 1981-82. Section II of the paper briefly discusses some aspects of the notion that NMP is better than NDP as an indicator of economic progress of an LDC. In this context, the next section shows how the growth of distributive trade in India is intimately linked with the growth of material production. Sections IV and V examine respectively the growth of different sub-sectors of the tertiary sector and its implication for the relative growth of NMP and NDP of the Indian economy over the reference period. Section VI takes a critical look at the growth of the sub-sector 'Public Administration and Defence', which is excluded from NMP, over the reference period. The last section summarises the major findings of the study.

II

The most cardinal needs of the masses of a poor country, food, clothing and shelter, are all material goods. Further, capital goods required for the generation of productive capacity are also material goods. Consumption services[1] do not play a direct role either in the maintenance of the population or in the rapid growth of the economy. It is from this consideration that some economists have viewed the rapid growth of the tertiary (or services) sector in India as rather undesirable, and they have suggested that NMP should be considered as more meaningful than NDP as an index of economic progress of an LDC.[2]

The point that is often missed is that the value added in the tertiary sector does not constitute the difference between NDP and NMP. NMP is the unduplicated aggregate value of material goods produced in an economy. It is important to note that a large part of the value-added in the tertiary sector is incorporated into the value of material goods.

Let us elaborate the point. In the Material Products System (MPS) the whole process extending from extraction of resources from nature to their processing and distribution to the final users is considered as 'production' (UNECE, 1959). Obviously, distributive trade and the major part of transport services constitute part of material production. The rationale for the popular distaste for trade in India arises from the resentment against the cornering and hoarding of goods and of blackmarketing and profiteering as a result of such cornering. It needs to be remembered in this context that incomes arising from such activities do not in any case enter into the official estimates of the net domestic product. A large part of services under the category 'finance, credit and insurance' is also included in material production and, hence, NMP.[3] We will see below that the above services constitute the major part of the tertiary sector of the Indian economy. While the requirement of the above services per unit of material production depends, to some extent, on the pattern of industrial organisation, we may say that the above services are generally complementary to material production. Before we explain this point in the next section by taking the example of the growth of trade services in India over the plan period, we will contend below that geographical specialisation of production, leading to higher requirement of transport services per unit of product, does not distort the significance of NMP (at constant prices) as an index o material production of a country.

Let us consider the hypothetical case o a country with two regions—A and B— thousand miles apart. Let, in situation I both the regions be just self sufficient, s that there is no trade between the two. Nov let in situation II, region A specialise i agriculture while region B specialises i manufacturing. Suppose, as a result, th volume of both agricultural and manufacturing products going to final users just double. Then NMP at constant prices in situation II should be twice that in situation I Of course, one has to remember that a precondition of this specialisation (and the consequent doubling of output) is the existence of transport and trade. Such services thus facilitate the growth of output. In situation II a lot of goods have to be transported between the two regions. This adds a new element to the overall cost (and therefore the price) of the products. It may be noted that in the new situation prices of products may move either way depending on factor prices, irrespective of any economy of scale and even without the additional transport cost. Here we simply assume that prices of all goods rise by 10 per cent because of the additional cost on this account. Thus in situation II NMP at current prices rises by

TABLE 1: INTERMEDIATE TRADE PER UNIT OF VALUE ADDED IN MAJOR SECTORS

(percentages)

Year (1)	Primary Sector (2)	Secondary Sector (3)	Services Sector (4)
1968-69	1.28	23.12	1.91
1973-74	1.32	23.44	2.53
1979-80	2.89	42.00	3.93

Note: Coefficients for 1979-80 appear to be non-comparable with those of the two other years. Relative magnitudes of the coefficients for all the three matrices, however, seem to be comparable.

Sources: i) Central Statistical Organisation [1978 and 1981], 'Input-Output Transactions' for 1968-69 and 1973-74, *National Accounts Statistics*.
ii) Planning Commission [1983], 'Input-Output Transactions, 1979-80', *A Technical Note on the Draft Sixth Plan*.

something close to 120 per cent compared to that in situation I, assuming the inputs to be only marginal. Clearly, a part of this growth is illusory; transport services are incorporated into material goods the volume of which has increased by just 100 per cent. When current price NMP is deflated for the price rise, we obtain constant price NMP in situation II as just double that in situation I. Had the transport margin been higher the share of transport services in the value generated in material production would also be higher; but that would, nevertheless, leave constant price NMP at just double the level of that in situation I. Thus the rapid growth of transport service (and, by the same logic, other material services) does not distort the significance of NMP as an index of 'material progress' of a country (refer in this context to Chandra, 1982, p 530). The relevance of the above example for the development of the Indian economy is obvious. Now-a-days a lot of foodgrains is transported from Punjab and Haryana to distant parts of the country, but this was not the situation during the 50s or the early 60s.

III

In order to understand the complementarity between distributive trade and material production we would divide trade services into two parts—intermediate trade and final trade. Intermediate trade is related to trade in material inputs of production while final trade is related to trade in final goods. In India, the share of distributive trade in NDP at factor cost increased roughly from 8 per cent in 1950-51 to 12 per cent in 1983-84. Rough calculations based on the input-output transactions matrix of the Indian economy (Central Statistical Organisation, 1978) for 1968-69 shows that the aggregate value added in trade services was almost equally divided between its two parts.

It would be useful to indicate the CSO method of estimation of constant price value added in trade services before we go into the explanation for its growth. The estimate for the benchmark year (1970-71) is obtained on the basis of detailed surveys (though the geographical coverage of these surveys is not complete). Annual constant price estimates for different years are obtained by blowing up the benchmark estimate by *volume indices* (which are nothing but aggregates of constant price values) *of commodities handled by traders* in the respective years. Clearly the CSO estimates of value added in trade discount for not only the rise in prices of commodities but also for secular changes in trade margins for different commodities.[4]

We may now trace the link between trade and material production in the Indian economy over the reference period. We note that material input (and hence intermediate trade) requirement per unit of value added is not the same in all branches of production. Table 1 shows that intermediate trade coefficient for the secondary sector is many times higher than those for the primary and the tertiary sectors during all the three years for which observations are available. We also know that over the decade starting from the mid-1950s the share of the secondary sector in GDP at factor cost (at 1970-71 prices) increased rapidly—roughly from 14 to 22 per cent. Thereafter, this share remained stagnant. This relative expansion of the secondary sector must have raised the share of intermediate trade in NDP. Apart from the relative expansion of the secondary sector another factor also worked to raise the share of intermediate trade in NDP. The value of material input per unit of the value of output in almost all the branches of registered manufacturing sector increased over the decades of the 60s and the 70s (Table 2, data for the 50s are not available). This, obviously, led to an increase in the intermediate trade coefficient for the secondary sector over the period concerned. This observation is supported by Table 1, though the extent of the increment in the coefficient between 1973-74 and 1980-81, as shown by the table, may not be fully explained by the above phenomenon.[5]

We may now briefly consider the behaviour of the share of final trade in NDP. A change in the composition of commodities for final use should affect the final trade share. It has been observed (Datta, M, 1988 pp 37-41) that while only about one-third of the total demand for foodgrains is distributed through traders, the corresponding proportion for non-food final material

TABLE 3: VALUE OF FOODGRAINS AND NON-FOODGRAINS FINAL MATERIAL GOODS* AS PERCENTAGES OF GROSS DOMESTIC PRODUCT (AT MARKET PRICES OF 1970-71)

Year	Foodgrains	NFM**	Ratio Col 2: Col 3
(1)	(2)	(3)	(4)
1950-51	34.0	43.3	44:56
1955-56	33.2	44.4	43:57
1960-61	31.0	46.2	40:60
1965-66	26.1	48.4	35:65
1970-71	27.0	48.8	36:64
1975-76	25.2	49.5	34:66
1980-81	22.0	51.2	30:70
1983-84	20.0	53.4	27:73

Notes: * The table gives only rough estimates. The value of non-foodgrains final material goods has been approximated by deducting from GDP values of foodgrains and consumption services which include passenger transport, consumption of electricity, real estate, 'public administration and defence' and other community and personal services.
** NFM = Non-foodgrains final material goods.

Source: 'Input-Output Transactions, 1973-74'; 'Income and Outlay Accounts of Administrative Departments' and 'Disaggregated Statements On the Output of Agriculture'; Central Statistical Organisation, *National Accounts Statistics*, 1979, 1981, 1986.

TABLE 2: MATERIAL INPUT-GROSS OUTPUT RATIOS IN REGISTERED MANUFACTURING SECTOR (AT 1960 PRICES), SELECTED YEARS

(percentages)

Sl No	Industry	1960	1970	1980
	(1)	(2)	(3)	(4)
1	Chemicals and chemical products	66.2	69.6	77.3
2	Cement	67.2	69.8	77.8
3	Iron and steel	69.0	69.7	77.7
4	Non-ferrous basic metals	77.2	71.0	85.0
5	Electric light and power	56.2	43.7	58.4
6	Machinery (except electrical)	65.7	68.4	72.7
7	Electrical machinery, etc	66.7	70.2	75.0
8	Ship building and repairing	51.9	58.2	59.6
9	Rail road equipment	55.0	60.7	57.6
10	Motor vehicles	72.6	73.0	74.2
11	Repair of motor vehicles	58.4	67.9	76.3
12	Metal products (except machinery and transport equipment)	71.5	73.1	74.3
13	Rubber products	65.1	70.3	80.5
14	Petroleum	59.8	78.5	94.8
15	Structural clay products	50.4	55.2	62.8
16	Spinning, weaving and finishing of textiles	66.4	71.5	72.1
17	Pulp, paper and paper products	66.4	63.0	72.8
18	Miscellaneous food products	83.4	89.4	90.0
19	Tobacco manufacture	79.0	73.6	79.6
20	Sugar factories and refineries	76.4	79.7	82.5
21	Basic goods industries (sl nos 1 to 5)	67.0	64.3	73.3
22	Capital goods industries (sl nos 6 to 12)	65.9	69.6	73.1
23	Intermediate goods industries (sl nos 13 to 15)	61.4	72.5	88.8
24	Consumer goods industries (sl nos 16 to 20)	73.0	76.1	76.4
25	All industries	69.9	70.7	75.4

Source: Central Statistical Organisation, *Bulletin No ISD/9*, 1984.

Table 4: Value Added in Consumption Services* as Proportion to Gross Domestic Product at Factor Cost (1970-71 Prices)

(percentages)

Year (1)	Proportion (2)
1950-51	15.0
1951-52	15.1
1952-53	14.9
1953-54	14.4
1954-55	14.6
1955-56	14.7
1956-57	14.4
1957-58	15.2
1958-59	14.8
1959-60	15.1
1960-61	14.8
1961-62	15.0
1962-63	15.5
1963-64	15.6
1964-65	15.3
1965-66	16.6
1966-67	17.1
1967-68	16.3
1968-69	16.4
1969-70	16.1
1970-71	16.1
1971-72	16.1
1972-73	16.4
1973-74	15.2
1974-75	15.8
1975-76	16.8
1976-77	16.6
1977-78	16.7
1978-79	17.3
1979-80	18.0
1980-81	17.6
1981-82	17.6
1982-83	18.5
1983-84	18.3

Note: * Consumption services in this table includes consumption of electricity, passenger transport, real estate, 'public administration and defence' and 'other community and personal services'.

Source: Central Statistical Organisation, *National Accounts Statistics*, 1979, 1981 and 1986.

goods is considerably higher. Therefore, a gradual decline in the share of foodgrains in total value of final material goods (Table 3) would tend to raise the share of final trade in NDP. This influence, however, might be offset if the share of final material goods itself in the aggregate value of all final goods and services (GDP) declined rapidly.

Table 4 shows that value added in consumption services as a proportion of GDP at factor cost increased[6] rather significantly only over the last one decade of the period under study. But for the whole period under study, clearly, the decline was not sharp enough to offset the positive influence on the final trade share caused by sharp decline in the proportion of foodgrains in final material goods. So, it appears that the final trade share in NDP increased in India as a result of the change in the composition of final demand.

We conclude from our discussion in the present section that the increment in the share of trade in NDP at constant prices in India over the period 1950-51 to 1983-84 was caused by changes in the sphere of material production. These changes relate to the structure of final demand and the related industrial structure of the economy.

IV

In India the share of the tertiary sector in NDP at factor cost (at 1970-71 prices) increased from 24.2 per cent in 1950-51 to 37.9 per cent in 1983-84 (Table 5). During this period the sub-sector 'Trade, Hotels and Restaurants' contributed about one-third[7] of the value added in the sector. 'Transport and Communications' was another major sub-sector. Throughout the reference period this sub-sector accounted for about one-sixth of the income originating in the tertiary sector. A smaller but very rapidly growing sub-sector was 'Banking and Insurance'; its contribution to the value added in the tertiary sector increased from just 3.9 to 7.9 per cent over the reference period. We observe from the table that the combined share of the three above sub-sectors was roughly per cent of the aggregate value added in t tertiary sector.

The two sub-sectors, 'Dwellings R Estate, etc' and 'Other Services' (compr ing miscellaneous personal and commun services) together contributed a little mo than one-third of the net product of the t tiary sector in 1950-51, but the share steadi declined to reach a low of just one-fifth 1983-84. The share of 'Public Administr tion and Defence' (PA and D), on the oth hand, doubled—from 11.7 to 23.5 p cent—over the same period. We have alrea indicated that almost the whole of the val added in 'Trade, Hotels and Restaurant should be incorporated into NMP. As f transport services, it should, in principl be divided into two parts—goods an passenger transport. Income originating i goods transport should be wholly include in NMP. But the treatment of passeng transport involves some problem. In an case, practical difficulties in making separat estimates for goods and passenger transpo has led most socialist countries to includ the whole of income generated from trans port into NMP. Similar remarks may als be made of income from communication services. Again, almost the whole of valu added in banking and a large part of tha from insurance services are included i NMP. Keeping the above points in view, w may suggest that over the period unde study, about half of the value added in th tertiary sector of the Indian economy, as rough approximation, formed part of NMP Clearly, even those who advocate the use o NMP, rather than NDP, as an index o 'economic progress' cannot hold the rapi growth of the tertiary sector of the India economy as entirely undesirable.

V

In view of the above discussion it should be interesting to study the relative growth of NMP and NDP of the Indian economy over the reference period. We have computed three series of estimates of NMP for the Indian economy—one at current prices and two at constant prices. The disaggregated tables of NDP as given in CSO publications have been used to derive these estimates. Our estimates do not exactly conform to the UN guideline for obtaining NMP from SNA data. This is because the breakdown of activities in the CSO data is not detailed enough for the purpose.

The most important source of divergence from the UN guideline is the inclusion of non-business related passenger transport in NMP. Other source of divergence are failures to determine the proportions, for communication and banking services,[8] which cannot be treated as inputs to material production. The whole of these services have been included in our estimates. Further, though the services of hotels belong to the non-material sphere, these have been included in our estimate because the CSO

Table 5: Net Product Originating in the Tertiary Sector and Its Sub-Sectors at 1970-71 Prices

(percentage distribution)

Year (1)	Trade, etc (2)	Transport, etc (3)	Banking and Insurance (4)	Public Adminis-tration (5)	Dwellings, Real Estate, etc (6)	Other Services (7)	Aggregate Tertiary Sector* (8)
1950-51	34.9	13.0	3.9	11.7	10.6	25.9	100(24.2)
1955-56	34.3	17.4	4.6	10.6	9.8	23.3	100(26.0)
1960-61	36.8	14.4	5.1	12.0	9.3	22.3	100(26.3)
1965-66	37.1	15.2	5.4	13.9	9.8	18.7	100(30.9)
1970-71	37.3	15.2	6.2	15.6	9.9	15.8	100(30.3)
1975-76	36.5	15.5	6.4	17.6	9.3	14.7	100(31.7)
1980-81	35.2	13.8	7.5	20.9	9.2	13.3	100(35.3)
1983-84	33.5	14.5	7.9	23.5	8.3	12.2	100(37.9)

Note: * Figures in parentheses show net product of the tertiary sector as percentage of NDP at factor cost.

Source: Central Statistical Organisation, *National Accounts Statistics*, January 1989, February 1982, and January 1986.

does not provide any separate estimate of value added in this sector. Thus our estimates have a small upward bias as compared to those one would obtain from strict observance of the UN guideline.

An important point regarding our estimates is that, unlike the general practice,[9] these are at factor cost. Since indirect tax revenue is raised mostly from material products, the share of NMP in NDP will be higher for market price estimates than for factor cost estimates. We may note that the former estimate unlike the latter one, will also reflect changes in the ratio of indirect tax revenue to NDP. Therefore, it appears that the factor cost estimates are more suitable for the study of relative growth rates of NMP and NDP.

Now we come to a comparison of our estimates of NMP with those of NDP presented by CSO. Table 6 implies that current price estimates of consumption services expressed as a proportion of NMP does not have any uniform trend over the first decade under study. This proportion shows a uniformly declining trend over the next fifteen years, the trend being reversed during the rest of the period under study. However, the constant price estimates roughly show a rising trend over the entire period under study (Tables 7 and 8), though this trend was comparatively weak during the 50s.

The trend, whether at currrent or at constant prices, was not sufficiently strong to make any substantial impact on the relative rates of growth of NMP and NDP (Table 9) except during the last few years when the Indian economy experienced a rather sharp increase in the share of services in NDP.[10]

Table 9 shows that over the three decades there was no significant difference between the growth rates of the two aggregates at current prices, however, that the growth rate of NMP (at constant prices) was marginally smaller than that of NDP. But it is not clear that the constant price estimates provide a more reliable picture particularly because the official method of estimation of value added at constant prices in PA and D is open to question. We will discuss this point in detail in the next section.

VI

Prior to the publication of its new series (with 1980-81 as base), the CSO obtained the constant price value added in PA and D from the current price estimates after adjusting the latter for allowances granted to employees specifically on account of rises in the cost of living (CSO, 1980). The implicit assumption in this procedure, obviously, is that increments in employees compensation, other than dearness allowances, represent rises in labour productivity. The above approach has been revised in the new series. The new approach is to deflate the current price estimates by the consumer price index for industrial workers (Datta Roy Chowdhury, U, 1988). This has led to a sharp decline in the rate of growth of value added (at constant prices) in the sector as compared to the growth rate in the old series (with 1970-71 as base). The new approach implies that any increment in real wage in the sector reflects productivity increment. Both the old and the new approaches may be particularly objectionable in view of the argument that increments in employees compensation in the sub-sector reflects increment in productivity in the industrial (technologically progressive) sector (Baumol, W J, 1967). Since value added in PA and D consists entirely of employees compensation, its increment, even when quite unrelated to productivity rise, leads to increment in value added in the sub-sector and also in NDP. In other activities, however, a wage hike does not generally lead immediately to commensurate increment in value added in the activity (because of uncertain response of prices and quantities), nor does the wage hike necesarily lead to an increment in NDP in real terms. This underlines the need for special caution in the estimation of value added in PA and D.

In fact, if we assume that productivity in government administration did not change over time, then in order to obtain the constant price value added in PA and D the index of money wage of government employees should be the appropriate deflator of current price value added. However, the assumption may not be entirely valid. Even if the average educational standard of government employees remains unchanged (though we do not have ready and reliable data on this) over the reference period, the efficiency in government administration should, perhaps, increase over time through experience (learning by doing?). A number of other factors also (e g, the use of modern equipment, the standard of ethics, etc) should influence the efficiency. Thus it is not easy to provide a ready solution to the problem of measurement of productivity in PA and D.

TABLE 6: NET DOMESTIC PRODUCT AND NET MATERIAL PRODUCT AT FACTOR COST (CURRENT PRICES)

(Rs '00 crore)

Year	NDP	NMP	3-Yearly Moving Total		Difference NDP over NMP, Per Cent
			NDP	NMP	
1948-49	87	73	—	—	—
1949-50	90	77	273	231	18.0
1950-51	96	81	286	243	17.8
1951-52	100	85	294	249	18.0
1952-53	98	83	303	257	18.1
1953-54	105	89	299	251	19.1
1954-55	96	80	301	251	19.9
1955-56	100	83	309	257	20.2
1956-57	113	95	327	272	20.2
1957-58	114	95	353	295	19.7
1958-59	126	106	370	308	20.0
1959-60	130	108	389	329	18.4
1960-61	133	115	404	344	17.4
1961-62	141	121	423	364	16.2
1962-63	149	128	461	396	16.4
1963-64	170	147	521	450	15.8
1964-65	201	175	580	500	16.0
1965-66	208	179	650	562	15.7
1966-67	241	208	732	634	15.5
1967-68	283	247	813	706	15.2
1968-69	288	250	891	774	15.1
1969-70	319	277	954	831	14.8
1970-71	347	303	1036	901	15.0
1971-72	370	321	1124	978	14.9
1972-73	407	354	1285	1124	14.3
1973-74	508	449	1513	1330	13.8
1974-75	597	527	1729	1521	13.7
1975-76	623	545	1890	1654	14.3
1976-77	670	583	2051	1790	14.6
1977-78	758	662	2240	1951	14.8
1978-79	813	706	2455	2130	15.3
1979-80	884	761	2752	2399	15.7
1980-81	1055	911	3159	2726	15.9
1981-82	1220	1054	3616	3117	16.0
1982-83	1341	1152	4149	3574	16.1
1983-84	1588	1368	—	—	—

Sources: i) CSO, *Estimates of National Income*, February, 1964 (New Delhi).
ii) CSO, *National Accounts Statistics*, March 1975 (disaggregated tables), New Delhi.
iii) CSO, *National Accounts Statistics*, October 1976, January 1978 and January 1984, January 1986, New Delhi.

In the absence of a better alternative, a simple way out may be to use the current price share of the sub-sector in NDP at factor cost for the corresponding share at constant prices. It may be said in defence of this approach that with economic growth while, on the one hand, the tax base expands, the demand for administrative services, on the other hand, also increases.[11] Thus in the course of economic development the government would be under pressure not only to enhance employees' compensation,[12] but also to expand administrative services. Therefore, the current price share of PA and D in NDP at factor cost may not be entirely devoid of a notion of the volume of services rendered by the sub-sector.[13] We have applied the method suggested above to estimate constant price value added in PA and D. Table 10 shows our estimates and the corresponding CSO estimates. We find that the share of PA and D in aggregate value added in the tertiary sector increased over the three and a half decades under study (col 5). But the increment is much less sharp than that shown by the corresponding CSO estimates (col 4). The difference between the two estimates may be seen from cols 2 and 3 of the table. Clearly, our estimates lead to a downward revision of constant price NDP at factor cost after 1970-71 and a slight upward revision before 1970-71. This means a marginal fall in the growth rate of NDP. Clearly, the above exercise implies that there is practically no difference between the rates of growth of NMP and NDP (at constant prices) over the period under study, if we make suitable adjustments to derive the net output of PA and D at current prices.

VII

We may summarise the major findings of the study as follows:

1 The growth of the tertiary sector at a rate higher than that of NDP does not necessarily imply the growth of NMP at a rate lower than that of NDP.

2 Certain services, like trade and transport, are complementary to material production. The growth of trade services in India over 1950-51 to 1983-84 has responded to changes in the structure of material production.

3 The official estimate of the rate of growth of value added (at constant prices) in 'Public Administration and Defence' in India has an upward bias. This has led to a similar bias in the official estimate of the corresponding growth rate for the tertiary sector.

4 A major part of the value added in the tertiary sector of the Indian economy constitutes a part of NMP. After some revision for the bias in the official estimates of value added in 'Public Administration and Defence' there is practically no difference between the rates of growth of NMP and NDP (whether at current or at constant prices) in India over the period covered by the study.

Notes

[The author is grateful to his teacher M K Rakshit for comments on various points discussed in the paper. He is also grateful to an anonymous referee for useful comments.]

1 By consumption services we mean those services which do not *directly* take part in the process of material production. Examples of such services are general government administration, defence, education, health, etc. The importance of such services in creating a healthy socio-cultural atmosphere is not in doubt. But the point here is that a rapid growth of such services may not be an essential condition for the rapid growth of an economy in its early stages of development cf Hunt, C L [1966].

TABLE 7: NDP AND NMP (AT FACTOR COST) 1970-71 PRICES

(Rs '00 crore)

Year	NDP	NMP	3-Yearly Moving Total NDP	3-Yearly Moving Total NMP	Difference NDP over NMP, Per Cent
1960-61	243	215	—	—	—
1961-62	250	222	747	661	13.0
1962-63	254	224	771	682	13.0
1963-64	267	236	809	715	13.1
1964-65	288	255	826	728	13.5
1965-66	271	237	831	729	14.0
1966-67	272	237	840	735	14.3
1967-68	297	261	874	765	14.2
1968-69	305	267	926	813	13.9
1969-70	324	285	976	855	14.2
1970-71	347	303	1023	894	14.4
1971-72	352	306	1046	907	15.2
1972-73	346	299	1062	919	15.6
1973-74	364	315	1076	929	15.8
1974-75	366	315	1132	978	14.7
1975-76	402	348	1171	1011	15.8
1976-77	404	348	1246	1079	15.5
1977-78	440	383	1308	1134	15.3
1978-79	464	403	1343	1155	16.3
1979-80	438	370	1374	1172	17.2
1980-81	472	399	1406	1186	18.5
1981-82	496	417	1481	1242	19.2
1982-83	513	426	1563	1302	20.0
1983-84	554	459	—	—	—

Sources: CSO, *National Accounts Statistics*, February 1980, January, 1989, January 1984, January 1986, New Delhi.

TABLE 8: NDP AND NMP (AT FACTOR COST), 1960-61 PRICES

(Rs '00 crore)

Year	NDP	NMP	3-Yearly Moving Total NDP	3-Yearly Moving Total NMP	Difference NDP over NMP, Per Cent
1950-51	91	79	—	—	—
1951-52	93	80	280	242	15.7
1952-53	96	83	291	252	15.5
1953-54	102	89	303	263	15.2
1954-55	105	91	316	274	15.3
1955-56	109	94	329	285	15.4
1956-57	115	100	336	291	15.5
1957-58	113	97	350	302	15.9
1958-59	122	105	359	310	15.8
1959-60	125	107	380	328	15.9
1960-61	133	115	396	342	15.8
1961-62	138	119	412	355	16.1
1962-63	141	121	427	367	16.3
1963-64	149	127	449	386	16.3
1964-65	160	137	461	394	17.0
1965-66	152	129	465	395	17.7
1966-67	154	129	472	399	18.3
1967-68	166	141	490	415	18.1
1968-69	171	145	519	439	18.2
1969-70	182	153	—	—	—

Source: CSO, *National Accounts Statistics*, March 1975.

2 A detailed discussion of the relative significance of the two aggregates has been undertaken in Datta, M [1987].

3 We may note here that though a large part of the services of the category is included in NMP, the category itself is classified under the non-material sphere in the MPS, cf U N, 1971.

4 One problem with the CSO method is that it does not take into account the differences in trade margins for different commodities.

5 We may note that the sources of the two matrices for the years 1973-74 and 1980-81 are different. Therefore, the matrices may not be fully comparable.

6 We assume that the trend of value added reflects the trend of value of consumption service, also.

7 As per CSO estimates, about 8 per cent of this value added may be attributed to 'Hotels and Restaurants'.

8 Value added in life insurance has, however, been separated from that in other insurance business and the former has been excluded from NMP.

9 Communist countries present their estimates of NMP at market prices. CSO also has presented market price estimates of NMP for the Indian economy over the period 1970-71 to 1978-79. [Cf Monthly Abstract of Statistics, April 1982]. This is the first official series of NMP of the Indian economy. The first attempt in this field, however, is by M Mukherjee. He provides an estimate for the year 1948-49. Tewari, S G and Kanbur, M G also have computed a series for the period 1948-49 to 1961-62. Cf Mukherjee, M [1969].

10 Our finding is contrary to Nirmal Chandra's. He observed that per capita NMP was stagnant while per capita NDP had a steadily increasing trend over the period 1900 to 1975. His concept of NMP is not the official one and had he does not give a clear theoretical basis for his concept. Cf Chandra, N [1982].

11 Wagner's law Cf Wagner, A [1983]; Musgraves R A [1959], p 51.

12 We may note here that Baumol's [1967] hypothesis of 'rising cost of services' does not apply to the Indian experience relating to PA and D over the period concerned. Datta, M [1988], p 113.

13 The approach suggested above, in fact, implies the use of the NDP deflator and it gives a result close to that obtained by the revised CSO method.

TABLE 9: RATES OF GROWTH OF THE NMP AND THE NDP OF THE INDIAN ECONOMY

Period	Rates of Growth of	
	NMP	NDP
Estimates at Current Prices		
1949-50 to 1958-59	3.2	3.5
1959-60 to 1969-70	9.7	9.3
1970-71 to 1980-81	11.7	11.8
1949-50 to 1982-83	8.7	8.6
Estimates at 1960-61 Price		
1951-51 to 1960-61	4.0	4.0
1959-60 to 1968-69	3.3	3.5
1951-52 to 1968-69	3.5	3.7
Estimates of 1970-71 Prices		
1961-62 to 1970-71	3.4	3.5
1971-72 to 1980-81	3.0	3.4
1961-62 to 1982-83	3.3	3.6

Note: Growth rates have been calculated on the basis of three-yearly moving averages centred around the years shown.

TABLE 10: VALUE ADDED IN PUBLIC ADMINISTRATION AND DEFENCE (AT 1970-71 PRICES)

Year	Value Added		Col 2 as Per Cent of Value Added in Tertiary Sector	Col 3 as Per Cent of Value Added in Tertiary Sector
	CSO Estimate	Our Estimate*		
(1)	(2)	(3)	(4)	(5)
1950-51	475	478	11.7	11.7
1955-56	552	697	10.6	13.6
1960-61	769	971	12.0	14.7
1965-66	1176	1276	13.9	15.0
1970-71	1635	1635	15.7	15.7
1975-76	2249	2104	17.6	16.3
1980-81	3496	2464	20.9	15.2
1983-84	4921	3053	23.5	15.7

Note: CSO estimates pertain to the series with 1970-71 as base.
Source: CSO, *National Accounts Statistics*, 1979, 1986, Datta, M [1988], p 124.

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Lakhanpal National

LAKHANPAL NATIONAL is proposing to expand its present installed capacity of 180 mn dry cells per annum by 120 mn dry cells per annum. The expansion has become necessary as the company's Baroda factory has been producing between 200 and 250 mn cells during the last four years against the licensed capacity of 180 mn cells. The company has obtained a licence for the expansion which will take the form of a new plant which has been set up at Pithampur near Indore. This is claimed to be the most modern battery manufacturing plant in the country, equipped with sophisticated quality control devices for manufacturing zinc chloride batteries. This plant will produce India's first zinc chloride penlite battery with a metal jacket, 'Novino Gold', which will last twice as long as ordinary batteries when used in heavy drainage equipment like photo flashes, electronic toys, walkmans, etc. The Pithampur factory is estimated to cost Rs 16 crore.

Lakhanpal National's unaudited financial results for the 12-month period ending March 31, 1989 shows sales (including excise) at Rs 61.24 crore compared to Rs 66.52 crore in the 15-month period from January 1987 to March 1988. Gross profit is estimated at Rs 2.74 crore (Rs 3.39 crore) and net profit after depreciation, taxation and investment allowance at Rs 1.06 crore (Rs 1.04 crore).

Net Foreign Exchange Earnings of Private Corporate Sector

Vidya Pitre

This paper is an empirical analysis of trends in foreign exchange earnings and expenditure of the private corporate sector over the period 1960-61 to 1987-88. It is based on data from the RBI Survey Reports on Foreign Collaborations and the RBI Studies on Finances of Medium and Large Public and Private Limited Companies and Foreign Controlled Rupee Companies. Three distinct phases are identified: (i) 1960-61 to 1972-73, (ii) 1974-75 to 1977-78 and (iii) 1978-79 to 1987-88, each characterised by a different set of policies, state of the industrial economy and foreign trade and payments situation.

FOREIGN investment in a wider sense denotes a spectrum of international arrangements ranging from a licensing agreement for use of a patent or trade mark to direct investment through branches of foreign enterprise. In essence this entails flow of capital and non-capital factors like technology from one country to another. Historically such a flow is not a new phenomenon but has assumed significance in the wake of the need of the developing countries to push up their growth rates.

In the framework of current economic theory the flow of international capital has been treated as an engine of growth. In the growth models, foreign investment has been given the role of gap filling. In most of the developing countries the rate of domestic saving is much less than the rate of domestic investment and the level of technology is much lower. Apart from this, developing countries are often in a situation of balance of payments deficits. Foreign capital is presumed to fill these gaps: saving-investment gap, technology gap and trade gap.

Consequently, import of foreign capital and technology is an important factor for initiating or accelerating the pace of industrial activity. Michael Kidron[1] undertook a very systematic study covering period up to 1961. Thereafter K K Subrahmanian[2, 3] had attempted a thorough and exhaustive analysis of the subject.

The development in this area may be viewed against the FERA—Foreign Exchange Regulation Act—which was passed in 1973. The objective of it was regulation of foreign ownership and foreign exchange transactions. It led some to believe that the conservation of foreign exchange was also one of the implied objectives. Sudip Chaudhuri[4] discussed at length the provisions of FERA guidelines and also probable impact on the corporate sector in India. It led him to the following conclusions: No inbuilt legal bias against foreign capital has been introduced through FERA. A section of the foreign corporate sector has in fact been excluded from the purview of the act. Further, the hold of foreign firms over Indian firms will be strengthened as a result of the implementation of FERA. Indian portfolio investors who participate in the share capital of foreign companies may benefit, but these benefits are likely to be limited if foreign firms now declare less dividends and repatriate a higher portion of profits through other measures, as for instance, transfer pricing. The foreign exchange outflow resulting from the expansion of foreign companies is likely to increase. Apart from pointing out the gap in the declared objectives of the legislation and actual results he highlighted some important features about FERA. According to Chaudhuri, foreign companies could gain by faithfully implementing the provisions of the act. Violations of the provisions by taking advantage of the loopholes or otherwise would not be necessary.

It is in this light that we propose to analyse the foreign exchange earnings/expenditure of corporate sector in India with a view to identifying the cost and benefit from the import of capital and technology. In doing so, only direct cost and benefit will be considered. J J Anjaria[5] in a foreword to the first survey report on foreign collaboration in Indian industry posed the problem thus: "A major problem in this field whether, on balance, foreign collaboration arrangements have resulted in or can be relied on to result in a net gain to the country. Clearly an answer to this question cannot be given on the basis of just factual data regarding dividends, royalties, technical fees and the like brought together in this report, since the problem involves among other things an assessment of what progress in production, employment, exports and advance of technology in general and of import substitution in particular would have been made in the absence of these arrangements for import of capital and technical know-how—a different kind of terrain altogether." This study also does not claim to have taken up such an exercise. It consists of an empirical analysis of the trends in the foreign exchange earning/expenditure over the period 1960-61 to 1987-88. The merit of this exercise lies in collection of data from different sources and building a consistent set of meaningful information. The main problem in building such a time series data from different sources is the differences in coverage, method and

TABLE 1: VALUE OF PRODUCTION, IMPORTS, EXPORTS AND THE SHARE OF IMPORTS AND EXPORTS IN TOTAL PRODUCTION

(*Rs crore*)

Year	Production	Imports		Exports	
1960-61	910.3	205.4	(22.56)	51.2	(5.62)
1961-62	1027.1	212.8	(20.72)	57.3	(5.58)
1962-63	1193.7	220.0	(18.43)	57.2	(4.79)
1963-64	1420.1	242.8	(17.10)	65.6	(4.62)
1964-65	1570.3	216.0	(13.75)	60.1	(3.83)
1965-66	1810.7	212.7	(11.75)	75.8	(4.19)
1966-67	2112.6	286.0	(13.54)	111.9	(5.30)
1967-68	2356.4	319.3	(13.55)	134.7	(5.72)
1968-69	2659.3	279.8	(10.52)	155.4	(5.84)
1969-70	3083.7	286.4	(9.29)	190.8	(6.19)
1970-71	4005.8	324.2	(8.09)	186.4	(4.65)
1971-72	4529.7	399.8	(8.83)	186.0	(4.11)
1972-73	4906.0	363.2	(7.40)	225.4	(4.59)
1973-74	—	—		—	
1974-75	—	—		—	
1975-76	—	—		—	
1976-77	—	—		—	
1977-78	5331.2	284.8	(5.34)	309.4	(5.80)
1978-79	6230.9	372.6	(5.98)	383.0	(6.15)
1979-80	7203.2	510.3	(7.08)	442.0	(6.14)
1980-81	8739.5	624.9	(7.15)	513.0	(5.86)

Note : Figures in brackets gives the percentage shares.

Sources: Foreign Collaboration Surveys.

cope of the studies. Bearing these limitations in mind the data would be useful in giving a rough picture indicative of the underlying trend of net foreign exchange earnings of the corporate sector in India.

In the following sections the data and results are presented for each source separately. The main sources are RBI Survey Report on Foreign Collaboration in India and RBI Studies on Finances of Medium and Large Public and Private Limited Companies and Foreign Controlled Rupee Companies. For supplementary information and gaps we have also made reference to special studies done in this area. The last section contains the findings of each set of data and offers concluding remarks.

Foreign Collaboration Survey Reports, 1960-61 to 1980-81

As is well known foreign collaboration is an important aspect of industrial policy. The survey reports on foreign collaboration released by Reserve Bank of India are useful to make an assessment of the past pattern and emerging trend which is an important area where the government is making sweeping policy changes. The Reserve Bank has been conducting periodical surveys of foreign collaboration agreements in the corporate sector. These survey reports constitute the only comprehensive sources to provide factual material for analytical studies on the impact of import of capital and technology. The first survey covered a four-year period from 1960-61 to 1963-64, the second covered six-year period from 1964-65 to 1969-70 and the fourth survey spanned the four-year period from 1977-78 to 1980-81. The report of the third survey was not published. A summary of the results of the survey covering the three-year period 1970-71 to 1972-73 is published in the Appendix of the fourth survey. Through all the surveys the results are presented in the same format. This facilitates the construction of a continuous data set on financial aspects of foreign collaboration in corporate sector and enables us to examine the nature of these agreements. The period 1973-74 to 1977-78 is left uncovered. The omission of the period which witnessed the influence of some major policy changes has reduced the analytical usefulness of the continuous data that can be generated from the reports. Thus we have an authoritative account of some statistics of foreign collaboration in Indian industry with a four-year break. The data can be used to make a comparative study of the characteristics and incidence of different forms through which capital and technology transfers have taken place in response to government policy changes from time to time.

We may turn to the analysis of data in order to understand the basic underlying trend. Tables 1 and 2 set out the data on value of production, imports and exports of the Indian companies for the period 1960-61 to 1980-81. We observe a continuous and rising net outflow of foreign exchange during this period. Imports increased from Rs 205.4 crore in 1960-61 to Rs 363.2 crore in 1972-73. Exports increased from Rs 51.2 crore to Rs 225.4 crore in the same period. The deficit was of the order of Rs 137.8 crore in 1972-73 as against Rs 154.2 crore in 1960-61. The proportion of imports to production showed a sharp and continuous fall from 22.6 per cent in 1960-61 to 7.4 per cent in 1972-73. In the corresponding period, the share of exports remained the same or declined slightly. In that sense liberalisation or outward orientation does not emerge as the salient feature of this period.

In 1977-78 and 1978-79 we observe net inflow of foreign exchange consequent to higher growth in export *vis-a-vis* imports. The share of imports in production declined further while that of exports increased.

In 1979-80 there appears to be reversal of the trend with a sharp rise in imports. Over two years import bill increased from Rs 372.6 crore in 1978-79 to Rs 624.9 crore in 1980-81, giving an increase of 68 per cent. It thus appears that while exports as a proportion of total production hardly changed at all during the two years, there was a substantial increase both in the absolute amount and the relative proportion of imports during the two years. The foreign exchange balance of the private sector companies of the sector having foreign collaboration and/or equity participation thus turned from a small positive figure in 1977-78 to a large negative figure by 1980-81.

We may take up some other aspects of the problem as revealed through the survey reports. Value of production under foreign collaboration of private corporate sector rose from Rs 910.3 crore in 1960-61 to Rs 4906.0 crore in 1980-81. During this period the

Table 3: FE Income, Expenditure and Net Earnings of a Sample of 153 Companies, 1974-75 to 1977-78

(*Rs crore*)

	FE Income	FE Expenditure	Net Earnings
1974-75	216.77	203.79	12.98
1975-76	345.33	180.48	164.85
1976-77	456.11	192.46	263.65
1977-78	472.38	324.55	147.83

Source: N J Zhaveri and L Bhagirathi, 'Net Foreign Exchange Earningsfrom Export of Indian Manufactures', *EPW*, June 9, 1979.

Table 4: Value of Production of Selected Foreign Controlled Rupee Companies in 1975-76, 1980-81, and 1984-58

(*Rs lakh*)

	1975-76	1980-81	1984-85
1 Tea Plantation	14165	26555	62894
	(3.9)	(4.0)	(8.9)
2 All Textiles	7496	12830	516
	(2.1)	(1.9)	(0.1)
3 Aluminium	12796	24585	21902
	(3.5)	(3.7)	(3.1)
4 Engineering	124892	247275	258087
	(34.3)	(37.5)	(36.5)
5 Chemicals	107736	191835	252858
	(29.6)	(29.1)	(35.8)
6 Rubber and rubber products	22901	33475	23744
	(6.3)	(5.1)	(3.4)
7 Trading	29238	46456	12118
	(8.0)	(7.0)	(1.7)
All Companies	364491	659304	706733
	(100.0)	(100.0)	(100.0)

Table 2: Foreign Exchange Payments, 1960-61 to 1980-81

(*Rs Crore*)

	Imports 1	Other 2	Total 3	2 as Per Cent of 3 4
1960-61	910.3	22.4	935.7	2.39
1961-62	1027.1	27.4	1054.5	2.60
1962-63	1193.7	32.9	1226.6	2.68
1963-64	1420.1	32.4	1452.5	2.23
1964-65	1570.3	36.2	1606.5	2.25
1965-66	1810.7	38.6	1849.3	2.09
1966-67	2112.6	49.4	2162.0	2.28
1967-68	2358.4	56.1	2412.5	2.33
1968-69	2659.3	58.8	2715.4	2.17
1969-70	3083.7	61.5	3145.4	1.95
1970-71	4005.8	66.6	4072.4	1.64
1971-72	4529.7	62.2	4591.9	1.35
1972-73	4906.0	64.1	4970.1	1.29
1973-74	—	—	—	—
1974-75	—	—	—	—
1975-76	—	—	—	—
1976-77	—	—	—	—
1977-78	5331.2	67.6	5398.8	1.25
1978-79	6230.9	69.9	6300.8	1.11
1979-80	7203.2	71.4	7274.6	0.98
1980-81	8739.5	73.5	8813.0	0.83

Source: Same as in Table 1.

relative share of subsidiaries and pure technical collaboration companies declined from 41.9 per cent and 32.2 per cent to 20.4 per cent and 22.5 per cent, respectively. The share of minority companies increased sharply from 25.9 per cent to 57.2 per cent over the period. The share of foreign capital in total capital declined sharply from 52.6 per cent to 39.1 per cent. Fall in share of the subsidiary companies contributed largely to the decline. The lower degree of foreign control during the period reflected government's policy requiring foreign controlled companies to reduce the degree of foreign control over the companies as per FERA 1973. However, the absolute value of total foreign investment rose by Rs 45.6 crore over 1977-78 to 1980-81, recording a rise of 31.5 per cent.

During this period we observe that under foreign exchange payment the import bill constituted a very large proportion (97.61 per cent in 1960-61) as against 'other' expenditure. Further, its share also showed a rising trend over the period. As a result, in 1980-81 it accounted for about 99.17 per cent of total payment. The category of 'others' comprise payment of dividend, royalty, interest and technical fees. Dividend accounted for about 50 per cent of payment under 'others'. This is followed by interest and technical fees. Increase in dividend and interest payment is observed. Under imports raw materials constituted the important component, its share ranging from 70 to 80 per cent through the entire period.

Data for the Period 1974-75 to 1977-78

As discussed earlier, RBI surveys leave a gap of four years. For 1974-75 to 1977-78 a study comprising a sample of 153 companies provides useful statistics. The study by Zhaveri and Bhagirathi[6] analyses the export performance of 153 companies for the four years 1974-75 to 1977-78. In addition to examining trends in exports in relation to sales, an attempt is made to bring out the direct balance of payments impact of the 153 companies. These companies account for over 25 per cent of total paid-up capital of private corporate sector.

Taking the 153 companies as a whole, net foreign exchange earnings shot up from Rs 13.0 crore in 1974-75 to Rs 263.6 crore in 1976-77 and declined to Rs 148 crore in 1977-78. Thus this period witnessed a net inflow of foreign exchange earnings.

Foreign-Controlled Rupee Companies

Indian joint stock companies which are subsidiaries of foreign companies, companies in which 40 per cent or more of equity capital is held outside India in any one country and companies in which 25 per cent or more of the equity capital is held by a foreign company or its nominee are treated as foreign-controlled rupee companies (FCRCs). Historically in India foreign col-

TABLE 5: FOREIGN EXCHANGE EARNINGS AND EXPENDITURE OF FOREIGN CONTROLLED RUPEE COMPANIES

(Rs lakh)

Year	Value of Total Production	Foreign Exchange/ *Expenditure*	2 as Per Cent of 1	Foreign Exchange Earnings	4 as Per Cent of 1
	1	2	3	4	5
1975-76	344924	23434	6.8	21561	6.3
1979-80	557568	46164	8.3	32531	5.8
1980-81	632301	53058	8.4	36860	5.8
1981-82	—	—	—	—	—
1982-83	584684	46556	8.0	40294	6.9
1983-84	614698	45428	7.4	38709	6.3
1984-85	706733	50032	7.1	48512	6.9

TABLE 7: GROSS VALUE OF PRODUCTION, FOREIGN EXCHANGE EARNINGS AND EXPENDITURE OF MEDIUM AND LARGE PUBLIC LIMITED COMPANIES

(Rs lakh)

Year	Gross Value of Production	Expenditure		Earnings	
	1	2		3	
1975-76	1221060	60131	(4.55)	84940	(6.43)
1976-77	1460712	68140	(4.66)	115768	(7.93)
1077-78	1605766	98297	(6.12)	122097	(7.60)
1978-79	1784995	111030	(6.22)	110589	(6.20)
1979-80	3053423	137381	(6.69)	121956	(5.94)
1980-81	2503270	166941	(6.67)	144475	(5.77)
1981-82	3006194	210961	(7.02)	166569	(5.54)
1982-83	3374854	238188	(7.06)	196366	(5.64)
1983-84	3602677	224644	(6.24)	146092	(4.06)
1984-85	4159892	249323	(5.99)	185236	(4.45)
1985-86	4804356	342111	(7.12)	197689	(4.11)

Note : Figures in brackets indicate percentage to gross value of production.
Source: RBI Studies on Corporate Data.

TABLE 8: GROSS VALUE OF PRODUCTION, FOREIGN EXCHANGE EARNINGS AND EXPENDITURE OF LARGE PUBLIC LIMITED COMPANIES

(Rs lakh)

Year	Gross Value of Production	Expenditure		Earnings	
	1	2		3	
1975-76	945979	45144	(4.77)	60318	(6.38)
1976-77	1129729	50868	(4.50)	84271	(7.46)
1977-78	1160077	69845	(6.26)	83593	(7.76)
1978-79	1256222	82483	(6.56)	83471	(6.64)
1979-80	1414456	103461	(7.31)	87990	(6.22)
1980-81	1665590	129857	(7.80)	97266	(5.83)
1981-82	2073854	154754	(7.46)	115047	(5.55)
1982-83	2254438	171911	(7.63)	126506	(5.61)
1983-84	2589451	166471	(6.43)	131733	(5.09)
1984-85	2997176	186827	(6.23)	153910	(5.14)
1985-86	3362321	238813	(7.10)	168999	(5.03)
1986-87	3659849	287188	(7.85)	167752	(4.58)
1987-88	4020684	292457	(7.27)	204187	(5.08)

Note : Figures in brackets indicate percentage to gross value of production.
Source: RBI Studies on Corporate Data.

TABLE 6: PROFITABILITY OF INDIAN AND FOREIGN CONTROLLED COMPANIES

	Gross Profits as Percentage of Sales	
	FCRC	ICPPC
1975-76	11.7	8.1
1976-77	12.3	7.7
1977-78	11.5	7.8
1978-79	12.1	8.2
1979-80	12.0	9.1
1980-81	10.9	8.8
1982-83	11.7	8.1
1983-84	10.9	7.1
1984-85	11.6	7.2

laboration was associated with branches of foreign companies and subsidiaries. In 1973, branches accounted for more than a quarter of the outstanding foreign private investment in India. Later, following the FERA, 1973, most of the branches converted themselves into Indian joint stock companies. Their share in the outstanding foreign private market investment declined steadily to 6.5 per cent as at the end of March 31, 1980.

It has not been possible to identify the original flow of equity which can grow through capitalisation of resources. As at the end of 1984-85 the reserves and surpluses of these companies amounted to Rs 1,338 crore as against Rs 754 crore of foreign equity. With the capitalisation of these, the foreign holding can go up.

For FCRCs value of production shows a rise from Rs 3,645 crore in 1975-76 to Rs 7,067 crore in 1984-85 (Table 4). These companies show a trend of net outgo on foreign exchanges account (Table 5). In 1984-85 the deficit was to the tune of Rs 15.2 crore. The share of exports has remained fairly constant. However, for subsidiaries, the results based on the foreign collaboration survey show net inflow of foreign exchange. This is taken as a consequence of industries complying with export stipulation norm laid down for retention of majority control. But this is not corroborated by findings of FCRCs. The large outgo thus can be attributed to companies holding 25 per cent or more foreign equity holding. The noteworthy feature of the financial performance of these companies is consistently higher level of profits *vis-a-vis* Indian controlled companies (Table 6).

Recently Nagesh Kumar[7] has made an attempt to provide estimates of foreign controlled enterprises in Indian manufacturing. The set of estimates suggests higher share in profits than in either sales or assets. The importance of FCRCs has declined in traditional industries like jute, cotton, textiles, paper, cement, etc. They, however, continue to hold high share in a number of industries producing consumer goods under brand names such as processed foods, cigarettes, leather goods, etc.

TABLE 9: GROSS VALUE OF PRODUCTION, FOREIGN EXCHANGE EARNINGS AND EXPENDITURE OF MEDIUM AND LARGE PRIVATE LIMITED COMPANIES

(Rs lakh)

Year	Gross Value of Production 1	Expenditure 2		Earnings 3	
1975-76	166075	4942	(3.0)	24195	(14.6)
1976-77	195430	5820	(3.0)	33078	(16.9)
1977-78	218056	15059	(6.9)	34335	(15.7)
1978-79	235653	21328	(9.1)	36479	(15.5)
1979-80	264644	19274	(7.3)	34634	(13.1)
1980-81	297680	15858	(5.3)	32828	(11.0)
1981-82	297250	23062	(7.7)	42114	(14.1)
1982-83	323077	24020	(7.4)	43347	(14.0)
1983-84	367421	24027	(6.5)	49317	(13.4)
1984-85	419152	22227	(5.3)	52295	(12.5)
1985-86	486256	36937	(7.6)	57587	(11.8)

Note : Figures in brackets indicate percentage to gross value of production.
Source: RBI Studies on Corporate Statistics.

TABLE 10: PRODUCTION, FOREIGN EXCHANGE EARNINGS AND EXPENDITURE OF MEDIUM AND LARGE PUBLIC LIMITED COMPANIES

(Rs lakh)

	1975-76					1985-86				
	Production 1	Earnings 2	Expenditure 3	(2) as Per Cent of (1) 4	(3) as Per Cent of (1) 5	Production 6	Earnings 7	Expenditure 8	(7) as Per Cent of (6) 9	(8) as Per Cent of (6) 10
1 Tea plantation	25042	4424	169	17.67	0.67	160246	21252	3078	13.26	1.92
2 Sugar	43243	1810	247	41.9	0.57	68999	844	502	1.22	0.73
3 Tobacco	22055	3636	208	16.49	0.94	58047	16113	952	27.75	1.64
4 Cotton textiles	191191	9664	3329	0.05	1.74	424685	15230	30524	3.59	7.19
5 Silk and rayon textiles	23064	771	1229	3.34	5.33	105268	799	9828	0.76	9.33
6 Aluminium	12796	19	325	0.15	2.54	46302	844	1776	1.82	3.84
7 Engineering	328414	21003	26508	6.40	8.07	1335095	58916	121943	4.41	9.13
Of which										
(i) Motor vehicles	71158	3788	7045	5.32	9.90	362997	16909	28713	4.66	7.91
(ii) Electric machinery, apparatus, appliances, etc	90551	7287	7061	8.05	7.80	321918	16993	29683	5.28	9.22
(iii) Machinery other than transport and electrical	89966	5852	7672	6.50	8.53	334064	20490	35480	6.13	10.62
(iv) Foundries and engineering workshops	20943	993	1047	4.74	5.00	136834	1190	13230	0.87	9.67
(v) Ferrous/non-ferrous metal products	49202	2805	3507	5.70	7.13	152201	675	12798	1.76	8.41
8 Chemicals	200009	7146	12766	3.57	6.38	853017	33823	82554	3.96	9.68
Of which										
i) Chemical fertilisers	35804	74	3891	0.21	10.87	179783	800	27786	0.44	15.46
ii) Medicines and pharmaceutical preparations	34819	1220	1537	3.50	4.41	167765	9002	12555	5.36	7.48
9 Cement	32922	2098	354	6.37	10.08	153927	3682	3696	2.39	2.40
10 Rubber and rubber products	36560	1020	1614	2.79	4.41	148297	4867	9553	3.28	6.44
11 Paper and paper products	32153	236	1062	0.73	3.30	131049	420	14520	0.32	11.08
12 Electricity generation and supply	19949	91	241	0.46	1.21	135399	375	2075	0.28	1.53
13 Trading	89206	9466	1265	10.61	1.41	200002	20042	2798	10.02	1.40
14 Shipping	23380	—	—	—	—	41403	—	—	—	—
Total (including others)	1321060	84940	60131	6.43	4.55	4804356	943513	342111	5.07	7.12

RBI Studies on Public and Private Limited Companies

In RBI studies on public and private limited companies, we find a detailed statement under the 'earning and expenditure in foreign exchange' presenting data on receipts and payments in foreign exchange for selected industries as well as for all industries. These are based on information published in the annual accounts. These data are required to be published following the notification in October 1973 by the Department of Company Affairs. RBI has been publishing consolidated data from 1976-77 regularly. With regard to coverage, reporting, etc, however, there are certain problems which are discussed below.

As regards foreign exchange expenditure, imports of raw materials, components and spares and capital goods, imports of goods purchased from established importer or canalising agency which are paid in rupees may not get reported under imports by the company. There is also possibility of advance payment for imports in later periods being included under this head. This will be particularly so in the case of capital goods imported and also with regard to other items like royalty, know-how, interest, etc. Thus here, what is reported is actual remittance and not actual transactions relating to the accounting period. As regards reporting under export and other items similar problems persist. In case of exports, some companies report data on exports of their products made through other parties including canalising agencies. Apart from that there is no uniformity in reporting data on imports and exports. This gets compounded by the fact that the figures of foreign exchange receipts and expenditure in individual accounts cannot be cross-checked with other items in profit and loss account. It is, therefore, somewhat difficult to ensure the same level of accuracy of the consolidated data as in the case of other items. The published accounts are broad data on receipts and payments in foreign exchange and not total earning and expenditure. Despite these limitations, the data on foreign exchange receipts and expenditure for all industries are expected to indicate broad trends in foreign currency transactions by the private corporate sector because of the fairly high coverage of private corporate sector activities that is available in these studies. The data on gross value of production, foreign exchange earning and expenditure for medium and large public and private limited companies and large public limited companies are presented in Tables 7-14.

The striking feature emerging at the outset is the consistency in the overall trend of net foreign exchange earning with the corresponding trend based on data in the foreign collaboration survey and findings of Zhaveri and Bhagirathi. The period 1975-76 to 1977-78 is characterised by net inflow of foreign exchange earnings. It declined to a modest surplus in 1978-79. This year constitutes a watershed in the sense that the earlier trend is reversed. A growing deficit in foreign exchange is the characteristic of the latter period. Towards the end of the period the deficit was of the order of Rs 144 crore. The percentage share of expenditure to production increased from 4.6 per cent in 1975-76 to 7.1 per cent in 1985-86. As against this the share of earnings declined steadily after attaining peak in 1976-77. It stood at 4.1 per cent in 1985-86.

We then proceed to examine the data a[t] a disaggregated level. The value of produc[tion] of all industries under medium an[d] large companies increased from Rs 248[6] crore in 1960-61 to Rs 48044 crore i[n] 1985-86. Cotton textiles (23.7), engineerin[g] (17.1) and others (28.7) are the important in[-]dustry groups in 1960-61. Over the perio[d] sharp increase in the production of engineer[-]ing and chemicals resulted in a shift in th[e] structure of output. The share of these tw[o]

Table 11: Value of Production of Medium and Large Public Limited Companies

(Rs lakh)

Industry/Industry Group	1960-61	1970-71	1980-81	1985-86
1 Tea plantation	3280	14217	60262	160246
	(1.3)	(2.1)	(2.4)	(3.3)
2 Sugar	13343	26093	33663	68999
	(5.4)	(3.8)	(1.3)	(1.4)
3 Tobacco	4014	12617	272529	58047
	(1.6)	(1.8)	(1.1)	(1.2)
4 Cotton textiles	58976	120010	325073	424685
	(23.7)	(17.5)	(13.0)	(8.8)
5 Silk and rayon textiles	2822	18274	14041	105268
	(1.1)	(2.4)	(0.6)	(2.2)
6 Aluminium	1249	8545	24585	46302
	(0.5)	(1.2)	(1.0)	(1.0)
7 Engineering	42437	143498	710402	335095
	(17.1)	(20.9)	(28.4)	(27.8)
Of which				
(i) Electric machinery, apparatus, appliances, etc	7940	41902	187273	321918
	(3.2)	(6.1)	(7.5)	(6.7)
(ii) Motor vehicles	—	35490	176621	362997
		(5.2)	(7.1)	(7.6)
(iii) Machinery other than transport and electrical	7942	28972	193307	334064
	(3.2)	(4.2)	(7.7)	(7.0)
(iv) Foundries and engineering workshops	4004	4842	54736	136834
	(1.6)	(0.7)	(2.2)	(2.8)
(v) Ferrous/non-ferrous metal products	7368	26234	30696	152201
	(3.0)	(3.8)	(3.6)	(3.2)
8 Chemicals	10486	69932	443587	853017
	(4.2)	(10.2)	(17.7)	(17.8)
Of which				
(i) Basic industrial chemicals	4711	27812	236667	468360
	(1.9)	(4.1)	(9.5)	(9.7)
Of which: chemical fertilisers	—	—	64616	179783
			(2.6)	(3.7)
(ii) Medicines and pharmaceutical preparations	3385	18850	75286	167765
	(1.4)	(2.7)	(3.0)	(3.5)
9 Cement	5711	17380	50755	153927
	(2.3)	(2.5)	(2.0)	(3.2)
10 Rubber and rubber products	3767	15443	64695	148297
	(1.5)	(2.3)	(2.6)	(3.1)
11 Paper and paper products	4362	14592	56998	131049
	(1.8)	(2.1)	(2.3)	(2.7)
12 Electricity generation and supply	2612	9371	55899	135399
	(1.1)	(1.4)	(2.2)	(2.8)
13 Trading	20527	49158	156447	200002
	(8.3)	(7.2)	(6.2)	(4.2)
14 Shipping	3432	8271	34298	41403
	(1.4)	(1.3)	(1.4)	(0.9)
15 Others				942620
	(28.7)	(23.1)	(17.8)	(19.6)
All Industries	248617	685875	2503270	4804356
	(100.0)	(100.0)	(100.0)	(100.0)

ASIAN CABLES LIMITED

Registered Office: 'Ceat Mahal', 463, Dr. Annie Besant Road, Worli, Bombay 400 025

NOTICE

It is hereby notified for the information of the public that Asian Cables Limited proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the establishment of a new undertaking. Brief particulars of the proposal are as under:

1. Name and address of the applicant	: Asian Cables Limited, CEAT MAHAL, 463, Dr. Annie Besant Road, Bombay 400 025.
2. Capital structure of the applicant organisation	: Authorised — Rs. 910 Lacs Issued/Subscribed & paid-up — Rs. 861.15 Lacs.
3. Management structure of the applicant organisation indicating the names of the Directors, including Managing/Whole-time Directors and Manager, if any,	: Asian Cables Limited is managed by its Managing Director Mr. M.A. Bakre The following are the Directors of the Company:- 1) Mr. M.A. Bakre 2) Mr. B.N. Adarkar 3) Dr. K.S. Basu 4) Mr. P.V.R. Rao I.C.S (Retd.) 5) Mr. S. Goenka 6) Mr. S.N. Bagla 7) Mr. J. Bague 8) Mr. T.J. White 9) Mr. A.T. Fletcher 10) Mr. T.N. Nagendra 11) Mr. V.N. Nadkarni 12) Air Chief Marshal I.H. Latif 13) Mr. D.J. Balaji Rao
4. Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division	: The proposal relates to the establishment of a new export oriented undertaking.
5. Location of the new undertaking	: Saidapet, Chingleput District, Tamil Nadu
6. Capital structure of the proposed undertaking	: Equity Capital — Rs. 41.50 crores.
7. In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate	:
(i) Names of goods/articles	: Low Density polyethylene
(ii) Proposed licensed capacity	: 1,20,000 MT/year
(iii) Estimated annual turnover	: Rs. 176.20 crores.
8. In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover, etc.	: Not applicable
9. Cost of the project	: Rs. 166 crores.
10. Scheme of finance, indicating the amounts to be raised from each source	: Rs. 41.50 crores through equity and the balance through borrowings from various sources.

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of the notice intimating his views on the proposal and indicating the nature of his interest therein.

Dated this 14th day of September, 1989.

For ASIAN CABLES LIMITED,
K. PRAKASH
Secretary.

industries increased to 28.2 and 18.4 per cent respectively. A sharp decline in the share of cotton textile is registered from 23.7 per cent to 8.8 per cent in 1985-86. Engineering and chemicals, the two industry groups with net outflow to the tune of Rs 630.2 crore and Rs 487.3 crore are the major contributors to the overall deficit.

Among the constituents of foreign exchange earnings and expenditure, it is observed that exports accounted for 96 per cent of total earning in 1975-76. The share declined to 83 per cent towards end. On the expenditure side imports of raw material is the largest component although its importance declined from 66 per cent to 60 per cent. A slight increase in imports of capital goods from 9.8 per cent to 11.1 per cent and sharp rise under category of 'others' from 7.06 per cent to 13.48 per cent is registered. This coupled with slower growth in exports resulted in net outgo of foreign exchange. The steepest rise under foreign exchange payment is observed to have occurred under the head 'others'. Over the decade it registered a ten-fold increase. In view of large magnitude and its growing share, a detailed break-up is necessary to know its precise character.

Large public limited companies show similar trend in respect to foreign exchange earning as that of medium and large companies. Data are available up to 1987-88 where in the last year imports shot up sharply, giving a deficit of Rs 882 crore as against deficit of Rs 1194 crore in 1986-87 (Table 13).

The corporate sector underwent sharp structural changes over the period. The pattern shifted in favour of import intensive industries like engineering and chemicals as against cotton textiles. This can be said to be the main factor responsible for increase in imports. Interestingly these are also major export earning industries. Towards the end of the period most of the industries including cotton textiles recorded net outgo on foreign exchange account. The share of external transactions in total production started increasing. As such the process of liberalisation can be said to have set in. This feature is not confined only to large companies but also is the case with medium and large public limited companies in general.

Imports seem to comprise mainly of raw materials as against export which comprise of finished goods. Imports of capital goods constitute a small share. Payment of other items of foreign exchange outgo show sharp rise in absolute value. But except 'others', the rest of the items do not show relative increase. The earlier period also witnessed fall in the share of these items. In fact, this was taken as one of the effect of liberalisation by K K Subrahmanian.

Private limited companies show different pattern. This sector is a net earner through the entire period. In 1985-86 the surplus amounted to Rs 206.5 crore (Table 14).

Summary and Conclusions

To recapitulate, we have compiled data relating to the foreign exchange expenditure and earnings of private corporate sector in India for the period 1960-61 to 1987-88. It is collected from RBI studies/surveys, namely (1) RBI Survey Reports on Foreign Collaboration, (2) RBI Studies on Medium and Large Public Limited Companies, Large Public Limited Companies and Private Limited Companies and Foreign Controlled Rupee Companies which are published periodically. Each set is different from the other in respect of coverage, definitions, etc. This is the main limitation apart from several others in making an assessment of the pattern over the period that the reader should keep in mind. Nevertheless, it helps in grasping the underlying trend and issues in this area. On the basis of the information we collected, the period 1960-61 to 1987-88 can be seen to have passed through three phases. (1) 1960-61 to 1972-73: It was marked by a *net outflow* of foreign exchange. A sharp decline in the share of imports and marginal decline in exports to production is observed. In that sense it is inward-looking. (2) 1974-75 to 1977-78: *Net inflow* of foreign exchange is recorded. This was attributed to recession in Indian economy causing fall in demand, which was the sum effect of various developments—enactment of FERA in 1973, oil price hike, delinking of rupee with sterling and linking it to the basket of currencies, increase in remittances, etc. It also coincided

Table 14: Value of Exports and Foreign Exchange Expenditure under the Head 'Others' for Medium and Large Public Limited Companies

(Rs lakh)

Year	Exports	Others	3 as Per Cent of 2
1	2	3	4
1975-76	84940	4431	5.2
1976-77	115768	4421	3.8
1977-78	122097	6359	5.2
1978-79	110589	9473	8.6
1979-80	121956	10837	8.9
1980-81	144475	13858	9.6
1981-82	166569	17612	10.6
1982-83	190366	29772	15.6
1983-84	146092	39119	26.8
1984-85	185236	38860	21.0
1985-86	197689	38352	19.4

Table 12: Industry-wise Foreign Exchange Earnings and Expenditure in 1975-76 and 1985-86

(Percentage distribution)

Industry Group	Earnings		Expenditure	
	1975-76	1985-86	1975-76	1985-86
1 Tea plantation	5.2	8.7	0.6	0.9
2 Sugar	2.1	0.3	0.4	0.2
3 Tobacco	4.3	6.6	0.3	0.3
4 Cotton textiles	11.4	6.3	5.5	8.9
5 Silk and rayon textiles	0.9	0.3	2.0	2.9
6 Aluminium	0.02	0.3	0.5	0.5
7 Engineering	24.7	24.2	44.1	35.6
(i) Motor vehicles	4.6	6.9	11.7	8.4
(ii) Electricla machine, etc	8.6	7.0	11.7	8.7
(iii) Machinery other than transport and electrical	6.9	8.4	12.8	10.4
(iv) Foundries and engineering workshops	1.2	0.5	1.7	3.9
(v) Ferrous and non-ferrous metals	3.3	1.1	5.8	3.7
8 Chemicals	8.4	13.9	21.2	24.1
Chemical fertilisers	0.1	0.3	6.4	8.1
9 Cement	2.5	1.5	0.6	1.1
10 Rubber and rubber products	1.2	2.0	2.7	2.8
12 Paper and paper products	0.3	0.2	1.8	4.2
13 Electricity generation and supply	0.1	0.2	0.4	0.6
14 Trading	11.1	8.2	2.1	0.8
15 Shipping	—	—	—	—

Table 13: Foreign Exchange Expenditure of Medium and Large Public Limited Companies

	1975-76 (Rs Lakh)	Per Cent Distribution	1985-86 (Rs Lakh)	Per Cent Distribution
Total	60131	(100.0)	342111	(100.0)
a Imports of raw materials	39739	(69.09)	217122	(63.47)
b Imports of capital goods	5907	(9.82)	34418	(12.69)
c Imports of stores and spares	5701	(9.48)	26098	(7.63)
d Others	724	(1.20)	2197	(0.64)
e Dividends	1952	(3.25)	7832	(2.29)
f Royalty	864	(1.44)	2062	(0.60)
g Technical fees	648	(1.24)	4795	(1.40)
h Professional and consultation fees	66	(7.36)	38352	(11.21)
i Others	4431	(7.36)	38352	(11.21)


DIWALI
SUPER BUMPER DRAW
THREE COMMON PRIZES
Rs. 25 LAKH | Rs. 11 LAKH |
Rs. 5 LAKH
• 20 PRIZES OF Rs. 2.5 LAKH
• 40 PRIZES OF Rs. 1 LAKH
• 40 PRIZES OF Rs. 25,000
• 200 PRIZES OF Rs. 5,000
• TOTAL PRIZES: 11,11,303
TOTAL PRIZE AMOUNT
Rs. 2 CRORE 91 LAKH
DATE OF DRAW:
THU. 2ND NOVEMBER 1989
PRICE OF A TICKET Rs. 5/
MAHARASHTRA STATE LOTTERY
DG.I.P.R.

with plan holiday. The policy changes were not significant. The ratio of imports and exports to production declined. (3) 1978-79 to 1987-88: *Increasing net outgo of foreign exchange.* India had comfortable balance of payments position at the beginning of the period. It encouraged imports and this trend continued. Foreign investment has been viewed by the government of India as a vehicle for transfer of technology not indigenously available to promote export oriented production. From time to time having regard to diversification of the industrial base in the country, the development of indigenous technology and the changing areas requiring foreign investment and technology, the government of India revised the policy relating to foreign collaboration. It is in this light the trend in the net foreign exchange earning of the private corporate sector should be viewed.

For 1987-88 for large companies, there has been fall in the net outgo of foreign exchange earnings. This raises the question whether this would mark turning in the sense reversal of trend of net outgo. In other words does Indian manufacturing sector have the potential of emerging as net foreign exchange earner.

Another interesting feature is the sectors, namely, engineering and chemicals which are showing high earning as also incurring high expenditure. So the feature 'imports for exports' needs to be looked into carefully as a strategy of growth.

Further imports consist of large proportion of *raw materials* and 'others'. This category 'others' which is supposed to include export promotional expenses inclusive of expenses of executives' trips abroad is showing sharp increase. It is found that such expenditure under others constituted less than 5 to 6 per cent of the exports in the mid-seventies. But in the recent period, the ratio has risen to 26 per cent.

In an evaluation report[8] on the export performance of 405 large companies, the corporate studies of the Indian Institute of Public Administration has come out with interesting findings. There has been a decline in the number of export earning companies. The number of companies reporting imports ranged from 397 to 387 as against 271 export earning companies. The exports are generally directed to the Soviet Union, East European and African countries and not to the countries where Indian companies are sure to face competition. Further, these companies have sub-contract arrangements with other producers and such traded items account for a fairly large share of their exports.

ICICI and IDBI studies confirm the trend of increasing outgo of net foreign exchange. The RBI study of public limited companies more exhaustive in coverage, is perhaps a better indicator of the performance of the private corporate sector. The information base provided in this exercise thus is expected to be useful to the policy makers, industrialists and researchers. It will be interesting to view these trends against the observations made by Kidron in 1965.

Foreign investments contribute to the weakness of Indian planning in a number of ways, two of which are important. No matter how large the Indian operations of foreign firms—sometimes very large and very important indeed by Indian standard—these seldom form more than a small proportion of their global activities. On the other hand, no matter how small a firm's operations in the country, they are part of a single fabric made up of the activities of government and international agencies as well as private lending, investing and trading organisation. While each firm might therefore find it relatively easy to withdraw when faced with what it considers an acceptable demand on the part of government—India would have to pay a very heavy price for misjudging the threshold of acceptance common to the foreign sector as a whole. It is within this broad immunity that the price and profit adjustments, the erratic investments flows, the restraints on the diffusion of know-how and methods of control flourish.

Even more significant is the way in which foreign investments strengthen the private sector. Much of the dynamism of private industry can be traced back to the increasing number of collaboration agreements concluded since 1957. These have provided know-how, finance, foreign exchange and moral support; they have been used to beat back taxation forays and to annex state projects for the private sector; they have drawn the teeth of the government threat to introduce foreign firm to treat Indian monopolies. In a way they have provided Indian industries with a toe-hold of extra territoriality from which to confound the planner in every aspect of their work. The distortions go deep—to permit private industry to break the bottlenecks becomes irresistible and with it volume of foreign exchange collaboration grows. The growing dependence on foreign resources and, even more, the growing resignation to such dependence have affected the whole tenor of the government's approach to foreign private capital. If in the first decade of independence the official attitude was governed by considerations of control and economic powr, it has since been progressively determined by narrow balance of payment considerations with rather self-defeating consequences in further concesions to the private sector, to foreign investors, further dependence on aid, further delays in public sector projects and so on.[9]

The data documented in this study raises the question has the relatively small export component of major Indian industries led to a situation where liberalisation means only India opening out to the world rather than India being able to take advantage of the world economic situation?

Notes

[The author is grateful to S L Shetty for helpful suggestions. However the author alone is responsible for views expressed in the article and any errors that remain.]

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ECONOMIC AND POLITICAL WEEKLY

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'Big Dam' Debate

Among both the opponents and the supporters of 'big dams' there is a wide range of persons: the scholarly and thoughtful, the well meaning but ill-informed, the highly partisan, the populist and the charlatans. Unfortunately even at the most distinguished level on either side there seems to be a failure to see the force of the opponents' point of view. Moreover the general polarisation of attitudes on the environmental aspects prevents an adequate discussion of other important issues. A-107

Oraon Labour Agitation

Starting in November 1915, the agitation of tea plantation labour of Duars in Jalpaiguri district in North Bengal spread rapidly to a large number of gardens stretching over the extensive Duars plantation tract and continued till mid-1916. Although the agitation was short-lived, a discussion of its various aspects helps to enrich our understanding of tribal as well as plantation labour protest movements. 2197

Failure of IRDP

Discussion of the effectiveness of the Integrated Rural Development Programme need to separate two questions. First, how to determine whether and to what degree IRDP has been successful in a particular context. Second, to what extent are the shortcomings in the performance of the programme intrinsic to the conception of the IRDP? 2203

Tea Co-operatives

The co-operative tea factories in Nilgiris have ensured fair prices not only to their members but also to growers in areas where there are no co-operatives. While providing subsidies to the large estates, the Tea Board operates through associations of the planters. Why can it not operate through the co-operatives while catering to the small growers? A-145

Farm Incentives

In Indian agriculture government tinkers with the market mechanism through its price support/procurement policies on the one hand and its subsidisation of major agricultural inputs on the other. An attempt to estimate the prevailing effective incentives for cultivators of different crops in different regions. A-124

The main constraint in increasing oilseeds production in the country is technology and the dangers of a strategy of laying sole emphasis on the price mechanism need to be guarded against. A-133

DA Judgment

The judgment of the Bombay High Court on the subject of ceiling on dearness allowance has to a small extent helped to lift the flagging morale of trade unions in Bombay. All the same the judgment is both anachronistic and ironic. 2181

Irrigation: Big vs Small

Investment norms for minor irrigation derived from plan statistics on outlay and irrigation potential are underestimates and comparisons with the corresponding norms for major and medium irrigation works give a misleading picture that minor irrigation is less capital using. A-117

Irrigation and Agrarian Capitalism

Study of agrarian change in Kesala in Valsad district of south Gujarat over the past two decades clearly indicates the strong trend towards capitalist farming. The trend is, however, largely limited to the bigger landholders, especially the Patidars and Anavils. The construction of a large-scale canal irrigation system in south Gujarat has offered these farmers the means to transform themselves from commercial farmers into full-fledged rural capitalist entrepreneurs. A-94

Centre's Game

Evidence available from different sources shows the extent to which institutions charged with maintaining peace and order have been deliberately suborned by the central government in Assam to further its machinations against the non-Congress(I) government. 2180

Revolution Reconsidered?

Present Soviet thinking about progress towards socialism in the third world marks a reversal of what was being said in the past concerning imperialism and revolution. The need to reassess the earlier thinking has arisen, according to the current official Soviet view, because of a re-evaluation of the trends in the third world and the growth of productive forces in countries which were till recently considered lackeys of imperialism. 2209

LETTERS TO EDITOR

An Indian 'Big Brother' Pontificates

ANYONE who has watched at all carefully recent events in Sri Lanka must be dismayed by the factual inaccuracies and conceptual flaws in AM's 'Calcutta Diary' of August 5. AM's piece is yet another example of the freedom that some "Indian big brothers" have arrogated to themselves to pontificate about Sri Lankan matters. As evidence consider the following items:

(1) AM asserts that the IPKF was sent to Sri Lanka "not to discipline the LTTE who are devoid of any class ideology, but to save the [Sri Lankan] oligarchs from the revolutionary insurgency unleashed in the island's south". The fact is that the LTTE has been hellbent on dominating the north and east of Sri Lanka by murdering Sinhalese, Tamils, Muslims, Indians and even erstwhile colleagues, who have obstructed their power-drive. As for the "revolutionary insurgency" in the south, it broke out only as a reaction to the Indo-Sri Lanka Accord, through which a thoroughly discredited president of Sri Lanka, at the nadir of his unpopularity, was compelled by events to give a measure of regional autonomy to the Tamils of Sri Lanka. In the immediate post-Accord period "the revolutionary insurgency" was actively promoted or tacitly encouraged by many famous non-revolutionaries like Sirimavo Bandaranaike and Premadasa himself, a proud opponent of the Accord.

At any rate, contrary to AM's assertion, since their arrival in Sri Lanka, the IPKF has been wholly engaged in the business of disciplining the LTTE, losing well over a thousand soldiers in the process.

(2) AM indulges the supposition that because it is too late to save the "nobility" in Sri Lanka, prime minister Gandhi has now set his sights on extending his empire by annexing the island's north-eastern beach heads. Evidently AM regards Sri Lanka's rulers as a "nobility". The fact is that Sri Lanka has no known nobility. Perhaps here AM is being jocose. And far from extending his empire, Rajiv Gandhi is now busily retreating from Sri Lanka, without having even properly disciplined the Tigers.

(3) In AM's judgment, post-independence Sri Lanka has been ruled by an *enlightened* oligarchy (AM's italics). The fact is that the politics of this oligarchy has reduced Sri Lanka to barbarism in some 40 years. So AM's characterisation of them as being "enlightened" must be only a (sick) joke.

(4) As if endorsing the JVP's indiscriminate firepower, AM records that "upstart Vijaya Kumaranatunga (*sic*) was gunned down last year". AM could not perhaps be expected to know the courageous, humane, non-racist, egalitarian posture that Vijaya Kumaratunga adopted during that period when vicious anti-Indian hysteria was being whipped up, especially by the JVP. The fact is that an estimated three million of Sri Lanka's 16 million people filed past his dead body and honoured him with a spectacular funeral.

(5) With ill-concealed contempt AM says that "plebian Premadasa" thinks that he could "save the system which has been kind to him" if only the IPKF would now withdraw. The fact is that the JVP thrives mainly on its crude racism and anti-Indian propaganda. Its 1971 infantile misadventure merely exterminated thousands of immature youth. In each and every parliamentary or presidential election the JVP has hitherto participated in, it couldn't muster enough votes even to save its deposits. President Premadasa therefore probably infers that the JVP's current cloak-and-dagger campaign of terrorist slaughter is nothing like a revolutionary mass movement. Having made the equivalent of a journey from log cabin to White House, he may be presumed to know something about grassroots politics in Sri Lanka.

In any case, in order to verify the JVP's anti-Indian hysteria or mental disorder, all AM has to do is go to the south of Sri Lanka and try to sell, say, the prestigious journal called the *Economic and Political Weekly*. I promise you, by a standing JVP order AM will be summarily executed by "unidentified gunmen" for selling Indian goods.

London FRANK DON NANDASIRI

Health Implications of Nuclear Energy

IT has now become very important that we focus our attention on the problems posed by nuclear technology. Despite the fact that reactor technology is beset with hazardous shortcomings that threaten the health and well-being of the people, nuclear power plants for 'peaceful' purposes are spreading throughout the world, including in India. Because of this proliferation of power plants and also of nuclear weapons the most ominous threat to public health imaginable is becoming more real everyday. Moreover low level radiation technology is increasingly used in medicine and for other purposes such as food disinfection without adequate research on its effects on the human body.

To debate the health implications of these developments Medico Friend Circle (MFC) has planned to organise its next annual meet on this theme. In a preliminary discussion held in the core group of MFC, the following background papers have been planned tentatively: (1) basic concepts of radiation hazard; (2) safe levels of Radiation-ICRP: how are these decided? Issues of minor and major health hazards; (3) (a) health implications of the nuclear fuel cycle; (b) health hazards of over-ground explosion or leaks in reactors; (4) summary of previous nuclear hazard controversies; (5) the Indian scenario—nuclear plants, problems and safety record; (6) comparative study of health implications in (a) hydro-electric projects, and (b) thermal plants; and (7) implications of low level radiation on radiologists and patients through x-ray.

Other background papers on related topics are welcome as are articles on the theme of the conference for publication in the MFC bulletin. Papers should reach us before November 15. Those interested in participating in the conference may write to the convenor regarding venue and other details. As usual participants will pay for their own lodging and boarding during the meet besides a nominal registration fee to cover the cost of the background papers.

NARENDRA GUPTA

Convenor,
Medico Friend Circle,
Devgarh (Deolia), Via Pratabgarh,
Chittorgarh, Rajasthan—312 621.

The Price Crunch

THE government, which had been patting itself on the back on the performance of the economy, has at last been forced to admit that things are coming unstuck on the price front. The signs are clear even from the official index of wholesale prices. Between the end of March and the beginning of September, that is, in the first five months of the current financial year, the price rise as measured by the wholesale price index was 6 per cent compared to 3.6 per cent in the same period of last year. It is hardly necessary to add that the figure of the rise in the overall price index gives little idea of the actual impact of the increase in prices. In fact the most ominous aspect of the price situation, in not just the last five months but over a longer period of, say, the last year and a half, has been the very sharp increases in the prices of a number of essential items of consumption which cannot but have significantly reduced the real incomes and consumption standards of the large majority of the people. Among these are foodgrains, especially pulses, and a wide range of other primary food articles as well as manufactured food products such as sugar and gur, edible oils and even common salt. The most piquant aspect of the sharp rise in prices of these everyday consumption articles is that it has come in the course of and just after a year in which the government has claimed a growth of as much as 10 per cent in real GDP and 23 per cent in agricultural production. The government likes to put forth estimates of the proportion of the population supposedly raised above the poverty line from one year to another; no corresponding calculations are, however, likely to be made of the number of those pushed below the poverty line as a result of the government's failure to prevent the steep increases that have taken place in recent months in the prices of basic necessities of life.

Given the proximity of the elections and the manner in which the price of, for example, sugar has shot up in a matter of a few weeks, the suspicion is widespread that political fund-raising for the elections has had not a little to do with the recent behaviour of prices. Well-founded as such suspicion undoubtedly is, it must be said that the roots of the price rise have to be traced to the government's economic policies. By implication, the current spell of rising prices is likely to outlive the exigencies of the elections. The most material factor in this connection is, of course, the massive amounts of liquidity pumped into the economy year after year. What is relevant here is not only the large increases in aggregate money supply fuelled by the government's huge fiscal deficits, but, even more importantly, the virtually unlimited access to funds which organised industry and trade have gained in recent times. The Reserve Bank's annual report discloses how incremental bank credit to the commercial sector galloped from Rs 12,389 crore in 1987-88 to Rs 20,531 crore in 1988-89 (by comparison, much-maligned net bank credit to government in 1988-89 was only Rs 12,715 crore). And bank credit is only a part of the story. Assistance sanctioned by the all-India financial institutions in 1988-89 was 57 per cent larger—Rs 13,913 crore compared to Rs 8,868 crore in the previous year. And the Controller of Capital Issues for his part had been pleased to grant consents for capital issues by non-government public limited companies to the tune of Rs 8,029 crore, yet another instance of a more than 50 per cent increase over the preceding year. Clearly, the government and the monetary authorities have decided that it is quite unnecessary for them to concern themselves with the funds-grabbing operations of industry and trade and with what the funds are used for. This, it can be claimed, is quite consistent with the government's market-oriented economic policies. Once the business house in question is willing to pay the going price for the funds and has persuaded, no matter how, the commercial banks or the financial institutions or the capital market, as the case may be, of its 'credit-worthiness', it is not for the government to reason why.

The election, it is true, presents a temporary difficulty. It is unbecoming to have prices rise inordinately just now. So it has been decided to arrange emergency imports of the critical items in short supply. True again, the level of the country's foreign exchange reserves—now down to the equivalent of a bare six weeks' imports—does not afford much leeway in regard to additional imports. But that particular difficulty can perhaps be taken care of by raising some quick commercial loans abroad, using the financial institutions and the public sector oil companies as borrowers, no matter what the price that has to be paid in terms of future debt servicing obligations. But after the elections what? Clearly, dousing inflationary pressures through additional imports is unsustainable except in the shortest of short runs, unless other imports flooding the economy can be curbed. But these imports are now, under the industrial and import liberalisation regime, the very heart of industrial growth and business profits. These can scarcely be sacrificed. In short, the mouth-watering claims about growth rates notwithstanding, some of the intractable conflicts and contradictions inherent in the chosen path of the economy are coming to the fore.

HEALTH

Medicalising Malnutrition

MALNUTRITION, especially in third world countries, has been the subject of much discussion and research among nutritionists for decades now. True to type, much of this activity has resulted in the 'discovery' of medical reasons for what is essentially a social and political problem. Not surprisingly then this has resulted in technical interventions in public health which offer at best limited solutions while masking the real problem. The identification of protein-calorie malnutrition led to large-scale feeding programmes, none of which has been entirely successful. Many of these programmes had to reckon with problems such as the uneven distribution of food in the family, patriarchal biases, etc, all of which are aggravated in a situation of poverty.

Another such widely acknowledged discovery has been the link between malnutrition and diarrhoea. For some years now health programmes have tended to focus on diarrhoea as the major factor in determining nutrition status. In consequence, interventions which achieve a substantial reduction in morbidity due to diarrhoea have been promoted in the hope that they would improve the nutrition status of the children. Not surprisingly, all other factors which lead to childhood malnutrition have been mostly ignored by health workers as being beyond their scope.

Now comes a study reported in *The Lancet* of August 5 which challenges this assumption that diarrhoeas are the main cause of malnutrition. The study in a rural area of Bangladesh among children aged from 8 months to 35 months shows that the effect of diarrhoea is only transient. Episodes of diarrhoea which occurred at the beginning of the three-month interval which was monitored, it was seen, had no effect on the weight gain over the interval. Weight gain suffered only immediately following diarrhoea but not in the long run. Similarly, while diarrhoea delayed linear growth, this effect was only transient, other than in the case of dysentery. The study concludes that diarrhoea "produces short depressions on the growth curve without greatly affecting its general shape". In other words, while interventions directed at preventing diarrhoea are important in themselves, they do not contribute greatly towards improving the nutritional status of the child population. Moreover, other studies which the authors quote show that food intake in children suffering from diarrhoea did not show a significant reduction.

The conclusion is inescapable—in poor populations childhood malnutrition is not because of diarrhoea but because of poor total intake of food. The solution therefore lies in introducing social measures rather than in promoting 'health' interventions. The Bangladesh study underlines yet again the limited scope and impact of health work in the absence of a socio-political movement in the community. ORT or even improved water supply and sanitation, while they are important in themselves, are no substitute for adequate food.

INDIA-PAKISTAN RELATIONS

A Command Performance?

PAKISTAN's senate has recently come out with a call for the immediate withdrawal of the Indian armed forces from the Siachen glacier and a renewed demand for a plebiscite in Kashmir. The upper house of Pakistan's parliament, still dominated as it is by late military dictator Zia-ul-Haq's handpicked conservatives in contrast to the lower house, the national assembly wherein Zia's opponents have a majority, is thus transparently engaged in queering the pitch for prime minister Benazir Bhutto—specifically, for her efforts to solve the vexed question of the possession of the supposedly strategic 74-km long and two-to-three km wide glacier at the top of the world.

It will however be a biased view to think that this spiking game is being played by one side only; it was indeed started by the Indian side, although with a greater refinement. Following the press reports about a possible meeting between the prime ministers of the two countries for an amicable settlement of the Siachen dispute, a horde of Indian journalists were airlifted to the troubled glacier towards the end of August to be received by the GOC, Siachen area, Maj-Gen V R Raghavan, for extensive briefing. After expressing his refusal to be "drawn into a conversation on reported proposals about demilitarising the zone", the general however made his position crystal clear. "The general," to quote from a newspaper report, "in fact, said it was a misnomer to call it a fight for the Siachen glacier as it was firmly and *legitimately* in Indian hands. . . there was no *compelling reason* for the Indian side to withdraw" (emphasis added).

Legitimacy and compelling reason are certainly not matters that legitimately fall within the competence of a serving general; they are subjects for political decision in the light of much wider considerations. Coming out with his personal views on these questions the general was certainly transgressing his pertinent limits. "We are holding dominating heights," said the general, according to another newspaper, and this "assessment is what the army would like to be borne in mind at the negotiating table".

The army has certainly the right to press its views on the political leadership of the country, but not through a country-wide newspaper campaign, particularly on the sensitive issue of India-Pakistan relations in a period of intense and growing communal tensions.

Strangely enough, while many eminent political commentators have noticed "a very disconcerting element" in "the emergence of the Brass Hats in the political arena" in the specific instance of retired general and former chief of army staff Sundarji's press interview, the serving general's intervention seems to have passed generally unnoticed. Or, perhaps, it was no transgression but a command performance authorised by someone in the government?

FISCAL DEFICIT

Narrow View

EARLY this month, R J Chelliah, member of the Planning Commission as well as of the Finance Commission, in an address to the Indian Merchants Chamber in Bombay spoke of containing "the fiscal deficit in terms of total net borrowing of the government sector as well as budgetary deficit in the sense of RBI credit to the government" in order to maintain "non-inflationary conditions". He suggested for this purpose the introduction of "a convention that every year around this time of the year the finance minister and the governor of the Reserve Bank should together come to an agreement about a tentative figure of budget deficit that could be safely financed by the RBI in the budget for the next financial year".

Within a week or so of Chelliah's statement came the annual report of the Reserve Bank which too emphasised the "importance of price stability as an objective of economic and monetary policy" and called for "a reasonable degree of control over the creation of reserve money". In this context, the report brings out that "over the years, the practice has grown under which the entire budget deficit of the central government has been financed by the Reserve Bank leading to an automatic monetisation of the deficit". This, the report points out, "is in addition to whatever support the bank may provide to the market borrowing programme of the government". As a consequence, the bank has "to address itself continually to the task of neutralising to

the extent possible the expansionary impact of deficits". The report, therefore, suggests that as a step to avoid "the automatic monetisation of the budget deficits" the government "should beyond a mutually agreed ways and means accommodation from the Reserve Bank, place its entire debt in the market at appropriate interest rates".

This convergence in views from Delhi and Bombay on putting the whole burden of whatever adjustment is called for on fiscal restraint in order to keep the price situation under control is certainly very interesting. What is altogether ignored is, of course, that even in conditions of fiscal balance inflation can raise its ugly head. But the more basic questions that should be asked are about the sort of economic growth the country ought to be pursuing and the sort of fiscal policy that needs to be followed to support such growth. Instead what is being advocated is a monetary policy designed purely to subserve market forces.

STEEL

Missed Opportunities

THERE has been some recent speculation in the financial press about a government proposal to merge Metallurgical and Engineering Consultants (India) (MECON) with the Steel Authority of India (SAIL). The reasons for the proposed merger are not at all clear but one should nevertheless weigh some possible implications of such a move.

MECON had its origins in the Central Engineering and Design Bureau (CEDB) of the erstwhile Hindustan Steel at the Rourkela steel project in 1959. The CEDB prepared the project reports for the first expansions of Durgapur and Rourkela steel plants in the early sixties. This was creditable since the only experience that CEDB engineers had was a brief association with West German steel plant designers of IGKD, the Krupp-Demag combine that collaborated in the setting up of RSP. The Soviet collaborators at Bhilai steel plant aided the formation of a Design Cell which was later on merged into the CEDB. The Soviets however insisted on preparing the project report for the first expansion of Bhilai themselves and agreed only to the association of Indian engineers in its preparation as understudies. The first major opportunity that came for Indian steel plant design engineers was lost, when in the sixties, M N Dastur and Company were replaced by the Soviet design organisation Gipromez in the Bokaro steel project due to a combination of inept handling of negotiations by the Indian government and the obligations of 'tied' credits. Thereafter, the Soviets made major inroads into the steel sector by collaborating with CEDB. CEDB and later MECON was made the principal engineering consultant for the first expansion of Bokaro and second expansion of Bhilai, but, by virtue of its collaboration with Gipromez, it virtually advanced Soviet economic interests. In 1969, the CEDB entered into collaboration with United Engineering (US) (now, Wean United) in order to acquire the capability to design rolling mill equipment. But virtually no major contract came its way until the expiry of the agreement ten years later when MECON was given the orders for mechanical equipment for the cold rolling mill complex at Bokaro. A DGTD technology absorption/assimilation study of 1979, while recommending extension of the collaboration, said that MECON had not assimilated the technology.

MECON has entered into quite a few other technical collaborations for design of steel plant equipment. Among these are the ones with (1) Clecim of France for a system of collection and recovery of off-gases from basic oxygen converters, (2) SMS Schloemann Siemag of West Germany for design of light and medium section mill product rolling mills, (3) Giprokoks of the Soviet Union for 7m tall coke ovens and dry coke quenching systems. MECON does not have any manufacturing facilities of its own and these collaborations have effectively ensured large imports from the collaborators and their associates for the Bhilai, Bokaro and Vizag steel projects.

In such circumstances, the merger of MECON with SAIL would oblige the latter to give contracts to the former in the present modernisations of Durgapur, Rourkela and IISCO plants. This would circumvent competition and, in effect, advance the economic interests of MECON's foreign collaborators. The SAIL chairman, V Krishnamurthy, is well aware of this eventuality and is said to be opposed to a merger. The SAIL has, in recent years, built up a Centre for Engineering and Technology which serves as a kind of in-house engineering consultant.

Both MECON and Dasturco, who started out as steel plant engineering consultants, have diversified, for they had to find means to utilise their engineering human power and ensure a reasonable growth. With the bunching of large investments in the modernisations of the integrated steel plants and in the proposed setting up of a few semi-integrated steel plants (direct reduction + electric furnace units) like that of the Essar group or that of Usha Rectifier, design and engineering contracts should have come their way. But, for instance, in the new climate of deregulation, it is Canadian Metchem (a subsidiary of USX, formerly US s[illegible]) and not MECON that is handling the engineering services for the Essar project. What role MECON is playing may entirely be that of a junior partner.

In this age of monopoly capital it is transnational combines and conglomerates that rule the markets. Combines or conglomerates like Voest-Alpine, Mannesmann Demag, Sumitomo Kawasaki, etc, offer the complete range or gamut of activities from design of steel plants to manufacture of steel plant equipment to production of steel. Most technological developments in the steel industry have in fact been the result of co-operation between design organisations, plant manufacturers and steel producers. The merger of MECON with SAIL can have the potential for closer co-operation between design and engineering and steel production. But one may argue from past experience that even when MECON was a subsidiary of the holding company, SAIL, between 1973 and 1978 or when the CEDB was within the fold of Hindustan Steel (from 1959 to early seventies), it did not contribute much to local technological innovation and development in steel. If so, then why? It is such issues, which do not engage the attention of the government, that need to be examined in detail. But unfortunately it is only issues like commercial viability and personal gain that occupy the attention of the government.

NRI DEPOSITS

Why This Coyness?

ALL official agencies, including the Reserve Bank, continue to refuse to treat NRI deposits as part of the country's foreign debt. The fact remains, however, that these deposits have grown very large indeed. At the end of the fiscal year 1988-89 they amounted to a little over Rs 14,000 crore. This was equal to a fifth of the country's total external debt which the Reserve Bank's annual report puts at Rs 70,000 crore. What is more, for some unexplained reason, the figure of NRI deposit liabilities does not include accrued interest on deposits denominated in foreign currencies (the FCNRA deposits) which could easily come to another Rs 1,000 crore. Add to these amounts the figure of short-term debt and the country's total debt straightaway crosses the rupees hundred thousand crore mark.

So when the Reserve Bank's annual report takes the view that different sets of data on external debt are not difficult to reconcile, it forgets to explain why official sources still tend to opt for figures which are on the lower side. What is the harm

in presenting the total picture?

Set against the size of the external debt, foreign exchange reserves in rupees are now a mere six thousand crore. In terms of SDRs, the reserves fell by 17-18 per cent in 1988-89 and by another 8 per cent in the first quarter of 1989-90, so that by June this year they had reached a level of SDR 3,408 million which would not cover more than six weeks' imports.

The Reserve Bank's annual report, unlike the government of India's Economic Survey, publishes figures of the annual accretions to NRI deposits under the Non-Resident (External) Rupee Account and Foreign Currency (Non-Resident) Account schemes. This information on the annual inflows is particularly useful because the Economic Survey's figures of outstanding liabilities under the NRERA scheme are inclusive of accrued interest with the result that one does not quite know what the net accretion of foreign exchange on this account is from year to year.

But strange are the ways of government agencies. One gives out a piece of information, another sits tight on it. And neither will give out another but connected bit of information with the result that outsiders are left to make their own estimates. In this particular case, by piecing together the information on NRI deposits put out by the Reserve Bank and the government, it is possible to derive the interest accruals on NRERA deposits fairly easily but not those on FCNRA deposits. Only some rough estimates can be attempted.

It is possible that figures in regard to interest accruals can be made available only with some time-lag. Let that be so, but let the information be made public as and when it is available so that people do not have to make guesses and draw unwarranted inferences. Surely, no security interests would suffer if figures of interest accruals on FCNRA deposits were given out or on NRERA deposits information were provided on yearly withdrawals, broken down into at least two categories, namely, withdrawals in rupees and those reconverted into foreign exchange.

BURMA

India's Special Advantages

A Correspondent writes:

THAT the authorities in Burma should accuse India, along with Britain and the United States, of using its embassy in Rangoon to send news about recent developments in that country to the news services of All India Radio is not in the least surprising. India, along with Britain and the United States, maintains a large staff in its embassy and closely monitors developments in that country. Indeed the India mission is generally conceded by other foreign missions in Rangoon to be about the best informed on developments in Burma.

Further, all these countries which have been apparently attacked by Brigadier General Khin Nyunt, head of Burma's military intelligence (a formidable and highly efficient set-up despite the carefully cultivated image of its being manned by a set of boobies who bumble along making the very term 'military intelligence' a contradiction in terms) maintain their embassies in the downtown area unlike most others who are dispersed in the suburbs and are thus able to monitor developments first hand. The advantages of this location were most evident during the demonstrations and riots last year when one could watch the drama below from the windows of these embassies.

India also has some special advantages that other countries, including other neighbouring countries, lack. Being the inheritor of the empire that once ruled both India and Burma India has access to a mass of still exclusive information. Indeed, while Burma shares its borders with China, Laos, Thailand and Bangladesh, along with India, the whole country was itself once part of India—a special relationship that other bordering countries cannot claim. These historic links have been sustained through much animosity and mututal suspicions in the post-U Nu period.

Secondly, some of the tribal nationalities in India's north-east have close cultural and familial links with their cousins across the border in Burma. The Indian official representation in Burma is marked by a considerable presence of these tribal nationalities—a fact which has always been resented by the authorities in Rangoon but about which they have been able to do little.

Indeed, India's access to information not generally available to other foreign missions in Rangoon has been enviously acknowledged by these other missions themselves. So for that matter is the credibility of All India Radio's external service beamed to Burma—something that may be incomprehensible to people in India who do not associate credibility with the All India Radio's domestic services.

The authorities in Burma have themselves acknowledged this as was evident when the officially controlled *Working Peoples Daily* of Rangoon launched what has been described as "several vitriolic attacks" on All India Radio early this year on its coverage of the internal developments in Burma. That the Burmese service of All India Radio is headed by a person prominent in Burma's political and cultural life now in voluntary exile in India has also contributed to this credibility. Indeed a correspondent of the *Far Eastern Economic Review* (February 23) had noted that "today AIR has overtaken the BBC's Burmese service in popularity among the public at large".

BUSINESS

STOCK MARKET

Cornering Funds

SEVEN weeks have gone by and the stock market has not pierced through its August 8 low touched during the sharp decline from its June-end/early July all-time high. This is not to suggest that the market will not seek lower levels and that if it does it would signal the reversal of the primary upward trend. A decline below the August 8 mark will only indicate that the corrective phase has still not run its full course. Secondary reactions in a bull market are hard to guess and even the indications are sometimes deceptive. The reaction in a bull market resembles only in direction and not in kind the true primary bear movement.

These general observations seem pertinent as the market's overall behaviour does not provide any convincing clue about its next big move. As it is, bears and bulls can easily marshal seemingly plausible arguments to support their diametrically opposite views and both could also prove right, depending on whether they are taking a very short-term or long-term view of the market. For factors governing short-term price trends could be bearish even when the fundamentals are favourable.

To come back to the market's recent performance, it is worth noting that while the market has not repeated its August low so far, it has also not been able to make any significant upthrust which could carry it even beyond the half-way mark between the year's high and subsequent low point. The rally which commenced after August 8 did not last beyond September 7. During the rally, the *Financial Express* equity price index for Bombay rose by 5.2 per cent and the all-India index by 6.3 per cent, retracing 44.9 per cent and 50.7 per cent respectively of the ground lost in the preceding fall from the all-time highs. During the same period, the BSE sensitive index rose by 3.8 per cent and the national index by 6.3 per cent, retracing 29.5 per

ground lost in the preceding decline. All this suggests that the weakness has been more pronounced in the (speculative) 'specified' scrips than in cash shares.

Apparently, bears have been fully exploiting the adverse turn in market sentiment in the wake of persistent offerings by investors to conserve and augment their cash resources to avail of the opportunity for more profitable deployment of funds in the primary market where several convertible debentures are on offer by way of rights. Trading sentiment was also adversely affected by reports of a marked deceleration in industrial growth during the first two months of 1989-90, the average index for industrial production registering a rise of only 2.7 per cent over the corresponding average for the last year. The comparable increases during 1988-89 and 1987-88 were 12.5 per cent and 10.5 per cent respectively. What is more disturbing, the slow down has been brought about by the set-back in the crucial manufacturing sector, with a weight of 77 per cent in the index of industrial production. The latest RBI annual report also has made pointed reference to certain areas of concern, namely, budgetary deficit, growth of liquidity, inflationary pressures and decline in foreign exchange reserves.

If the market has not allowed itself to be unduly perturbed by these reports it is because the corporate news has continued to be very reassuring and the overall growth rate in the economy has been satisfactory. That the market could withstand the bear onslaught and absorb the continuing pressure of disinvestment selling without any landslide in equity prices is attributable in no small measure to the support extended by institutional investors. But it also indicates the market's inherent strength based on sound fundamentals.

The point is often made that institutional purchases are in the nature of rescue operations carried out at the instance of the finance ministry to check any marked deterioration in the general trading sentiment because of its possible adverse repercussions on the primary capital market which is witnessing, for the first time, the phenomenon of mega issues. Whoever thought until very recently of over Rs 4,000 crore being raised in the capital market in a matter of some weeks?

There is nothing wrong in institutional intervention to sustain the market's morale to facilitate mobilisation of resources from the market. But purchases effected by institutional investors cannot be simply dubbed as being in the nature of rescue operations. Essentially, these purchases represent judicious investment decisions based on assessment of the fundamental factors which have a bearing on the long-term outlook for equities. Unlike professional speculators and the majority of the stock exchange fraternity who are concerned largely with short-term price fluctuations and base their operations on their assessment of the mercurial market sentiment, institutional investors are guided by their assessment of long-term prospects. UTI chief Pherwani is known for his 'bullish' outlook based on a careful assessment of long-term factors relevant from the viewpoint of the equity market.

Most observers seem inclined to the view that the market is marking time and no decisive trend is likely to emerge till the elections are out of the way. Possible but unlikely. Speculative markets seldom stay put for long. The 'wait and watch' attitude when parliamentary elections are approaching is nothing unusual. The political factor assumes special significance in the Indian context because of the 'peculiar links the government is believed to have developed with some of the leading lights in the corporate sector. On the basis of economic ideology there is little to choose between the ruling Congress Party and the opposition excluding the Communist parties. What is really relevant from the viewpoint of the stock market is what kind of a majority the party which wins the elections will have.

While the stock market is currently passing through an unexciting phase, the stock exchange fraternity is engaged in an animated debate on the ethical, political and financial implications of the mega issue phenomenon. All kinds of opinions are being voiced. The most charitable view is that the mega issues reflect the growing confidence of the corporate sector and of investors in the capital market. The sudden emergence of the mega issue phenomenon has, however, raised many ticklish issues. The writ petition in the Bombay High Court challenging the takeover of Larsen and Toubro by the Ambani group and the Rs 820 crore mega issue imparted a new and rather explosive dimension to the debate on the mega issues.

Belatedly realising the possible adverse repercussions of many mega issues coming to the capital market within a short time, the Controller of Capital Issues has asked companies raising funds to phase out calls with a view to reducing the rigours of bunching large capital issues. This should help reduce selling pressure in the secondary market. Far more significant is the finance ministry's reported decision asking financial institutions to set up expert teams to closely monitor utilisation of the capital raised. This step is apparently a part of the plan to discourage companies from garnering large funds at one go and to see that these funds are not diverted elsewhere.

TWENTY YEARS AGO

EPW, September 27, 1969

Why all this excitement over car prices? The answer is simple: the car is the new status symbol of the elite in politics, administration and business. The elite is not terribly disturbed when, as in recent months, pulses and edible oils (which have substantial weightage in the working class cost of living) become more expensive or, almost perennially, domestic substitutes for imports remain far out of alignment with international prices. Yet, come a move for higher car prices and screams ring out loud and clear for government intervention—and, of course, government intervenes promptly. Prices of commercial vehicles, i e, buses, trucks and jeeps, which comprise the principal means of public transportation, were decontrolled quite some time back but those of cars, which are bought and used by a small minority of the total population, remained subject to informal control... About the only positive reaction to the situation in the automobile industry from the ministry of industrial development is the reassertion of the proposal to produce a small car. ... Regulation of car prices or, for that matter, renewed talk of a small car, is no substitute for an urban transportation policy and a comprehensive view of the development of the automobile industry as a whole.

* * *

Tea is a major foreign exchange earner, yet the share of Indian tea in the large traditional export markets has been falling and exports have in fact shown a declining trend since the beginning of 1968. At the same time, the profitability of the tea industry is among the lowest. From this to advocating a lower tax burden and a variety of subsidies for tea is an easy jump. Even the high-power Barooah Committee has succumbed to the temptation... Yet is the case so simple? Profitability in tea may be among the lowest, but so are wages. A seventeen-day strike in the north-eastern plantations recently secured for workers a 20 paise per day increase and a higher man-land ratio and that too under the aegis of the United Front in West Bengal. That living conditions of plantation labour in West Bengal have been trying is well known. The element of violence that infests the plantations is not independent of this fact. Nor is plantation management in general famous for its efficiency, the beautifully veiled claims of the United Planters' Association of Southern India (UPASI) to the Barooah Committee notwithstanding.

STATISTICS

Index Numbers of Wholesale Prices (1981-82 = 100)

	Weight	Latest Week 9-9-1989	Variation (per cent) Over Last Month	Over Last Year	Over March 25, 1989	In 88-89++	In 87-88	In 86-87	In 85-86
All Commodities	100.000	167.3	1.5	8.4	6.6	6.3	5.3	5.7	7.1
Primary Articles	32.295	168.2	1.2	5.9	7.3	4.8	5.2	2.0	4.8
Food Articles	17.386	188.5	0.4	5.6	8.6	9.1	6.6	6.8	6.4
Non-food Articles	10.081	166.0	3.2	7.7	6.7	−6.7	6.4	−10.2	−2.3
Fuel, Power, Light and Lubricants	10.663	156.1	0.1	4.0	0.6	5.2	6.8	11.9	2.6
Manufactured Products	57.042	168.8	1.8	10.8	7.4	7.9	4.9	7.2	6.0

Cost of Living Index

	Base	Latest Month	Variation (per cent) Over Last Month	Over Last Year	Over March 1989	In 1988-89	In 87-88	In 86-87	In 85-86
For Industrial Workers	1960 = 100	847^7	1.1	6.5	3.5	9.1	9.1	8.8	6.5
For Urban Non-Manual Employees	1984-85 = 100	142^6	1.4	6.8	2.9	8.3	9.6	7.9	7.9
For Agricultural Labourers	July 60 to June 61 = 100	727^5	0.8	9.0	−0.3	12.7	9.8	4.8	4.8

Money and Banking

		Latest Week (25-8-89)	Variation (per cent in brackets) Over Last Month	Over Last Year	Over March 24, 1989	In 88-89	In 87-88	In 86-87	In 85-86
Money Supply (M_3)		2,04,094	1,674	29,830	12,847	28,587	22,027	22,295	14,423
			(0.8)	(17.1)	(6.7)	(17.6)	(15.7)	(18.8)	(13.9)
Net Bank Credit to Government Sector	Rs crore	1,08,308	991	14,487	11,484	12,715	12,811	12,776	6,555
Bank Credit to Commercial Sector	Rs crore	1,30,714	56	20,490	4,648	20,531	12,389	11,294	10,963
Net Foreign Exch Assets of Banking Sector	Rs crore	5,427	−599	890	−680	637	682	1,314	13
Deposits of Scheduled Commercial Banks	Rs crore	1,50,840	1,721	22,639	11,410	21,385	15,321	17,320	13,160
			(1.2)	(17.7)	(8.2)	(18.1)	(14.9)	(20.3)	(18.2)
Foreign Exchange Assets**	Rs crore	4,950	−825	−531	−1,358	−830	−508	604	+197
			(−14.3)	(−9.7)	(−21.5)	(−11.6)	(7.1)		

Index Numbers of Industrial Production (1980-81 = 100)

	Weights	Month (March) 1989	Averages for* 1988-89	1987-88	Variation (per cent) In 1988-89	In 1987-88	In 1986-87	In 1985-86
General Index	100.0	208.1	181.0	166.4	8.8	7.3	9.1	8.6
Basic Industries	39.4					5.6	9.2	6.8
Capital Goods Industries	16.4					16.0	18.2	10.6
Intermediate Goods Industries	20.5					4.7	4.4	7.5
Consumer Goods Industries	23.6					7.4	7.1	12.5
Durable Goods	2.6					7.6	18.9	18.7
Non-Durable Goods	21.0					7.4	4.9	11.5

Note: The index numbers of industrial production by use-based classification are not available beyond March 1987

Foreign Trade

	Unit	Latest Month (June 89)	Cumulative for* 1988-89	1987-88	1987-88	1986-87	1985-86	1984-85	1983-84
Exports	Rs crore	1,972	6,039	4,348	15,719	12,569	10,895	11,744	9,771
					(25.1)	(15.4)	(−7.2)	(20.2)	(11.0)
Imports	Rs crore	2,645	6,663	6,461	22,343	20,201	19,658	17,134	15,831
					(10.6)	(2.8)	(14.7)	(8.2)	(10.8)
Balance of Trade	Rs crore	−673	−1,734	−2,113	−6.624	−7,632	− 8,763	−5,390	-6,060

Employment Exchange Statistics

	Unit	Latest Month March 89	Cumulative for* 1989	1988	1988	1987	1986	1985	1984
Number of Applicants on Live Registers (as at end of period)	Thousand	30,305	30,305	29,568	30,050	30,247	30,131	26,270	24,861
					(−0.7)	(0.4)	(0.4)	(0.4)	(7.9)
Number of Registrations	Thousand	419	1,303	1,257	6,028	5,465	5,473	5,824	6,220
					(10.3)	(−0.2)	(−6.0)	(−6.4)	(−8.0)
Number of Vacancies Notified	Thousand	50	125	131	542	621	616	683	707
					(−12.7)	(0.8)	(−10.0)	(−3.4)	(−15.5)
Number of Placements	Thousand	26	69	88	340	360	356	388	407
					(−5.6)	(1.1)	(−8.2)	(−4.7)	(−16.3)

Income

	Unit	1988-89@	1987-88++	1986-87++	1985-86	1984-85	1983-84	1982-83	1982-81
Gross Domestic Product (current prices)	Rs crore	2,93,306	2,60,680	2,33,305	2,06,732	1,86,406	1,58,851	1,42,876	1,22,226
Gross Domestic Product (1980-81 prices)	Rs crore	1,70,363	1,64,441	1,56,083	1,48,955	1,44,391	1,33,830	1,29,776	1,22,226
Per Capita Income (1980-81 prices)	Rupees	1,918	1,892	1,836	1,791	1,781	1,687	1,686	1,627

* For current year upto latest month for which data are available and for corresponding period of last year.
** Excluding gold and SDRs. + Upto latest month for which data are available.
++ Provisional data. @ Quick estimates.

Notes: (1) Superscript numeral denotes month to which figure relates, e g, superscript[1] indicates that the figure is for January and so on.
(2) Figures in brackets denote percentage variation over previous period.

CROMPTON GREAVES

Vigorous Diversification

CROMPTON GREAVES has fared very well during the 9-month period ended March 1989. The directors have recommended issue of bonus shares in the proportion of one such share for every existing share held by capitalising Rs 9.60 crore out of the general reserve. They have also recommended payment of the same dividend of 18 per cent as was paid last year for 12 months. The company has earned a gross profit of Rs 14.82 crore against Rs 12.99 crore previously following a turnover of Rs 286 crore against Rs 306 crore. These figures show a significant improvement in profit margins. Net profit is Rs 7.75 crore (Rs 5.90 crore). The dividend distribution is covered 4.48 times by earnings as against 3.41 times previously.

The company's R and D laboratories developed and introduced to the market several new products such as Supervisory Control and Data Acquisition and Programmable Logical Controllers. These products have been well received. Some new products/processes have already been patented and several others are almost ready for patent applications. The company's diversification and joint venture plans are progressing on schedule. Three new plants, viz, hydro turbines in Punjab, industrial electronics at Nasik in Maharashtra and instruments and relays at Pithampur in MP were commissioned during the year. Three more projects, viz, telematics at Goa, adhesive tapes for electrical and electronics applications at Goa and television receivers at Pithampur will be commissioned during the current year.

At present the company together with its subsidiary companies holds 10,644 equity shares comprising of 27 per cent of the equity capital of CTR manafacturing industries. It is proposed to purchase an additional 49 per cent of the equity capital of the company which is presently held by financial institutions and with this further investment it will become a subsidiary of the company.

CABLE CORPORATION

Into Extra High Voltage Cables

CABLE CORPORATION OF INDIA (CCI) proposes to diversify into manufacture lightning and surge arrestors which provide protection to electrical equipment in electrical transmission and distribution networks by preventing damage by lightning. The company's technical collaborator, Siemens of West Germany, has the necessary know-how and expertise to manufacture lightning and surge arrestors and h agreed to make available updated tec nology in this respect. Last year the com pany diversified into fluoropolymer cabl which are useful in high temperature a plications. There is a good scope f development of these cables in India, pa ticularly in view of their suitability for us in sophisticated equipment. The compan is also embarking upon a programme t take up the manufacture of extra hig voltage cables which are in great deman in the country and which are presentl being imported. R and D work wit respect to insulants used in these cable is already under way. Meanwhile, th modernisation programme of the compan is progressing well. Various rationalisatio measures adopted have brought forth pro mising results. This, according to chair man D D Khatau, is an ongoing proces and is being systematically monitored.

CCI's performance during the 15-month period ended March 1989 has been encouraging with substantial improvement in profitability. Turnover has amounted to Rs 100 crore against Rs 72 crore in the previous year and gross profit has expanded to Rs 19.17 crore from Rs 10.10 crore. Even after higher necessary provisions, net profit has more than doubled to Rs 10.34 crore (Rs 4.97 crore). Equity dividend has been stepped up from 18 per cent to 27.5 per cent which is covered 4.18 times by earnings as against 3.60 times previously.

Higher cable sales have chiefly contributed to this good performance. There was, however, a decline in the sales of electric motors during 1988-89 as supplies were seriously affected due to a prolonged industrial relations dispute which has since been resolved and normal operating conditions restored. Total foreign exchange used by the company amounted to Rs 1,207 lakh and that earned by it was Rs 21 lakh. The latter figure, however, excludes an amount of Rs 1,221 lakh being the fob value of cables delivered for export through an export house.

UNION CARBIDE

Troubles' End?

UNION CARBIDE INDIA's chairman and managing director, V P Gokhale, hopes that the crisis faced by the company for the last several years will be over by the year-end. The Bhopal-related problems are nearing solution. The Chemicals and Plastics undertaking at Chembur in Bombay has been sold to Oswal Agro Mills. The company has shown a better financial performance during the 15-month period

The Week's Companies *(Rs Lakh)*

		Crompton Greaves		Cable Corpn		Union Carbide	
		Latest Year 31-3-89*	Last Year 30-6-88	Latest Year 31-3-89**	Last Year 31-12-87	Latest Year 31-3-89**	Last Year 25-12-87
Paid-up Capital		960	960	900	900	3258	3258
Reserves		6753	6201	1867	1099	4500	3804
Borrowings		8260	7927	897	489	6725	972
of which Term Borrowings		2732	2592	26	73	246	767
Gross, fixed assets		12115	11378	2360	1960	7984	7697
Net fixed assets		7924	7546	692	547	2776	2682
Investments		221	210	160	160	317	797
Current liabilities		15190	10718	3606	3299	3448	3177
Current assets		22926	17991	6268	6080	7609	7464
Stocks		7407	6090	2126	1471	4911	3913
Book debts		12729	9630	1295	1304	1074	1312
Net sales		28563	30577	10008	7224	19206	15480
Other income		300	277	494	312	352	306
Raw material costs		18395	19242	5221	3366	10818	7717
Wages		4201	4945	1044	818	4381	3472
Interest		1353	1610	127	125	328	185
Gross profit (+)/loss (−)		1482	1299	1917	1010	1233	944
Depreciation provision		477	597	225	130	381	341
Tax Provision		230	112	658	383	300	250
Net profit (+)/loss(−)		775	590	1034	497	552	353
Investment allowance reserve		107	—	—	—	—	—
Transfer to reserves		495	417	787	359	552	—
Dividend							
Amount	P	—	—	—	—	—	—
	E	173	173	247	138	—	391
Rate (per cent)	P	—	—	—	—	—	—
	E	18	18	27.50	18	—	12
Cover (times)		4.48	3.41	4.18	3.60	—	0.90
Ratios (per cent)							
Gross profit/sales		5.19	4.24	19.15	13.98	6.42	6.09
Net profit/capital employed		15.72	13.83	37.40	24.86	7.11	5.00
Inventories/sales		25.93	19.92	21.24	20.36	25.57	25.28
Wages/sales		14.71	16.17	10.43	11.32	22.81	22.43

* 9 months, ** 15 months.

ended March 31, 1989 but not announced any dividend. The current year has started on an encouraging trend of operating profits and Gokhale feels that the management will be successful in protecting the financial viability of the company as well as the interests of shareholders. He says the task before the management is to rebuild the company. This entails strengthening the existing product lines and diversification into growth areas, with simultaneous attention to corporate restructuring.

During 1988-89, despite a good monsoon, battery and flashlight sales remained around the same levels as in 1987, on an annualised basis. Total market demand for batteries has remained stagnant at around 1,200 million pieces per annum for the last few years. For many years UCI has been the major supplier of batteries to the government and defence departments. However, during 1988 it did not receive any orders from these departments and its rate contracts were also not renewed. Only supplies against earlier orders were made during the period. Currently, it is executing supplies of very small volumes. This has resulted in rendering about 300 workmen idle in the battery plant at Cossipore, Calcutta, as well as loss of sales revenue. Sales of electrolytic manganese dioxide were lower as compared with 1987 due to lower offtake by other battery manufacturers. Arc carbon sales were lower than the previous year on an annualised basis, primarily because of the declining trend in the cinema industry and severe competitive pressures. However, demand for cobalt and nickel base hard facing products recorded a healthy increase. Reserve Bank of India's permission for transfer of the processing plant immovable property at Visakhapatnam has been obtained and the sales proceeds of the immovable property have been placed in a fixed deposit account. An application has been made to the Urban Land Ceiling authorities and on receipt of approval the transfer of the property will be completed.

IN THE CAPITAL MARKET

ATV Projects

ATV PROJECTS is making a public issue of 4.27 lakh 14 per cent fully convertible debentures of Rs 150 each for an aggregate amount of Rs 6.40 crore. The company will issue rights debentures for Rs 5.60 crore in the ratio of 5 debentures for each 100 equity shares held and also give on rights basis 1 debenture for 1 existing convertible debenture held for an aggregate value of Rs 9 crore. It has reserved 6 lakh debentures on a firm allotment basis for UTI, LIC, ICICI, GIC and its subsidiaries, bank mutual funds and other financial institutions of the aggregate face value of Rs 9 crore. Rs 30 out of each debenture will be converted into 1 equity share of Rs 10 at a premium of Rs 20 per share at the end of six months from the date of allotment. The balance amount of Rs 120 per debenture will be converted into such number of equity shares as decided by CCI at the end of three years from the date of allotment. The issue is being made to finance ATV Projects' modernisation plans under technical collaboration with IHI, Japan, the second largest engineering and projects construction company in the world. The rights issue opens on September 29 and the public issue on October 4.

Harshavardhan Chemicals and Minerals

HARSHAVARDHAN CHEMICALS AND MINERALS, a leading manufacturer of single superphosphate, is setting up a plant at a total cost of Rs 1,285 lakh for manufacture of sulphuric acid (61,125 tpa), oleum-25 per cent (5,000 tpa) and chlorosulphuric acid (5,000 tpa) at Antervalia-Meghnagar in Jhabua district of Madhya Pradesh. It has also commissioned the first phase of its detergent powder and cake project at a total cost of Rs 284.50 lakh with an initial installed capacity of 33,000 mt each per annum. To finance in part the cost of these two projects the company is issuing 2,59,000 14 per cent secured, fully convertible debentures of Rs 150 each for cash at par totalling Rs 388.50 lakh on rights basis. Each debenture of Rs 150 will be converted into 5 equity shares of Rs 10 each at a premium of Rs 5 per share in two stages. The conversion will take place on the expiry of 12 months and 18 months respectively from the date of allotment. The rights issue, which opened on September 14, will close on October 14. According to Pankaj N Mehta, joint managing director of the company, the installed capacity of its single superphosphate plant has been raised from 40,000 tpa to 66,000 tpa in 1988-89 and further expansion and diversification activities are being carried out at Vatva near Ahmedabad, Udaipur and Antervalia-Meghnagar. The company also plans to generate 1.7 mw of power by utilising waste heat produced in sulphur burning for captive consumption. The turnover for 1989-90 is expected to exceed Rs 30 crore and, when all the plants become fully operational in 1990-91, Rs 200 crore.

Usha Rectifier Corporation

USHA RECTIFIER CORPORATION is coming out with a Rs 702 crore 14 per cent fully convertible debenture issue to finance its Rs 711 crore integrated gas-based sponge iron complex at Amethi in UP. Of the total Rs 702 crore, the company is making a public issue of 1,62,00,000 FCDs of Rs 100 each aggregating Rs 162 crore. Each debenture of Rs 100 will be converted into two equity shares at a premium of Rs 40 per share on expiry of nine months from date of allotment. There will be a rights issue for the fully convertible debentureholders of the company comprising 2,88,00,000 FCDs of Rs 100 each aggregating Rs 288 crore. The conversion terms are the same as in the case of the public issue. To the equity shareholders of the company, FCDs of a face value of Rs 200 each aggregating Rs 252 crore will be offered. The company's plan is to invest over Rs 1,500 crore in setting up an integrated steel complex at Amethi. In the first phase, involving an investment of Rs 711 crore, the company would set up a gas-based sponge iron complex with a capacity of 8,00,000 tpa of hot briquetted iron (HBI). The complex will include a captive 1.2 million tonne iron ore pelletisation plant and a 60 MW gas-based power plant. The plant would use high grade iron ore fines from NMDC's Bailadila mines in Madhya Pradesh as raw material. The second phase of the complex would involve setting up of two 70-tonne electric arc furnaces together with the latest thin slab caster and a 5,00,000 tpa steckle mill to produce hot rolled coils. These facilities including expansion of HBI production would involve an additional investment of Rs 800 crore. The public issue will open on October 11 and close on October 24, 1989 or earlier but not before October 19.

Regency Diaper Industries

REGENCY DIAPER INDUSTRIES is making an issue of 7,80,000 equity shares of Rs 10 each for cash at par. The issue opens on October 16. The Hyderabad-based company is entering the field of disposable diapers for infants. It has tied up with Nuova Red Italiana, international leader in diaper-making machinery, for world class plant and equipment. The civil construction is complete and the imported plant and equipment has arrived at the site. The product will be launched by November 1989. The diapers will be distributed all over India through a special distribution arrangement with J K Helene Curtis. However, the company will do its own distribution in South India. In addition to a large domestic demand there is also a significant export potential, particularly to the Middle East and East European countries.

Calcutta Diary

AM

The mystery is unresolved. Was Simenon himself evil, or was he only interested in evil, in taking it apart, finding out what makes it tick? The other puzzle too remains. Was Simenon a hack writer of pulp who just happened to strike it rich or was he one of the greatest of the literary giants to walk the century now whimperingly coming to an end?

SIMENON is dead. Apart from *Memoires Intimes*, he had in fact produced little in the past decade. The *Memoires* is embarrassing, and not particularly because of the intimacies it reveals. It is Simenon's loss of control over style, his collapse into verbosity, to which the volume bears witness which is more tragic. Obviously, death had already started casting its shadow. Now it is over, there is to be no further Maigrets or non-Maigrets to be added to the two hundred fifty and odd taut works of fiction.

Simenon's passing has hardly bothered either the newspapers or the conventional literary circles. According to one view, he is the most underrated author to straddle the twentieth century. The assertion may be right, but it cannot diminish the other rather straightforward reality: he was not loved. A certain distant awe on the part of his readership, but no feeling of adoration, none at all. The almost supernatural power of his writing was acknowledged, but did not generate any ardour. Not quite a pariah, he was still an outcast. One simply had to read him, for he was habit-forming, but did he not repel too? Camus' L'Etranger started out as the archetypal anti-hero; he is now canonised. Simenon created characters whose existential predicament and inability to escape from perdition are no less excruciating. They however fail to evoke any sympathy. They only induce a mild discomfort, period. A parallel exists here with his own personal fate. He was lost to Belgium, the country he was born: France, which made him, could not care less for him; Switzerland, where he spent the past twenty-five years, was a mere tax haven. His characters walk alone, tucking within themselves the darkness of their spirit. For Simenon too, it has been a lonely trajectory. He had few friends. Even though he might have slept, as he claimed, with ten thousand women, there were really few who, toward the end, could offer him some requited passion, if it was passion he was looking for. He was, till his death, altogether unlovable. Despite his death, the verdict remains the same.

And yet, with what gall does one dare to repudiate the genius of this writer, or pretend to make light of the splendour of his prose and of the ferocity with which he dissected the tissues and arteries of the human soul? Many will of course continue to scoff at the genre he preferred. Simenon learnt early to count money in the countinghouse. That was not the reason though why he opted for the *oeuvre* of crime and detection. It was not just that he was amoral, it was for him a matter of the deepest non-faith. He got nihilist pleasure in spurning the accolade of society ma'rms, including the ghastly ones who preside over stylised *salons*. Here was, Gide was convinced, another Dostoevsky in the making; all that was necessary was a modulation in pace. Simenon would not be trapped; he persisted in his waywardness. The concerned Nobel committee would have been horrified were the suggestion ever to travel up to them to consider him for the literature award. Once more, Simenon could not have cared less.

His novels usually reach their climacteric within a space of thirty to forty thousand words. Conventional notions die hard, or refuse to die; great poetry can be created within the confines of such limited space, but not, it is alleged, great fiction. So, Gide notwithstanding, the issue is still an open-ended one: can one reach Dostoevskian heights and yet reject the Dostoevskian format? The towering Russians, including Tolstoy, used to take a decade to produce a novel; valleys and mountains of emotions undulate slowly, lugubriously; there are careful, crafted arrangements and re-arrangements of plots; unending confrontations of characters; adaptations, settings, transformations; preludes, overtures, intermezzos, finales; an intricate, methodically woven texture declared to be perfect only after all the rituals of classicism have been observed to the full. The times are different, the man is different; Simenon chooses otherwise, he is for the miniature. It is a challenge, the anatomy of the human soul must be encapsulated in a hundred liberally spaced pages. He therefore strips his prose for action. Genius is what genius does, he has a way of unfolding an ambience with a bare couple of sentences. Quite transparently, he is in a hurry. To try to establish a nexus between this and his instinct for money-making will be sheer illiteracy. This man is in a desperate rush, he is trying it out over and over again, he wants to grasp the nettle of what to him is the basic *quaesitum*. The evil grafted in the human soul fascinates him. What are its ingredients, do these vary from individual to individual, or from situation to situation? Besides, is evil at all distinguishable from what passes as good and civilised? Crime is the violence one individual or a group of individuals perpetrates against another individual or another group of individuals; it is a kind of consummation of the impulse to conquer and subjugate. But is this not what love too is about? Should we not be impressed by the coincidence, by this overlap between love and evil, as religious preachers define it, or crime, as the police code defines it? Each time, Simenon is dissatisfied with the whispers and responses he comes up with. He cannot make up his mind whether evil is commonplace, and therefore less interesting, or whether it does indeed embody greatness. He is unable to commit himself either way; there is not enough dialectical evidence on the basis of which to clinch

a judgment. So he keeps digging. Again and again and again, he returns to his *quaesitum*, the characters change their descriptions and their milieu, but in effect nothing is changed, the probings remain what they always have been: what is love, what is hate, what is passion, what is carnality, what lies at the root of the urge to destroy another human soul, or—which is essentially the same thing—to destroy another human body? Since the knowledge is still imperfect, the final verdict must wait. An interlocutory message however filters through: interpersonal relations are a mere veil; underlying the so-called social reality is another, more crucial, species of reality, a condemned human being is not necessarily evil incarnate, for the concept of evil itself is beyond the pale of understanding. Simenon gropes and gropes, providing the rationale for the one hundred twenty-fifth Maigret to be followed by the one hundred twenty-sixth, and the one hundred thirty-ninth non-Maigret by the one hundred fortieth, and *passim*.

Would one be permitted to add a further comment? Simenon and Sartre were exact contemporaries. Perhaps Sartre detested Maigret, and the compliment was perhaps returned. Perhaps they did not ever meet; at least no documentary evidence suggests that they did. But such non-accidents are an irrelevance; whether or not he liked Sartre, Simenon was unable to escape from an existential fate.

Feminists, as well as conventional defenders of human rights and of human dignity, have much *prima facie* reason to condemn Simenon from the depth of their heart, because of the manner in which he treated his women, not so much in his works of fiction, but in real life. Civilisation as we define it will refuse to tolerate his attitude. He behaved abominably badly with his mother, a frail, timid, honest, little, indigent widow, who did her utmost to give her son a decent start in life. The nonchalance with which he cheated his first wife, and his utter lack of any sense of guilt for it, would sicken even many of his quasi-sympathisers. And perhaps one receives one's just deserts right here, without the formality of a waiting time. His second wife was a shrew and worse, and provided Simenon with a taste of a season in hell. For years on end, he sought to escape, and could not. He got his deliverance after a long hassle, but on financially disastrous terms. It was still not the end of the story, the other sex had an even more devastating revenge in store for him. His father-fixated daughter wanted to have him all for herself, she would not flinch from effecting a physical conquest even; a horrified Simenon ran for cover; the daughter ultimately took her life. This shattered Simenon. His confidence evaporated, his style lay in ruins, but there had to be the *memoires intimes*. Read the book once more, it is really a confession box, a once and former granite of a personality, now crushed into smithereens, rambles inanities, and exhibits a self-pity which, alas, provokes, scorn and zero compassion.

If only the liberationists would suspend their anger for a moment, there might be an alternative hypothesis. Could it be that Simenon's interminable sleepings-about were a manifestation of the same restlessness which drove him to produce, at the end of every three months, yet another novel on the indescribability of the agony colonising the human soul? He passed from one woman to the next, but this was perhaps no run-of-the-mill seeker after carnal knowledge, he was merely trying to reach out to the subterranean mystique of man-woman relationship. No question a failed seeker, does that by itself render him into a villain?

The questions keep churning upon themselves. Is it evil for a man to seek the knowledge of a woman, or for a woman to seek the knowledge of a man? Is it evil to attempt to break down the barriers of resistance fellow beings build against one another? How does one define crime, what do confessions amount to when what one confesses to is a superficiality, an act which somehow saves the outward dignity of the social mores, such mores however have ceased to be relevant for an individual who has already crossed the rubicon and belongs to the other side, and how can it be proved that the other side is irretrievable darkness when one's existential wanderings have failed to come up with any absolute criteria for defining good and evil?

Maybe there was another kind of inner yearning, maybe he, every now and then, badly wanted to come in and join the domestic scene. How does one otherwise explain the fidelity of his portrayal of Madame Maigret? She is calm, placid, oozing with the sweetness of life, mothering Maigret as he returns, afternoons and evenings, battered within himself, befuddled by his confrontation with newer evidences of the precariousness afflicting the human soul. Who knows, perhaps Simenon himself was drawn to the domesticity reigning the dull, cramped Boulevard Richard Lenoir apartment presided over by Madame Maigret. But he did not belong.

The mystery is unresolved. Was he himself evil, or was he only interested in evil, in taking it apart, finding out what makes it tick? The other puzzle too remains. Was he a hack writer of pulp who just happened to strike it rich, or was he one of the greatest of the literary giants to walk the century now whimperingly coming to an end?

UN and India's Preventive Detention

A G Noorani

By participating in the adoption by the UN General Assembly of universal "principles for the protection of persons under any form of detention or imprisonment", the government of India has accepted a solemn international obligation. The people of India eagerly look for signs of fulfilment of this obligation.

ON December 9, 1988, the UN General Assembly adopted *without a vote*—that is, *with* India's concurrence—a "body of principles for the protection of all persons under any form of detention or imprisonment". It was the result of a typically UN effort—laborious and of limited value. On December 15, 1980 the assembly had assigned the task of preparing a document embodying such principles to "an open-ended working group" which predictably took its own time.

While some of the principles are progressive, others, as Christopher Avery of Amnesty International's Legal Section has pointed out in an analysis, "were weakened during the drafting process to a point that they duplicate or even fall below the level of already existing international standards".

India explicitly made a reservation in regard to preventive detention while ratifying the International Covenant on Civil and Political Rights in 1979. But in 1988 it became a party to the adoption of these principles. It has recognised their relevance as well as their international character and in consequence has assumed international responsibility for their observance. Herein lies the value of the principles despite their limitations.

The principles apply to an "imprisoned person" defined as one deprived of personal liberty as a result of conviction for an offence as well as to a "detained person" defined as one so deprived "except as a result of conviction for an offence". So it applies very much to preventive detention.

Principle 4 is important. "*Any* form of detention or imprisonment and *all measures affecting the human rights of a person* under *any* form of detention or imprisonment *shall be ordered* by, or be subject to the *effective control* of, a judicial or other authority" (emphasis added). This is very widely worded and includes any form of detention or imprisonment. To comply with this principle, it is imperative that detention is either ordered by or effectively controlled by "a judicial or other authority". Before New Delhi rubs its hands in glee it would do well to read the definition of "a judicial or other authority" at the very outset in the principles. These words are defined to mean "a judicial or other authority under the law *whose status* and tenure should afford *the strongest possible guarantees of competence, impartiality and independence*" (emphasis added).

The advisory boards as presently constituted to hear representations against preventive detention do not fulfil these criteria. They might have if the government had made a notification to bring into forces 3 of the Constitution 44th Amendment Act, 1978 which amended Article 22 of the Constitution to provide that (a) the advisory board must be constituted in accordance with the recommendations of the chief justice of the high court concerned; (b) its chairman must be a serving judge of the high court; and (c) the other members must be either serving or retired judges of any high court. Ten years have elapsed since the amendment act came into force but the government has set the legislative will at naught by not bringing this solitary provision into force. The Supreme Court had ample of opportunity to set this wrong right. It has altogether failed to do so. Now any lawyer, even a party hack, can be appointed chairman or member of the advisory board.

Be it noted that the principles apply to all persons under any form of detention or imprisonment; they apply to all countries; at *all* times, normal or a state of emergency; they are not merely advisory but provide practical safeguards against abuse of power and envisage concrete state action to implement them. Principle 7 is clear: "States should prohibit by law any act contrary to the rights and duties contained in these principles, make any such act subject to appropriate sanctions and conduct impartial investigations upon complaints". This is a solemn international obligation accepted unanimously by all the members of the UN, India included. We look forward eagerly to any signs of its fulfilment.

Principle 11 says that a detained person must be granted prompt hearing before "a judicial or other authority". It adds "a detained person *shall* have the right to defend himself or to be assisted by counsel as prescribed by law". The law can only prescribe the manner of exercise of the right. It cannot deny the right itself. Our Supreme Court has not been too enthusiastic in recognising this right, to put it mildly.

Principle 17 is equally explicit—"a detained person shall be entitled to have the assistance of a legal counsel." The National Security Act contains no such provision. Neither does Article 22 of the Constitution.

Principle 20—which, to repeat, India has accepted along with the rest—reads thus: "If a detained or imprisoned person so requests, he shall if possible be kept in a place of detention or imprisonment reasonably near his usual place of residence."

Principle 35 says that violations of "the rights contained in these principles shall be compensated according to the applicable rules on liability provided by domestic law." The law cannot deny the right. It can only prescribe the pertinent "rules on liability".

If the government of India does not observe these principles in practice or refuses to secure the necessary enactment the conclusion will be irresistible—it was guilty of sheer hypocrisy and moral cowardice when on December 9, 1988 it accepted these principles before the world body.

Sudarshan Chemicals Industries

SUDARSHAN CHEMICALS INDUSTRIES, Pune, has shown good working results for a year ended June 30, 1989 and the directors have recommended a higher dividend @ 25 per cent as against 20 per cent in the previous year. Sales and other income have increased to Rs 652 million during the year against Rs 492 million in the previous year and the company has earned a gross profit of Rs 65 million against Rs 44 million. Profit before tax is Rs 32 million (Rs 21 million) after providing depreciation of Rs 34 million (Rs 25 million). The proposed dividend will absorb Rs 7 million (Rs 5 million). The company has entered into a collaboration with Dianippon Ink and Chemicals of Japan. The government of India has approved the collaboration with equity participation at a premium.

THE DHARAMSI MORARJI CHEMICAL COMPANY LTD.

Registered Office: Prospect Chambers, 317/21, Dr. Dadabhoy Naoroji Road, Fort, Bombay 400 001.

Shri R. M. Goculdas

Speech delivered by the Chairman, Shri R. M. Goculdas, at the Sixty-ninth Annual General Meeting of the Shareholders held on 25th September 1989.

Ladies and Gentlemen,

I welcome you to the 69th Annual General Meeting of the Company. Since you have already received the Annual Report with the Audited Accounts and the Directors' Report for the year ended March 31, 1989, covering a period of fifteen months, I may be permitted to take them as read.

Economic Scene:

When we met last year, the country had witnessed for three successive years, unprecedented drought. The economy was passing through the most difficult time. Owing to the bountiful monsoon in the year 1988-89, the economy staged a dramatic recovery, reflecting its basic resilience and vigour. Agricultural production touched a new record estimated at over 170 million metric tonnes. Recovery of agriculture provided tonic for the industry. The growth rate of industrial production is estimated to have jumped by almost 10%. For this remarkable performance the Government deserves to be complimented for continuing its well conceived policy of liberalisation of industrial licensing, relaxation of controls on price, distribution and trade, and judicious use of fiscal and credit policy. The Government's steps to promote both growth and efficiency by stimulating competition, technology acquisition and modernisation paid rich dividends.

With the prospect of good monsoon this year, there is a spirit of optimism reflected in the excellent corporate performance and buoyant conditions in the capital market. The impressive all-round performance of the economy is certainly heartening. It augurs well for the country when it is on the threshold of launching the Eighth Five-Year Plan.

Period under Review:

The performance of the Company during the fifteen-month period has shown considerable improvement over the previous year, and on an annualised basis, the growth in sales is 27%, and in gross profits it is 45%.

As a result of the satisfactory monsoon, there has been an increasing demand for fertilisers. The performance could have been better but for problems in the receipt of raw materials at Bombay Port during the monsoon period as a result of congestion which not only affected the regular inflow of rockphosphate and sulphur to our plants, but also resulted in payment of heavy demurrage and lighterage charges which are not reimbursed in the retention price to the manufacturers. As a result of government's concern about mounting financial burden of fertiliser subsidy, many of the factors referred to in my last year's address continued to affect the profitability of single superphosphate (SSP). However, the plentiful monsoon this year in most parts of the country, coupled with limited availability of DAP, has resulted in a strong demand for Phosphatic fertilisers in general and SSP in particular. As you are already aware, your Company is the largest manufacturer of SSP in the country.

Sale of Chemicals:

The figures of turnover for the first five months of this year indicate an increase of about Rs. 300 lakhs over the corresponding period for the previous year. The whole of the increase is due to higher sales of chemicals. I referred to in my speech last year that we were targetting to enhance the production of chemicals sales from 40% to 60% of the total turnover. This is, therefore, the first step in that direction. The higher sales of chemicals have been achieved by debottlenecking your Company's 620 MT per

day capacity Sulphuric Acid plant at Ambarnath, which has resulted in an increase of 10% in production and also the production of Chlorosulphonic acid at Kumhari.

Our further efforts in this direction will be to start the production of Benzene Sulphonyl Chloride and Thiophenol at Roha, for which all the necessary licences have been received. These two chemicals, besides having local as well as export market, are used in the manufacture of a fungicide, Ediphenphos, which prevents attack of blast on paddy. Since we have received the necessary registration for Ediphenphos we shall take up its manufacture during the next year.

Roha Floods:
Some parts of the Company's factory at Roha were flooded due to very heavy rains on July 23 and 24, 1989. For the first time since the construction of the Company's factory at Roha 12 years ago, the flood waters entered the factory and washed away some of the stocks of raw materials and finished goods and caused damage to one of the plants. However, efforts put in by our engineers on an emergency basis enabled us to re-start the plant in 10 days.

Future Expansion:
As you already know, the Company had an industrial licence for putting up a Sulphuric acid and single Superphosphate plant at Amreli, which is a notified backward area in the Saurashtra region of Gujarat State. Since this will be the first major industry of its kind in the district, it has qualified for pioneer status, thus becoming eligible for tax benefits and subsidy applicable to backward areas. I am glad to inform you that this licence is now being implemented, and the single Superphosphate plant will be in operation next month. As regards the Sulphuric acid plant, this should be ready by the end of March 1990. We also intend putting up a Chlorosulphonic acid plant at Amreli for which an application has been submitted to the Government. The total cost of the project will be about Rs. 9 crores and is being financed by a loan of Rs. 5.90 crores from financial institution and our bankers, and the balance from our own resources. This project will increase Company's annual sales by 15% and add considerably to our profits.

As you will notice from the Directors' Report, the production of Chlorosulphonic acid at Kumhari has stabilised. At the moment, the Chlorosulphonic acid produced is being supplied to the existing customers in Western India. Since the plant at Amreli will also be producing Chlorosulphonic acid for the Gujarat market, I consider it desirable to utilise a part of our production at Kumhari for the captive consumption in the manufacture of value-added down stream products. A project for the production of Acetyl Sulphanilyl Chloride, an important intermediate for sulpha drugs, utilising the process developed by our Company's R & D Division, is under implementation and I expect the plant to go into production by the middle of next year.

I am glad to inform you that only last week, we have been issued a Letter of Intent for putting up a plant for the production of 1,00,000 tons per year of Sulphuric acid at Roha, alongwith oleums and Sulphur Trioxide. A major part of the production at this location will be utilised in our various plants at Roha, and the balance will be sold in nearby markets. According to a recent notification of Government of Maharashtra, the manufacturing units located in the industrial area at Roha have again become eligible under the package scheme for tax incentives and subsidy. Our new plant will be eligible for the same.

Exports:
During my recent visit to Europe, I have finalised arrangements for the export of Sulfamic acid to England, Germany and Switzerland. Our present efforts are going to be for the export of about 3,000 tons and this will result in foreign exchange earnings of about $ 2 million per year. Our existing plant which is meeting the local requirements, is now being expanded to meet export requirements, and will be in operation by the end of this year.

Pollution Control:
With the installation of highly efficient scrubbers on the SSP plant at Ambernath, the emission levels of Fluorides from the stack were brought down to well below the MINAS standards stipulated by the Pollution Control Board. In the current year it is intended to reduce Sulphur Dioxide in the stack gases of the Sulphuric acid plant. The SO_2 concentration is already within the limits stipulated. However, in order to further reduce the emission level, your Company obtained technology for Alkali Scrubbing of SO_2 from Nissan Engineering Co. Ltd. of Japan, under the Technical Development Fund Scheme. The alkali scrubbing unit is being commissioned this month. This will be the first plant in India to employ such technology and control SO_2 emission to such stringent levels.

Current Year:
As you have already noticed, 1988-89 has been a good year. I can assure you that with the addition of the value-added chemicals which we will be producing, I feel this year to fare even better. Finally, I thank my colleagues on the Board for their valuable guidance and all the employees for their co-operation and hard work throughout the year, which has contributed to the growth of the Company.

Thank you.

NOTE: This does not purport to be a report of the proceedings of the Annual General Meeting.

ASSAM

Centre's Game in Bodoland Agitation

Evidence now available from different sources shows the extent to which institutions charged with maintaining peace and order have been deliberately suborned by the central government to further its machinations against non-Congress(I) state governments

IF there is even a modicum of truth in the various allegations made by spokespersons on behalf of the government of Assam, from the chief minister downwards, about the dubious role of some central intelligence agencies in the ongoing 'Bodoland' agitation by the All Bodo Students Union headed by Upendranath Brahma (ABSU-UB), the whole situation calls for the sharpest condemnation. For what chief minister Mahanta and others in his government have been saying is simply this: that the government of India itself has not merely encouraged the 'Bodoland' agitation, but assisted the agitation actively by providing *matériel* and expertise of the kind generally provided to the sappers and miners of the Indian army to the ABSU-UB agitationists. In other words, the actual responsibility for the continued killings, bomb blastings, and other acts of sabotage going on in Assam has to be laid at the door of the government of India itself.

These are grave charges. Chief minister Mahanta had detailed these in a letter to Rajiv Gandhi, drawing the prime minister's attention to a document issued by an organisation called Forum for Restoration of Civil Liberties in RAW which, among other things, alleges that RAW has specially earmarked Rs 3 crore from its secret funds for an operation code-named 'Zoom-Zoom' connected with the 'Bodoland' agitation. The document names names and gives dates of other activities of RAW operatives in connection with the ABSU-UB agitation. Till today, the prime minister has not responded to the letter of the Assam chief minister; like the stance adopted by another shady character who has been in the news in connection with the alleged illegal foreign accounts maintained by V P Singh, these allegations have been 'neither confirmed nor denied' by the prime minister.

It is likely that these charges levelled by some employees of RAW are of a self-serving variety for it is difficult to believe that persons who have loyally served the organisation all these years and also possibly have been the instruments of its black deeds have overnight become virtuous votaries of democratic practice. But other details provided by the state government itself about the possible involvement of the clandestine agencies of the union government have not been refuted either. Of this, the most serious case cited by the state government is the blasting of the RCC bridge over Gauranga river in Kokrajhar district on August 12 this year. This bridge, like many other similar strategic bridges in the north-east, apparently had an in-built demolition box; and the demolition charge was supposed to be set off in the event of the territory being overrun by the Chinese or other foreign forces. The fact that the bridge had an in-built demolition box, its precise location and the technique of triggering off the charge was supposed to be known only to the personnel of the Special Services Bureau (SSB) and the Special Frontier Force (SFF), two of the presumably many fighting arms of RAW in the north-east. Even the explosive charge, IOC Superdyne, is not something one can pick up in the market, being an explosive whose manufacture and distribution is strictly controlled by the government of India. And yet, the bridge was blasted allegedly by 'ABSU-UB militants'.

Perhaps, like the disgruntled RAW employees, these revelations by the Special Branch of the state police too are self-serving. This is not the first time that the Special Branch of a state police force has spilled the beans on the dirty doings of a central outfit. But there has been yet another charge of involvement of a central agency in the ABSU-UB agitation, this time by no less a person than the state's chief secretary. The ongoing controversy between the Central Reserve Police Force and the state government about what precisely happened on August 10 at the Gohpur reserve forest is yet to be resolved. The chief secretary of Assam has suggested that if more than the twenty-odd persons officially admitted by the government of Assam to have been killed in the clashes in the Gohpur area in the second week of August died in those incidents, then they were probably killed by the CRPF itself which was engaged in a little-noticed encounter in that area on August 10. This extremely serious allegation which in effect accuses the CRPF of suppressing evidence of its own culpability and foisting the responsibility for the alleged killing of nearly a hundred persons in that area on the government of Assam has of course been rebutted by the CRPF. But since both the allegations and the rebuttal are issued by institutions swearing by the national motto of *Satyameva Jayete*, truth itself has become a mere verbal commodity in these exchanges. The further accusation by the state government that the CRPF, whose forces in the region are presently commanded by an IPS official who also happens to be a Bodo, is now openly siding with the ABSU-UB militants shows the extent to which institutions which till recently were (perhaps rather innocently) held to be relatively free from the kind of pressures and prejudices those operating directly under state governments were supposed to be subjected to, have themselves been totally suborned by the union government itself.

The first time (allegations of RAW involvement) may be chance and happenstance; the second time (the blasting of the Gauranga bridge) may be coincidence; but third time (allegations of CRPF involvement) cannot be explained away as once more chance or coincidence. Further, these suborning of institutions in the north-east also fits in with the similar phenomenon being noticed elsewhere in the country. For long, in any disputed action of the government, or in the case of any unsolved crime, the prescription used to be: hold a judicial inquiry; or hand it over to the CBI. The developments in the last few years, rather more blatantly during the prime ministership of Rajiv Gandhi, have shown what knocks these once innocently-presumed stainless reputations have taken. If the government of Assam now levels accusations against institutions which were set up with the professed objective of protecting the state and its people against external agression and subversion (RAW and its agencies) and internal strife (paramilitary forces like the CRPF), it is only waking up to the largest Indian reality. As always, there is no escaping joining the mainstream.

Right Judgment, Wrong Time

Radha Iyer

While it will go some way to lift the flagging morale of trade unions in Bombay, the recent judgment of the Bombay High Court on dearness allowance is both anachronistic and ironic.

THE judgment of a division bench of the Bombay High Court in the matter of ceiling on dearness allowance has to a small extent helped to lift the flagging morale of trade unions in Bombay. In the recent years, due to changes in the industrial policies relating to geographical relocation, automation, import policies and extensive sub-contracting, industrial workers in Bombay have been facing closures of units, stagnation in employment levels, reduction in workforce, and a general sense of insecurity. Often terms and conditions of service which had been won after years of struggle in the days when their companies looked to the Bombay units as the principal source of profits are now sought to be rewritten. In this context, the judgment of the division bench is anachronistic as well as ironic.

The judgment which was passed in an appeal filed by the monthly-rated staff of Hindustan Lever against the company raised a fundamental question regarding the principle relating to wage fixation, namely, whether there could be a ceiling on the dearness allowance paid to employees. The judgment has reiterated the basic principles on which the concept of dearness allowance was founded—principles which had been followed, but over the years had got rather blurred. The judgment lays down or rather reiterates four basic principles relating to dearness allowance. Firstly, DA neutralises the rise in the cost of living in relation to the basic wages paid in the base year, i e, the year the basic wages were fixed. Any rise in the DA must therefore be linked not only to the rise in the consumer price index but also the basic wages. Only then the erosion in real wages could to some extent be stemmed. Secondly, since prices could not be controlled, there was no justification for any ceiling on dearness allowance. Thirdly, the argument that rise in wages lead to inflation and therefore the workers must sacrifice in the larger interests of society by reduction in their dearness allowance was not based on any scientific data and courts at least could not accept such propositions. Further, since there was nothing to show that all sections of society were being called upon to make such sacrifices in the larger social interest, there was no justification for asking workers to do so. Fourthly, existing benefits could not be taken away from workers in the absence of compelling reasons.

The judgment is anachronistic in a sense because of its timing and the general trade union situation existing today. The issue of a ceiling on dearness allowance had been the most crucial issue facing trade unions in the organised sectors of industry throughout the seventies. Since the early seventies the demand for a ceiling on dearness allowance began to catch on. It was granted in most cases by courts and often accepted by trade unions with a view to getting short-term benefits. In this context, the principle of ceiling dearness allowance was questioned in the Supreme Court by the employees of Killick Nixon. In that case the Supreme Court had laid down a number of considerations which should be followed when deciding the issue. It identified fourteen points for consideration including points such as capacity of the company to pay, whether it disturbs the parity *inter se* employees and *inter se* employees and managerial staff, whether existing patterns over-neutralised employees in the matter of dearness allowance, etc. At the end of it the Supreme Court approved of the ceiling on dearness allowance, with the qualification that it was in relation to the facts of that case. Even so the Killick Nixon case, decided in 1975, served as a great morale-booster for employers. Everywhere the employers began to insist on ceiling on dearness allowance with greater confidence. On a rough estimate at least 50 per cent of the larger companies in the organised sector introduced ceiling on dearness allowance in some form or the other. (A rough working definition of a large company could be companies covered by MRTP Act.) Besides, the banking industry introduced it for the entire industry. This runaway tide was stemmed to some extent by the judgment of the Supreme Court in the Indian Hume Pipe case decided in early 1986. There the Supreme Court held that if systems of dearness allowance had been existing continuously for years and there were no compelling circumstance there could be no ceiling on dearness allowance. While reiterating the principles of the Killick Nixon case, as a matter of fact in the Indian Hume Pipe case the court refused to seal dearness allowance. The Bombay High Court's judgment goes further, since it reiterates the very concept of dearness allowance and the fundamental principles on which the concept is founded. Thus it puts back dearness allowance to its proper place. Unfortunately the decision has come at a time when the question of ceiling on dearness allowance no longer dominates the trade union scene. Had the same principles been laid down in the Killick Nixon case in 1975, the entire pattern of wages in larger companies might have undergone drastic changes and they would have been founded on consistent principles. For, even though the ceiling on dearness allowance came to be fixed, the demands for wage increases continued. Often these were granted in the form of *ad hoc* allowances like house rent, education allowance, travelling allowance and the like. These allowances become the principal mode of securing wage increases and had no nexus with the ostensible purpose for which they were granted. These trends totally distorted the wage structure and introduced irrationalities.

Both for the employees of Hindustan Lever and the employees of the organised sector in Bombay the timing of the judgment is ironic. In Hindustan Lever itself, the demand for a ceiling on dearness allowance had been referred for adjudication in 1969 for the first time. At that time the question of ceiling on dearness allowance was a crucial issue. Today the issue is of job losses and shifting of production from the Bombay factory to other locations. The employees are anxious about the decline in the position of the Bombay factory in the overall structure of the company and, therefore, a decline in their relative bargaining strength. This is the case in most of the larger companies. Since the workers in the larger companies in the organised sector in Bombay are preoccupied with protection of jobs, the judgment could hardly have an unsettling effect on the industries as apprehended by many employers in their public comments on the judgment.

Having said this, it may be useful to examine what factors brought about this change in the perception of the question of ceiling on dearness allowance on the part of the courts. The case for ceiling on DA was pegged on the argument that the organised sectors of industry were becoming islands of high wages. Employers' organisations prepared well documented studies to show the judges of lower courts, civil servants, teachers and professors, scientists and other sections of society were paid less than workers in organised industry. The Fourth Pay Commission to a large measure rectified such anomolies. The Pay Commission for the first time accepted the principle that for the lowest paid employees, a 100 per cent neutralisation in the rise in the cost of living index was justified. It fixed such a level of incomes as being up to Rs 3,500 per month. By implication, the subsistence wage justifying a 100 per cent neutralisation in the cost of living could be up to Rs 3,500. With the increase in the salaries of civil

servants and other sections of salaried employees the theory of high wage islands lost its rationale. The impact of the Fourth Pay Commission is thus unmistakable.

In conclusion it must also be said that when the issue dominated industrial relations the trade unions in a premier industrial city like Bombay could not come together to fight unitedly. Even though the issue was all pervasive each union tackled it at the level of its own plant or company, and by and large relied upon the courts to pronounce upon an issue so basic to them. The judicial machinery being what it is it has taken 20 years to decide the issue in Hindustan Lever. In case the company chooses to appeal against the judgment, the dispute could continue. It is possible that on the issues that dominate industrial relations in the city today, such as job losses, restructuring and transfer of production to other regions, the courts may pronounce on the rights of workers twenty years hence. Until then will the unions continue to remain concerned only with their own units or companies? Will they see only the trees and refuse to look at the wood?

TAMIL NADU

Health Priorities

J W Thomas

Madras city is already endowed with many medical centres of excellence and is situated on the northern-most tip of the state. So locating the new MGR Medical University in a district centre like Tiruchi or Madurai, instead of in or around Madras, will give a fillip to the development of well-equipped medicare and training institutes in the districts where the need is greater for such facilities.

THE president R Venkataraman inaugurated the MGR Medical University in Madras on August 31 as an apex institution with colleges and institutes of medical education, training and research affiliated with it. It is to be renamed MGR University of Health Sciences shortly.

In his inaugural address the president emphasised the need to close the great divide between rural and urban medicare, preventive and curative care, the need for a larger number of generalists in India and the need to provide simple and inexpensive medicare to the rural poor. He said, "while there is need to consolidate, more than expand, the facilities for educating and training doctors, there is a glaring need for expansion of training of para-medical personnel and technicians". For instance, while India produces 14,000 doctors a year and only about 9,000 nurses are trained, the actual need for nurses is over three times the number of doctors. The state governor P C Alexander said that a mere increase in the number of doctors would not solve our health problems and that the Chinese and Vietnamese system of having a "chain of health assistants" to serve as a link between the people and the limited number of doctors would be more appropriate for India. Chief minister M Karunanidhi assured implementation of the recommendations of the Ramamoorthi Committee Report on medical education and health care submitted to the government recently. Among other proposals, the committee has recommended upgrading of social and preventive medicine, PG courses in community medicine and general practice, BSc course in health education and more BSc courses for nurses, setting up of an Institute of Para-medical Courses, increasing pharmacy seats and upgrading dental departments in medical colleges, augmenting the number of ophthalmologists and ENT doctors, improving facilities in taluk and district hospitals, continuing medical education for medical officers in district hospitals, etc. In short, the president, the governor and the chief minister have implied that reaching the goal of 'Health-for-All' by 2000 AD has to be the paramount consideration.

The new university has drawn up an ambitious plan to set up 12 research institutes at a cost of Rs 400 crore during the Eighth Plan period. For the establishment of these research institutes and administrative complex, the university has identified about 450 acres of land in and around Madras and has approached the government for allotment.

At present, almost all the medical centres of excellence are located in metropolitan Madras. Apart from four medical colleges and teaching hospitals, the recently set up Tamil Nadu Medical Science and Research Institute, 'Tamarai', with a 1000-bed hospital is located in suburban Madras. Tamarai medical college is to progressively reduce the intake of undergraduates so as to make it a post-graduate centre for education. The Madras Medical College has already been upgraded as a PG Institute of Education and Research. Many speciality and super-speciality directorates and institutes, with the most modern and sophisticated equipment, are situted in Madras. The PG Institute of Basic Medical Sciences is also located in Madras. Thus, the lion's share of the health department's annual expenditure goes to buildings, equipment of medical institutions and hospitals in and around Madras. The Anna University Complex in Madras has developed a PG programme of biomedical engineering to train engieering graduates in maintenance of sophisticated and modern equipment in hospitals and provide technological support to doctors. Locating the new health university with its Rs 400 crore investment programme in Madras will further add to the concentration of modern medical facilities in the Madras urban complex.

In this context, the state government and the new university need to prioritise the various proposals and draw up a time-bound programme. Taking into consideration the present realities and the severe resource constraints, the health priorities for the next five years should be as follows: democratise access to health care by reducing the wide gap between metropolitan Madras and the rest of the state, between rural and urban care, preventive and curative care, generalists and specialists, para-medics and doctors; improve facilities in para-medical training institutes and medical colleges located in the districts; create additional para-medical training facilities in the districts to overcome shortages of nurses, dentists, pharmacists, physiotherapists, health educators, technicians; establish the requisite number of PHCs and sub-centres in an accelerated manner; consider the governor's suggestion on the need for trained 'health assistants' in the rural health care infrastructure; expedite construction of the Salem Medical College, foundation for which was laid a year ago; improve facilities in the teaching hospitals located in the districts and bring them on par with those in Madras, as the common people have now to traval long distances to Madras for treatment of major ailments and speciality care; rapidly improve the facilities in the taluk, non-taluk and district hospitals.

The MGR Health University has a vital role to play in reducing gaps and imbalances, dispersing medical education and research facilities and medical talent, taking health care nearer to the vast majority of the people, encouraging research in area-specific diseases, and achieving the goal of 'Health-for-All' by 2000. Madras is already endowed with many medical centres of excellence and is situated in the northern most tip of the state. So locating the new university in a district centre like Tiruchi or Madurai will give a fillip to the development of well equipped medicare and training institutions in the districts where the need is greater for such facilities. It may be mentioned that in Andhra Pradesh, the newly established AP University of Health Sciences is located in Vijayawada, not in the state capital.

Rallying against Planned Disaster

Denis Rodrigues

It is becoming increasingly clear that the Sardar Sarovar Project is not just an isolated example of bad planning and bungling but only one instance of an intrinsically flawed process.

ON September 28, an estimated one lakh people are expected to gather at Harsud, a small town near Khandwa (MP), to pledge their opposition to the current development ethos in the country, which has proved itself to be neither socially beneficial nor environmentally sustainable and which raises serious unanswered questions about the long-term economic viability of such projects.

Harsud is in the submergence zone of the Narmada (Indira) Sagar Project, which very recently has been given clearance by the Planning Commission when even the World Bank is having second thoughts about the project. Harsud was chosen as the site of the rally as a symbol of the mindless and unconscionable loss destruction that is being wrought in the country, in the name of development. The rally has been co-sponsored by more than 150 organisations from all over the country, covering the entire spectrum of social activism and politics. It is supported by activists, scientists, academicians and ordinary folk, all sharing a common concern about the direction taken by our planning policy and the methodology implicit in the development process.

The rally has emerged, or rather evolved out of the opposition to the Narmada Valley Development Project, and more specifically the Sardar Sarovar Project (SSP). It began initially as a struggle for a proper implementation of rehabilitation measures as laid down in the theoretically excellent formulations of the Narmada Waters Dispute Tribunal and the World Bank Agreement with the Gujarat government. Later, however, this changed to a stand of opposition to the dam itself, when it became apparent that while rehabilitation programme was unexceptionable on paper, it was unimplementable in practice. Preliminary studies of the economic, environmental, seismological and health effects of the project, only confirmed this stand. As it broadened its scope the movement itself became more eclectic, until today, the Narmada Bachao Andolan is an interdisciplinary coalition that challenges the very bases of the planning policy in the country. This final stage was a logical development. As contacts with other involved groups grew, it became increasingly clear that the SSP was not just an isolated example of bad planning and bureaucratic bungling but only one instance of an intrinsically flawed process that has promised much but delivered little. Yet through some kind of ideological inertia, the same kind of projects are being planned and executed despite all evidence, national and international, that they are no longer justifiable economically, socially, or environmentally.

One by-product of the agitation has been the exposure of the sinister role of the World Bank, as a partner in what has been called the 'biggest planned ecological disaster of the century'. The World Bank has played a key role in promoting such types of development plans for third world countries, for which it has come under increasing fire from sociologists and economists. In an attempt to refurbish its social and ecological image, it has formulated some fine sounding policies for resettlement of involuntarily displaced persons and the welfare of tribals—the celebrated OMS 2.33 and OMS 2.34. These lay down detailed and timebound conditions to be met in all World Bank funded projects. And it has constantly projected itself to be the only multilateral development agency with such an enlightened policy. In the Sardar Sarovar Project however, this self-acclamation came back to haunt the bank. Field organisations in India along with international environmental agencies flooded the bank with irrefutable evidence of the non-fulfilment of its self-imposed conditions. Its own investigative missions had no choice but to confirm these findings. But when it came to the crunch, the World Bank succumbed to political pressure and financial exigencies and extended credit even after its own consultant had recommended suspension.

The World Bank's volte-face despite acute embarrassment, is perhaps indicative of the enormous clout of the development lobby. At the same time there is a ground swell of discontent and opposition against the dominant development model. Harsud is an attempt to coalesce and concentrate all strata of this nationwide struggle. Peoples' movements from all over the country, including traditional fishermen fighting for a mode of operation that is economically and environmentally sustainable, as well as slum-dwellers struggling for their rights to decent housing, will rally together and pledge to overcome not only the pernicious practices that go with this development model, but also the underlying philosophy and ideology, that postulates economic growth as the sole developmental parameter, ignoring both social equity and ecological stability, or at most paying them lip-service.

growth in agricultural output was appropriately matched by the industrial and service sectors and the country witnessed a rare year of near double digit growth.

During this period the Company has maintained satisfactory growth, and pursued its business consistent with national priorities. In the seventy-one years of its existence, the Company has played a pioneering role in the development of the food processing industry in the country. The products of the Company have become benchmarks for determining and fixing quality standards for the industry.

FOOD PROCESSING INDUSTRY

In June 1988, the Government of India constituted a separate Ministry for Food Processing Industries and there could not have been a better time to initiate such a positive move. A greater flow of investment in food processing industries can yield very rewarding results in creating more opportunities for adding value to the country's primary produce and your Company welcomes this initiative of the Government.

Here, I would like to re-emphasise that along with creating new capacities and investments, there is a need to ensure that the existing companies in the business also grow and remain profitable. The business environment has to be conducive to the systematic growth of ongoing investments.

There are two areas of Government policy towards the food processing industry that have had a direct adverse effect on the Company's operations.

The ongoing policy of retaining a price control on bread in Delhi has done a great deal of harm to the development of the bread industry in the capital. I feel unhappy to raise this point this year as well but the bread situation in Delhi is progressively deteriorating and needs to be salvaged without any further delay. <u>As in all parts of the country, the price control on bread in Delhi should be withdrawn.</u>

Again, the Government must review its policy banning the import of oilseeds. The Technology Mission on Oilseeds has been a good success with the total oilseed crop reaching a record of 15.5 million tonnes in the last year. Inspite of this impressive performance, we are still short of our requirement of edible oils. The Government has bridged this gap by resorting to import of oils with a massive outflow of foreign exchange. Instead, if the Government permits the import of oilseeds by the industry, the industry would be able to fully utilise its installed capacity, much of which is presently lying idle, meet the local demand for edible oils and more than make up the outflow of foreign exchange by exporting the extractions.

IDENTIFICATION WITH SOCIAL RESPONSIBILITIES

The Company has always believed that the role of a corporate entity is not just to generate a return on investment but to be an active participant in the task of nation building. Our major thrust in exports and diversification into high priority areas arises from this sense of national commitment. This sense of direction in the Company also manifests itself in the support extended to a large number of socially oriented welfare projects. The Britannia Amritraj Tennis Academy of the Company has already become a national centre for excellence in that sport. The Company has also provided generous support to various projects for the promotion of art, culture, music and ecology all over the country.

THE FUTURE

The Company has had a glorious past and is working strongly towards a momentous future. The plans and projects under way will help to consolidate the Company's pre-eminent position as a market leader in superior quality consumer food products. Apart from the world of foods, the Company is also examining investment opportunities in other areas. The emphasis is on utilising the benefit of business synergies, the strengths of a strong infrastructure and seven decades of useful experience. "Britannia Gardens", the new Corporate Office in Bangalore, is now functional and provides a stimulating milieu for creative work.

THE TEAM

In February, 1989, Mr. E.J. Grinsted resigned as Managing Director of your Company to take up a senior overseas appointment with Nabisco. I should like to convey our deep appreciation of the contributions made by him during his tenure. We are fortunate that we will continue to have the benefit of his experience as he will remain a member of the Board. His successor, Mr. S.K. Alagh, has had a long association with your Company in various positions of responsibility. I have no doubt that he will further invigorate the growth and development of the Company. I have great pleasure in welcoming Sawai Bhawani Singh of Jaipur, MVC, who was invited to join the Board of Directors in October, 1988. He is a distinguished member of our community and brings with him a wealth of experience.

Since the last Annual General Meeting, Mr. N. Balasubramanian, Mr. V.K. Singh and Mr. Y.M. Khirwadkar resigned from the Board. I wish to record our gratitude for the active role played by them in the growth of the Company during the period of their association.

On behalf of myself, my colleagues on the Board and all of you, I thank our dedicated team of employees at all levels whose unstinted efforts and sincerity have made the success of your Company possible.

And to you, Ladies and Gentlemen, my thanks once again for your gracious presence this morning.

NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting.

LINTAS BIN P 490 2417

Nagarjuna Fertilizers and Chemicals Limited

RACING AHEAD WITH IMPLEMENTATION

(Speech delivered by Shri Mantosh Sondhi, Chairman, at the 13th Annual General Meeting of the Company held at Hyderabad, on 13th September, 1989)

Ladies and Gentlemen,

I have pleasure in welcoming you to the 13th Annual General Meeting of the Company.

The annual general meeting is always an appropriate occasion to take a brief look at the state of our economy with particular reference to the situation of the fertilizer industry in that setting. Such a survey assumes additional significance in the context of the fact that the country is now at the threshold of the Eighth Five Year Plan.

Economic Scene

It may be recalled that even during one of the worst droughts of the century in 1987-1988, the fall in agricultural production was only about 2%. This was essentially due to the higher resilience that our agriculture has developed through the application of improved technologies to farm production.

Emerging from such a catastrophic situation the country registered a growth of 9% in GDP last year which is no mean achievement indicative of the basic strengths in our economic system. Aided by good monsoons, both agricultural and industrial production achieved high growth rates.

For a country that produced about 120 million MT of food grains only a few years ago, it is indeed a creditable achievement to have reached a production level of 170 million MT during 1988-89. We must, however, guard ourselves against any sense of complacency and proceed with unsparing efforts towards a target of 250 million MT by the turn of the century to feed our growing population. As it was once said, so pithily, we have to keep running even to be able to stay where we are.

Reports have recently appeared in the press that the draft approach paper for the Eighth Five Year Plan envisages a growth rate of 6% p.a. Well targeted efforts carried out with missionary zeal can put this goal within our reach. In a developing economy the sustenance for growth can be derived only from better management and efficiency at the macro and micro levels. At the micro level, the industry – be it the public or the private sector, because these really constitute the national sector – cannot escape responsibility for maintaining a continuously rising level of productivity to fuel further growth specially in a developing economy where incomes are hardly above the subsistence level. At the macro level, the Government must provide the necessary policy and procedural support congenial for implementation and timely completion of new projects and for industrial production to continuously expand and diversify.

Fertilizer Industry

Against this background, I am glad to say that the record of the fertilizer industry in discharging its socio-economic responsibilities has been creditable as evident from the growth of production from a bare 3 million MT of nutrients in 1979-80 to 9 million MT in 1988-89 which it has achieved not only through setting up new production units but also by raising the capacity utilisation from 67% for Nitrogen and 69% for P_2O_5 at the beginning of this decade to 85% and 87% respectively. The fertilizer industry has shown awareness of its strategic role in sustaining growth in agricultural production which is the very foundation of our economic progress.

> **Fertilizer being a critical input for self-sufficiency in food, the importance of our country attaining a high degree of self-reliance in the sector cannot be over-emphasised even if the demand-supply balance for fertilizer were to be easy in the international market.**

Self-reliance assumes criticality when we know that demand-supply balance in the next few years is difficult and is likely to cause difficulties in our ability to meet a short-fall of approximately 5 million MT of nitrogenous and phosphatic fertilizer materials by the mid-nineties unless the contemplated addition to capacity during the Eighth Five Year Plan actually fructifies.

Marketing Operations

I may now turn to your Company's performance and before dealing with the progress achieved in regard to implementation of the Project, I could mention briefly the success achieved on the marketing front.

> **The volume of urea sales during the year 1988-89 registered a 35% growth compared to the previous year. The turnover rose from Rs. 33.33 crores to Rs. 44.74 crores.**

Profit before taxation increased from Rs. 83.74 lakhs in the previous year to Rs. 95.05 lakhs in the year under review without taking into account any reimbursement from the Government for the cost of carrying the stocks imported prior to the introduction of the system of periodical compensation of inventory carrying costs. An ad hoc ex-gratia payment had been granted by the Government for 1987-88 in respect of these earlier imports, but the Company's representation for the year under review is still pending before the Government.

With the virtual discontinuance of imports and freezing of imported stocks, the market situation showed some improvement but the continued high availability of indigenous stocks kept the prices depressed. Your Company has, however, been able to maintain profitability at a reasonable level through close monitoring of operations and control of costs. With the improvement in market conditions, the Company is confident of registering higher profits in the current year and the results achieved so far justify this confidence.

> **NAGARJUNA urea which is already a favourite with the farmers in Andhra Pradesh has received good response from Orissa and Madhya Pradesh as well. The product has been distributed through 1,700 village retailers.**

NFCL

The widespread nature of the distribution network will be borne out by the fact that there has been a 40% increase in the activity of the Company's small distributors during the year 1988-89 as compared to the previous year.

Your Company has extended its activity in the handling and distribution of imported DAP which, being a phosphatic fertilizer, is a useful companion for urea. The introduction of "NAGARJUNA" DAP has been well received in the market. This should enable your Company to continue to handle imported DAP even after the Company commences commercial production of urea at Kakinada.

Project Implementation

I would now like to give you a bird's eyeview of the all-important business of project implementation.

At the EGM held recently in April 1989, the members had been apprised of the ambitious target the Management has set for itself for commencement of commercial production by mid-1991, which is 33 months from the 'zero date' against 39 to 42 months which is an accepted norm judging by the experience of well-executed projects of this dimension in the recent past.

Your Management has taken up this challenge in right earnest.

Detailed engineering work is progressing apace along with procurement and construction activities.

Orders for most of the plant and machinery and critical packages have been placed and commitments for an aggregate amount of Rs. 394 crores have already been made. Ordering of the remaining plant and machinery will be completed by the end of 1989. An amount of Rs. 156 crores has already been spent on the Project upto 31st August, 1989.

Contracts for most of the civil construction works have been awarded and construction work at the Project Site is in full swing.

Tenders for mechanical erection have also been floated.

Completion of infrastructural facilities like construction power and water distribution system was reported by me last time. Casting and driving of piles in the Plant area are nearing completion.

The State Government is also taking steps to have the pipeline from Samalkot to the Project Site laid expeditiously to complete arrangements for permanent water supply required for operational purposes.

Adequate steps have already been taken to implement the master plan, developed with the guidance of eminent experts, for the protection of the environment from air, ground and water pollution. Senior officials from the Department of Environment, Government of India, who have recently visited the Project Site have commended your Company's commitment towards the preservation of ecology.

Several of the buildings and structures in the Plant area have come up to the roof level.

Natural Gas

As you are aware, originally the planning of this Project was based on naphtha as the feed stock to be switched over to natural gas when it became available. It is really fortunate that your Company has now been assured of supply of natural gas from nearby Krishna-Godavari basin. The availability of natural gas right from the inception will ensure operational efficiency and troublefree production performance. The contract with ONGC for supply of natural gas is under finalisation.

Fertilizer Pricing Policy

Whilst I am glad to say that the Company has made substantial progress, I may refer to a development which causes me a great deal of concern. The retention pricing formula revised by the Government of India effective 1st April, 1988 will have a very serious adverse impact on the profitability of new fertilizer units. Your Company has already represented to the Government about the imperative need to modify the pricing formula taking into account the requirements of viability of new projects and your Directors are confident that the formula would be suitably modified in the very near future. This is a very basic issue for the survival of the fertilizer industry.

Public Issue

Your Directors are aware of the optimism prevailing in the capital market.

With good monsoons in two successive years and favoureble economic conditions, it is expected that the positive sentiment will continue to prevail and even improve further. Against this background and having regard to the factors specially relating to the fertiliser industry, your Company proposes to enter the capital market nearer April/ May, 1990.

Conclusion

In conclusion, I would like to say that I had the opportunity of visiting together with Shri KVK Raju, Managing Director and Shri Paul Pothen, Technical Advisor, the Project Site yesterday, the 12th September, 1989.

Having thus made an on-the-spot assessment of the latest position of the construction and related activities, my colleagues and I have returned with the confidence that the work on the Project is progressing well and that the Management is taking all steps necessary to achieve the challenging target of commencing commercial production by the middle of 1991.

We feel that with your continued support and understanding, the Company will succeed in this attempt and thus make up a part of the time which was lost earlier due to circumstances which were beyond its control.

Finally, may I say how appreciative I am of the hard and dedicated work being put in by employees at all levels for the speedy implementation of the Project. I would also like to record my sincere thanks to my colleagues on the Board for the cooperation and assistance I have received from them. It is my pleasant duty to thank the Government of India, the Government of Andhra Pradesh, the Financial Institutions, the Banks and Krishak Bharati Cooperative Limited and other promoter shareholders for their valued support and cooperation.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting

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Bastar: Development and Democracy

State violence in Bastar has in recent years increased to alarming proportions. The district with the lowest density of population in Madhya Pradesh has the highest density of armed police. The first part of a report by the Madhya Pradesh unit of the People's Union for Civil Liberties. The second part will be published in the following issue.

BACKGROUND

THE popular images of Bastar are rooted in the unique co-existence of a wide range of agrarian technologies that came to prevail from time to time in the history of the region and the country. For instance, in Abhujhmar, a natural division of irregular hills and valleys, people are still engaged in producing *kodo-kutki*. For most of the year they sustain themselves with food gathered in the forests. Just to the north of them lie pockets of Kanker and Narayanpur tahsils where the most modern farming techniques can be seen in operation. In these undulating plains, drained by the river Mahanadi, lies much of the two per cent irrigated area of the district. A part of it also falls under the Dandakaranya Development Authority (DDA). But to the north and east of these pockets you will find people engaged in settled agriculture without the use of ploughs. South of the river Indravati, in the interior of Bijapur, Konta and Dantewada tahsils, people cultivate just one crop in an area drained by two perennial rivers Sabari and Indravati. The community-maintained tanks, once the pride of the region, have gone into disrepair after the state took them over. Yet the tanks and ponds are the only sources of water for the fields (in the district as a whole about 3,500 tanks and ponds cover 82 per cent of the irrigated area). People use the plough here, but it is the wooden and not the iron plough (there are 2,610 wooden ploughs for every iron plough in use in the district).

But then there are not merely different technologies but also different social arrangements, different cultural systems and in fact different communities. To the outsiders the people belong to just one stock, called the scheduled tribes, who constitute 68 per cent of the district's population. But within them, there are a range of communities. In the north are Halbis, to the east are Bhattra and Dhurwa and in the south are Dorlas. All the rest are Gonds, who are the majority. The names given to them by the earlier generations of civil servants and anthropologists stuck to them. And the various Gond groups are now called Raj Gonds (*Koitur Gond*), living mostly in Jagdalpur, Konta and Dantewada tahsils; Bison-horn Marias (*Dandami Maria*) in Bijapur and other parts of the south: Hill Marias (*Mota Kitoo*), an identified primitive tribe in Abhujhmar and Murias in most parts of north Bastar.

If these adivasis have remained as they have it is because there are no options available to them. Each time a new system is imposed or a new technology is unleashed, it has closed the options for another set of people in another area. For instance, during the colonial period, people in Kutru and Bhopalpatnam zamindaries had to abandon their fields due to the zamindari oppression. After independence and zamindari abolition, they returned to find that their fields were now notified as forests, under the newly introduced Forest Act. Development projects in the present period have also restricted their access to the land and forests. In addition these projects have degraded and depleted the forest cover. The practices and customs of these people, which they were initially allowed to continue as 'privileges' and 'concessions' granted by the state, are now treated as 'crimes', to be punished. Having been left with no other option, they 'encroach' upon the forest, bringing it under cultivation with the help of their axes or go hunting in the lean season.

The technological and economic developments also have a cultural and political dimension on the basis of which the administration regulates their lives. Bastar is part of the larger Dandakaranya region. In the colonial period the region was under a range of administrations. Direct colonial rule existed in the central province (Chandrapur) and the agency areas of the Madras presidency (east Godavari and Koraput). Hyderabad, the largest Indian state, governed Adilabad, Karimnagar, Warangal and Khammam, while the Gajpat states of Orissa governed the rest (Kalahandi). Bastar itself was under Bastar (jagdalpur) and Kanker states. Historically, however, the movements of people were never governed by these divisions. In the region as a whole 72 identified dialects are now in vogue.

On to this was imposed the linguistic reorganisation of the states in the fifties, and the region was distributed between Madhya Pradesh, Andhra Pradesh, Orissa, and Maharashtra. But these linguistic divisions have no relevance here. In Bastar, for instance, according to the 1981 census, 60 per cent of the people do not speak any of these four languages: Hindi, Telugu, Marathi, or Oriya! Yet these serve as the basis to understand the current tensions. The most common refrain about the Naxalite movement is that it is alien, an offshoot of the 'Andhra' Naxalite movement. The counter insurgency operations rest on the premise that the Naxalites are a 'gang of dacoits who moved into Bastar from the border beyond', in the words of the district magistrate (DM). But to the adivasis of south Bastar, Kursum Rajakka, the 24 year old Naxalite woman who was killed in an encounter at Mukabelli on March 4 this year is just a fellow Dorla tribal woman, even though she hails from Vajhed mandal (Khammam) which is now part of Andhra Pradesh. Bala Ramanna, killed along with another person, Ramesh, in the forests between Badma and Durgaon, Kaiskal range, Narayanpur on June 7 this year, is a Halbi speaking tribal even though he was not from north Bastar where most of them live, but from Sandra, Konta on the southern border.

The post independence developments also have important implications for adivasi jurisprudence. The adivasis have their own legal system to which some of the offences, although listed in the penal code, were delegated from the colonial period. Presently, the adivasi panchayat has hardly any legal sanction, although local policemen take its help in investigation and prosecution. The distinctive feature of their system is that in it no offence is treated as private in character. All offences are adjudicated by the community and the guilty are identified by the panchayat. Although the Indian penal code came into effect in Bastar almost 70 years ago, its penetration is still incomplete. The adivasis are still attached to their own ethical and penal system.

But these days the activities of the adivasi panchayats get branded as Naxalite activities. For example, in March this year the Bhartiya Janata Party (BJP) tabled a call attention motion in the state assembly on a Naxalite attack in Geedam in which their local leader Tiwari was hit. Our investigation reveals a different story. An adivasi, Sonkuram, from village Marsegaon 10 km from Geedam, was involved in an argument with the wife of Harun Seth, a powerful trader and a local BJP leader, in the weekly Sunday market at Geedam. Seth's son came to the market and beat up Sonkuram. In adivasi tradition if any of them gets beaten up by a non-adiviasi, then the entire village has to be treated to a feast the cost of which is to be borne by the non-adivasi who beat him up. Sonkuram in accordance with the decision of his village panchayat, treated his entire village to the feast. Next sunday, at the weekly market, the adivasi leaders asked Seth to pay. He refused. Vijay Pratap Tiwari, president of the BJP, south Bastar and Joshi, SHO Geedam, intervened on his behalf. Tiwari was reported to have slapped Sonkuram. Enraged, the adivasis beat up both Tiwari and Joshi. The following Sunday hundreds of adivasis, armed with bows, arrows and axes, laid a siege of Geedam. The situation was diffused without

any untoward incident but without any redressal either. The adivasis remained sore about the whole affair. Three months after the incident, when we visited Geedam, a local journalist informed us that ever since this incident neither Tiwari nor Joshi can go into the villages for fear of reprisals. But Joshi was still in charge of the police station in whose jurisdiction he was forbidden to enter. It was this incident that was described by the BJP leader in the state assembly as a 'Naxalite attack', a version duly picked up by the Bhopal-Indore media. The gap between this perception and the actual incident needs no further comment. The gap is not merely a communication gap. Nor is it, in all cases, a wilful distortion. It is located in the very nature of the development process whose interface with the adivasi society has now become the arena of violent social tensions.

Development and Degradation

Bastar contains deciduous forests, consisting of sal, teak and mixed forests. The first attempt to bring its forests under direct state administration was in 1896. Later, in 1908, the Bastar forest manual came into effect. A year later the first commercial exploitation began with a lease given to Beckett and Co, for extraction of 25,000 railway sleepers from sal trees. The second world war increased the scale of operations. After independence when Bastar and Kanker states were merged with the Indian union, the old Forest Act (1927) and the new forest policy (1950) were brought into force in Bastar.

In the period 1956-81, a total of 1,25,483 hectares of forest was transfered to various development projects. Notable among them was the Dandakaranya displaced people's project where initially 7,330 Bengali refugees were allotted 60,000 hectares of forest land. They soon brought 40,000 hectares of this under cultivation. The other major poject was the National Mineral Development Corporation's iron ore mining project at Bailadila. Bastar has about ten per cent of the country's iron ore reserves. Located south of the river Indravati, in Dantewada tahsil, the mines started operating in 1968. They also led to the establishment of the district's first and only railway line from Vishakhapatnam, the port city on the east coast, to the mining township, Kirandul. Twenty-five years ago, when construction work started. Kirandul was one of the two villages from where about 40 Dandami Maria families were displaced. Today Kirandul has just about two per cent tribal population. Almost all of the output from these mines is exported to Japan and it is now India's largest foreign exchange earning unit. Currently the annual production is in the range of five million tonnes.

In addition to iron ore, the area contains a number of other reserves like limestone, dolomite, bauxite, manganese, and tin. Limestone mines, with an average annual production of 1.5 million tonnes, feed the two cement factories on the outskirts of Jagdalpur town. In the early eighties large-scale illegal tin mining was reported in Sukma and Dantewada region of south Bastar. Big traders and mining officials were reportedly involved in buying tin from the tribals, who smelted it and sold it in their weekly markets. Press reports and criticism led the government to initiate measures to stop this. In 1983, about 112 cases involving 141 people, mostly adivasis, were launched under the Mining and Minerals Regulation and Development Act.

In the early seventies an ambitious plan was drawn up to develop industrial forestry in Bastar. Jagdalpur, Barsur and parts of Bijapur tahsil areas, constituting 25 per cent of the district, were identified as the industrial catchment areas. It was in this framework that the famous World Bank financed pine plantation scheme came into existence. Known as the MP Forestry Technical Assistance Project, it led to the establishment of the MP State Forest Development Corporation (MPSFDC). In July 1975, 3,100 hectares of forest in Kurundi, near Jagdalpur, was cleared and replanted with pine. But stiff opposition from various quarters resulted in the termination of the project in 1981. Some of the planted pine was destroyed in a fire, suspected to have been set by some of the adivasis under the leadership of Baba Bihari Das. Much of the remaining pine was attacked by an epidemic of fungus in 1984-85. NMDC took over the office sites and quarters of the pine plantation project and prepared a plan for dolomite mining in a different forest area (about 2,450 hectares). But again it was dropped due to resistance. Independently a larger scheme of establshing a series of eight or nine hydel projects on Indravati was proposed. The total submergence area of the scheme is around 31,000 hectares and the total power generating capacity is around 1,500 MW. Starting from Ichampalli, Gadchiroli, these projects were opposed by a wide range of forces. For the present they are not under active consideration by the gvernment, except for the one at Bodhghat, which is under way.

The first survey of the project was undertaken in 1962. The foundation stone was laid seventeen years later in 1979. Initial clearing, construction of the office site, the quarters and an impressive bridge on the river Indravati, near Barasur, was undertaken in 1984. Throughout the two decades when it was under consideration no one really bothered to inform, let alone involve the people whose villages are to be submerged in the project. In recent years organised resistance has begun. The villagers, mostly Marias, do not want to leave the area. The manner in which they have been treated has generated complete mistrust of all institutions among them. They even made an abortive bid to manhandle their MP, Mankuram Sodhi (*'mushkil se ek bar aaya tha, prashasan ko leke'*). Faced with their resistance, the government is coming out with more and more attractive promises of rehabilitation. The scheme was made in accordance with the MP Rehabilitation Act, 1985 and modelled along the lines of a similar scheme of the other controversial project of the state, the Narmada Sagar Project. It has a nineteen point programme which promises, among other things, land, houses, and jobs in MPEB. The compensation, which was only Rs 1,000 per acre in the six hundred acres already cleared at Barsur, is now raised to Rs 4,000. A model rehabilitation village at Bodhli (Kundri), about 45 km from their place, was built to convince them. But they remain unconvinced. Their agitation is supported by Jai Kishore Sharma, a dissident secretary of DCC(I), and also environmentalist pressure groups based in Jadalpur, Bhopal and Delhi. The Naxalites have also announced their formal opposition. But all major political parties, including Congress(I), BJP, and CPI are involved in an agitation in favour of the project. The people allege that officials of MPEB, in connivance with the thekedars, have bought all the leading political parties. In fact, Sharma told us that he himself was offered Rs 2 crore by the chief engineer, on behalf of the contractors! For the present, due to pressure, the government has suspended work on the project. But the prospects still remain grim. When asked what would happen, the president of the Bodhghat Sangharsh Samiti replied, *'vo goli chalayenge, ham teer chalayenge* (They will fire bullets, we will reply with arrows).

The social tensions being generated by the displacement of people in the project areas is only part of the story. The environmental degradation affects people in far-flung areas also. The ore fines from Bailadila, for instance, have been dumped into Sankhini river every day for the last twenty years. The river joins Dankhini at Dantewada and from there flows further south. Now the mass of red slime is spreading through the southern river system. Some 40,000 people living in about 51 villages are, its immediate victims, deprived of even drinking water.

More than the development projects, the major source of degradation of forests is commercial forestry. Timber feeds 40 odd small scale saw mills and 62 wood-based factories in the district. But more of it serves the national market. Bamboo, among other things, feeds the paper factories in Andhra. Much of the felling is illegal. One of the ingenious methods adopted by the timber traders in Bastar was through the Malik Makbuja system. A precursor of the present day social forestry programmes, in this system, the tribals were given ownership rights over identified and specified trees. They alone had the right to fell or sell their trees, after taking due consent from the concerned forest officer. They were also protected by the MP Protection of Aboriginals (Interest of Trees) Act, 1959. The traders, in

collusion with the officials, got the relevant papers signed thumb impressed by the tribals and felled a large number of trees. The government finally abolished the system in late 1975. In another instance the entire Sitram forest (Bandey range, Kanker circle) was reported to have been lost in fire in April 1980. But the fire was not brought to the notice of the DFO until fourteen months later, in June 1981. The government has ordered an enquiry whose report is yet to see the light of the day. It is believed that the entire forest was cleared through illegal felling.

To compensate for the depletion of the forests the government began encouraging plantations. Thus, centuries old sal trees and mixed forests came to be replaced with Eucalyptus (10,000 hectares in the fourth plan period alone), Caribbean pine (on an experimental basis in 1968-69), pines (3,100 hectares under the World Bank project) teak (over 1,25,000 hectares per year in recent period), and others. The replacement of rich, mixed forests by mono-cultural plantations had disastrous implications both for the environment and the people. The forces generated by the large-scale commerical forestry and plantations control the politics and even a section of the administration in Bastar.

From about the time of the Sixth Plan onwards, the government initiated a variety of social forestry programmes in Bastar. Some of them are funded by the Swedish International Development Authority (SIDA). Presently they include three schemes; bund forestry, farm forestry, and agro-forestry.

From the early eighties, four environmental and wild life projects came into existence. They include Kanger Valley National Park (200 sq km), Bairamgarh Game Sanctuary (139 sq km), Pamed Game Sanctuary (262 sq km) and the Indravati Abhyaranya Tiger project (3,000 sq km), the biggest among them. It is located near Kutru, Bijapur tahsil. There are 57 villages with a population of 6,000 inside the reserve. The density of population is very low, with about 9 persons per sq km, and the villages are scattered both in the core and buffer zones of the reserve. These villages are proposed to be evacuated and a Rs 1 crore rehabilitation programme has been prepared by the directorate of Project Tiger, subject to the approval of the government. But in the meantime, the reserve is becoming famous for other reasons. Naxalite activity in the former zamindari areas of Kutru and Bhopalpatnam has attracted a lot of attention. In one of the villages inside the reserve, Mukabelli, a Naxalite woman was killed in an encounter, leading to massive armed police raids on many of these villages. In the last three years at one time or another armed police camps were set up in as many as eight of these 56 villages. In Bedre and Pileru camps are stationed more or less permanently. The activities of armed police are now adding a new dimension to the problems of the environment in Bastar.

(To be concluded)

REVIEW OF AGRICULTURE

Canal Irrigation and Agrarian Transformation

The Case of Kesala

Pieter Gorter

The process of agrarian change in Kesala, a village in Valsad district in south Gujarat, indicates a strong trend towards capitalist farming. This trend is, however, mainly limited to the larger landholders. In the early 1960s, agriculture was already commercialised and wage labour was used on a permanent basis, especially by Patidars and Anavils. These castes had been the peasant vanguard in the process of commercialisation during the 19th and early 20th century. The construction of a large-scale canal irrigation system in south Gujarat has offered these farmers the means to transform from commercial farmers into full-fledged rural capitalist entrepreneurs.

Introduction

THE character and pace of the transformation of Indian agriculture after independence has been the subject of research and debate since the 1960s. Authors such as Daniel Thorner, Utsa Patnaik and Ashok Rudra have emphasised in particular the capitalist tendencies in Indian agriculture, by pointing to the process of increasing commercialisation, the growing reliance on hired labour and the rising rate of capital intensification. Others, like Amit Bhaduri and Pradhan Prasad, have stressed the persistence of feudal structures, such as tenancy relations, usury, bonded labour, which inhibit the emergence of rural capitalism. In this article I will sketch the process of agricultural transformation in a single village in south Gujarat: Kesala[1] in Valsad district. I stayed in this village for four months in 1986 to study the impact of canal irrigation and, more in particular, the factors which affect the distribution of canal water. I do not intend to give a full account of my findings in this article. Here I want to compare my village data with those of another Dutch researcher: Enno Hommes. He conducted research work in the same village. Only this was in 1964. Although his research topic was different from mine,[2] a comparison is nevertheless possible and worthwhile. In the early 1960s canal irrigation was still a new phenomenon in south Gujarat and the full impact of the so-called 'green revolution' had yet to come. By putting Hommes' data next to mine I hope to describe and analyse the process of rural transformation in this village for a period of more than twenty years. In the comparison I will give special attention to the evolution of the cropping pattern and the changes in land use, mechanisation, marketing arrangements, labour relations, landholding and tenancy. A closer look at these aspects will enable us to determine whether this village economy has indeed developed along capitalist lines and to what extent pre-capitalist relations persist.

Some aspects of village life had to be left out of this discussion, because Hommes' data are not entirely compatible with mine. In spite of this drawback I felt that the opportunity to present the major changes in a west Indian village over a period of two decades should not be missed.

Before we turn our attention to the comparison it is necessary to review briefly the major developments in the agriculture of south Gujarat during the colonial era. It would be wrong to assume that the changes in post-independence agriculture constitute a break with past developments. The processes of transformation in the 19th and early 20th century have to be included in the analysis.

Historical Context

Until the early 19th century, agriculture in south Gujarat was still largely subsistence oriented. A number of factors emanating from the imposition of British colonial rule were to trigger an irreversible process of commercialisation. One of the most important factors has no doubt been the introduction of a new legal framework for the assessment and collection of revenue, the *ryotvari* system. Contrary to the traditional tax-farming system, taxes were assessed and collected on the basis of individual holdings in the new system. The farmers were now considered the legal owners of the land they cultivated, whereas before only the state could own land. As a result land became a commodity which could be sold, bought and mortgaged.

A second important characteristic of the new system of revenue collection was the compulsion to pay the taxes in cash, thus forcing the cultivators to market at least part of their produce. The ensuing need to grow cash-crops coincided with an increasing demand for raw cotton from the Manchester textile mills. Cotton had been cultivated in south Gujarat for centuries, but it was not until the second half of the 19th century that it became a predominant part of the cropping pattern. By the end of the 18th century the Indian cotton growers could not meet the modest demand for 5,00,000 pounds of cotton from the British textile manufacturers. By the year 1825, the total quantity exported had already increased to 60 million pounds, while in 1871 more than 400 million pounds of cotton were exported from India to Britain [Choksey 1968: 128 and 140]. The importance of cotton for south Gujarat is reflected in the fact that at the beginnng of the 20th century approximately half of the cultivated areas of Bharuch, Surat and Valsad districts were cropped with cotton [Choksey 1968: 140 and Charlesworth 1979: 127].

Besides cotton, an increasing proportion of the food production was marketed. The specialisation in large parts of south Gujarat on the cultivation of cotton implied that food crops had to be imported from other, food producing areas [Chua 1986: 2094].

The transformation of agriculture from subsistence oriented towards market oriented did not only affect the choice of crops. Labour relations changed as well. Wages in cash were more and more preferred over wages in kind and the patron-client ties between the larger landholders and their bonded labourers (*Halis*) started acquiring more business-like and detached dimensions [Breman 1974]. A further indication of the changing character of agriculture is the increasing capital intensity. After wasteland had been brought under cultivation, the section of landholders which had benefited most from the cotton boom tried to further increase production by raising the productivity of their land. They therefore began investing profits in irrigation facilities, the reclamation of *khar* land (i e, saline land) and the improvement of crops [Chua 1986: 2098].

Not all peasants in south Gujarat were, of course, involved in this process of commercialisation to the same extent, nor did all of them benefit from it. The castes who both contributed and benefited most were the old elite of Anavil Brahmans and the new and rising elite of Kanbi Patels. In the long run the Kanbis have probably been more involved in the process of agricultural transformation than the Anavils. Many Anavil Brahmans turned away from agriculture to pursue careers in the government bureaucracy and the banking business, because their high caste ideology values non-manual, urban white-collar jobs more than agricultural enterprise [Van der Veen 1972].

The Kanbis, on the other hand, have always been more oriented towards agriculture. In early colonial reports, the British already described them as being excellent and thrifty farmers [Breman 1984: 108]. Although they were initially only small farmers, many managed to expand their holdings by either renting land from absen-

tee landowners (often Bania and Parsi moneylenders) or buying land from indebted tribal peasants or Anavils who had moved to the cities. Paradoxically, even the great famine of 1899/1900 proved beneficial to many Kanbis in this respect, as a large number of small Koli and tribal peasants had to mortgage or sell their land in order to avoid starvation. In the decades following the famine, this land would eventually come under the control of the dominant caste of Kanbi Patels [op cit, 109].

In the 1920s and 1930s the Kanbis succeeded in further consolidating their economic position by establishing co-operative cotton marketing societies and ginning factories. In fact, the Kanbis of Surat district were among the first in India who established these kind of cotton co-operatives [op cit, 111]. Profits were then no longer siphoned off by middle-men and private cotton gins, but could be re-invested in the production and marketing processes.

The improvement of their economic position was accompanied by a claim for higher social and political status. They adopted the new caste name Patidar, which originally belongs to a sub-caste in Kheda district who witnessed economic and social progress long before the Kanbis of south Gujarat did. In 1908 the Patidar Yuvak Mandal was founded. This emancipatory movement stressed the importance of education and the value of high caste moral standards. The final part of this process of sanskritisation consisted of the Kanbi's active participation in the struggle for independence. This struggle gave them the opportunity to translate their recently acquired economic and social dominance into political influence. The decision to construct a canal irrigation system in south Gujarat may very well have been related to the Kanbi participation in the natioinalist movement.

We may conclude from the foregoing that during the colonial period agriculture in south Gujarat became increasingly commercial and to a limited extent even capitalist. According to Utsa Patnaik rural capitalism is characterised by the following three features:

a) the marketing of a large share of the agricultural produce;
b) the permanent use of wage labour;
c) the accumulation and re-investment of surplus value in order to generate more surplus [1971: A-126].

The accumulation and re-investment of surplus value distinguishes capitalist farming from merely commercial farming. We have seen that in south Gujarat a small section of the farmers did in fact re-invest profits in order to raise the productivity of their land. This may not have been a general trend, but obvious enough to justify the conclusion that the seeds of rural capitalism were sown long before independence and the introduction of canal irrigation.

The construction of a canal irrigation system has nevertheless been of great importance for the agricultural development after independence; not in the sense that it triggered a process of commercial farming, for as we have seen, this process was already well under way long before the system was even planned. The productivity of land was, however, still limited by the uneven and unreliable supply of rainfall. Improved and extended irrigation facilities were to change this situation radically.

The first plans for the construction of a dam in the Tapi river date from the end of the 19th century. The main motive then was to control the floods which regularly ravaged the Surat district. It was not until independence before these plans took on a more definite shape. India had lost considerable parts of its food producing areas to Pakistan and new irrigation systems were planned and constructed all over the country to remedy this setback. The primary reason for the construction of a canal system in south Gujarat was, therefore, the need to increase both the yields of and area under food crops. With respect to this objective it is important to note that south Gujarat is assured of a fairly high average amount of rainfall.[3] It is therefore questionable whether canal irrigation was really necessary to boost the cultivation of crops such as pulses and *jowar*, which do not require a large supply of water, and paddy which is a monsoon crop. The decision to construct a canal system in south Gujarat may have been more the outcome of political lobbying than the result of agronomical considerations. Vallabhbhai 'Sardar' Patel, India's first minister of home affairs, had been the leader of the famous Bardoli *satyagraha* of 1928 in which the Surat Kanbis played a major part. It is not too far-fetched to assume that Patel had some part in securing the system for the Surat Kanbis, who constituted an important section of his political following [Mankodi and Gangopadhyay 1983: 28-29]. These are just speculations, however. The fact remains that canal irrigation has not resulted in an increase of the area under food crops. I will come back to this issue later in this article.

The Ukai-Kakrapar system of south Gujarat was constructed in two stages. In the late 1950s a pick-up weir was built near Kakrapar, a village in Surat district, and two main canals were excavated. There was no reservoir yet and canal water was, therefore, only during and shortly after the monsoon available. The second and by far most expensive stage comprised the construction of a 4,927 metres long dam near Ukai and two additional main canals. After the completion of the Ukai dam in 1971 a reservoir of more than 60,000 hectares had been created [op cit, 27]. Only then perennial irrigation became possible, which would induce a growing number of farmers to use this new agricultural input. After these introductory remarks it is high time to direct our attention to the development of agriculture in the village of Kesala.

Kesala: A General Description

Kesala lies in the Navsari *taluka* of Valsad district. It is situated in the vicinity of two urban centres: Navsari at some five kilometres to the south and Surat at about twenty-five kilometres to the north. Both cities can be reached easily by either road or railway. In Maroli Bazar, a small town nearby, a railway station is located. Public buses and a small fleet of autorickshaws await the passangers coming from Surat and Navsari to take them to nearby villages and townships. It may prove difficult, however, to persuade one of the rickshaw drivers to take you to Kesala. Although only a few kilometres long, the road is in such a bad condition that the drive is an ordeal for both passenger and rickshaw.

The narrow road winds through the fields to the centre of the village. Here, the *falias* of three of Kesala's five major castes are concentrated: Anavil Brahmans, Patidars and Koli Patels. The quarters of the other two, Ahir and Halpati, are situated at a few hundred metres from the village centre, alongside the road to Navsari. Apart from these castes, a small number of Harijan households live in Chhinam, one Hajaam (barber) and one Modi family, and the Brahman priest.

The Anavils, Patidars, Kolis and Ahirs constitute the landowning section of the population. (The Harijans also own some land, but the area is negligibly low.) In the previous section I have already discussed the dominance of Anavils and Patidars in the region. Later we will see that Kesala is no exception. The Kolis and Ahirs belong to the middle castes. Kolis are now the largest landowning caste in the central plain, but originally they were tenants and even agricultural labourers. Over the past three decades they have benefited from the abolition of tenancy in the 1950s and the expansion of industrial employment. Most Kolis belong nowadays to the section of small farmers, while some have been able to reach the ranks of middle farmers. The Ahirs were originally shepherds, but after independence many have taken up agriculture and with relative success. They too belong to the category of small farmers.

The Halpatis (also known as Dublas) are the largest caste of Kesala. They are of tribal origin, but have integrated into the Hindu caste system. Traditionally they are employed as agricultural labourers on the farms of Anavils and Patidars. The name Halpati is derived from the term *Halipratha*, which refers to their traditional labour relation with especially the Anavil Brahmans. *Halipratha* was a system of bonded labour in which the labourer, the *hali*, was tied to the farmer by means of indebtedness. The relationship between the *hali* and his master was characterised by servitude, and also by patronage. The farmer was morally obligated to provide his servants and their families with food, clothes and shelter even when no work could be

done or the *hali* was ill or too old to work. According to Breman this labour regime has virtually disappeared due to the process of increasing commercialisation in the 20th century [1984: 298].

The Kesala Harijans are quite independent of the village economy, because most of them work in the city, in particular Bombay.

KESALA IN 1964

In 1964 there were no autorickshaws in Maroli, nor did the public transport pass Kesala. The villagers either walked from Maroli to Kesala or they used one of the horse-drawn coaches owned by Maroli Muslims. In those days the village was not electrified and the women still fetched the drinking water from one of the open wells. The houses of Anavils and Patidars were among the best in the village. The Halpatis, on the other hand, had to live under the worst of circumstances: small mud huts with thatched roofs, which hardly protected them from cold and rain. The condition of the quarters of Kolis, Ahirs and Harijans varied more. Some of them owned houses which could stand the comparison with the best of Anavil houses, while others had to do with little more than huts.

In 1964, 1,423 people lived in Kesala. Table 1 gives a castewise breakdown of this number. Over one-third of the population belonged to Kesala's largest caste, the Halpatis. The Kolis were the largest landowning caste. The Anavils and Patidars were a small minority, but the next section will demonstrate that their numerical weakness did in no way affect their social and economic dominance. Let us look therefore now at the agricultural situation in the early 1960s.

AGRICULTURE AND DISTRIBUTION OF LANDHOLDING

Any discussion about agricultural practice in an Indian village should begin with the analysis of the distribution of landholding among the various castes and between the individual households dependent on agriculture. Often this is a complicated endeavour which should be dealt with cautiously. It is not always possible to have complete certainty about the control of specific plots of land, due to the complexities of joint family ownership and rules of inheritance. Kesala is of course no exception in this respect and the figures presented here and in the following sections should therefore not be treated as absolute and final statements, but rather as indicators of trends and patterns of control over land.

In 1964 the large majority of the Kesala farmers were small landowners. There were no forms of tenancy and even before the land reform in the late 1950s, tenancy had been very limited. Enno Hommes registered distribution of land in 1964 as given in Table 2.

The dominant position of Anavils and Patidars is obvious: taken together they controlled more than 60 per cent of the available land, while they constituted only 25 per cent of the total number of farming households. From these figures we could conclude that the gap between Anavils and Patidars on the one hand and Koli, Ahir and Harijan on the other was very wide. There was however more differentiation of landholding within castes than these aggregate statistics suggest. To get a more accurate impression we should have a look at the sizes of individual holdings as well. In Table 3 the sizes of individual operational holdings is considered for each caste separately. The general pattern still reflects the dominance of Anavils and Patidars, but we can also see that some of the cultivators belonging to these castes were only small or even marginal farmers. The statistics on Koli landholding show, on the other hand, that a fair number belonged to the categories of middle and even large farmers (more than 10 acres). In fact, more Kolis owned large landholdings than the Patidars. This should of course not obscure the fact that the large majority of Kolis were small or marginal farmers.

According to Hommes' data no tenancy relations existed between the farmers of Kesala in 1964. This is very well possible, since land reform had been implemented only seven years before. On the first of April 1957, a day remembered as Tiller's Day in Gujarat, rented land was officially transferred from the owners to the cultivators. In Kesala only 105 acres or 12 per cent of the cultivable land had been rented and therefore transferred. Land reform did not alter the general pattern of landholding in the village. This was not only because of the relatively small area, but also because the original tenants were mostly marginal Koli farmers. The implementation of the land reform did not meet with any opposition either, because the owners were not resident in Kesala. In my discussion of landholding in 1986 we will see that tenancy has reappeared, although the form is quite different nowadays.

From the information presented so far we can conclude that the majority of the Kesala cultivators belonged to the category of small and marginal farmers: 72 out of 119 farming households owned five acres or less. Most of these farmers were engaged in other economic activities to supplement their incomes from agriculture. As far as the Harijans are concerned, we can say that agriculture was of hardly any importance. Employment in Bombay was their main source of income. Most of the marginal Koli farmers had found work in the textile mills of Surat and Navsari. Due to the relatively high level of education among the members of this caste, they were able to apply for skilled and reasonably well paid jobs. Some even managed to earn more in industry, than most Anavils and Patidars were earning in agriculture. Hommes suggests that the economic progress of these Kolis was accompanied by a rising social position in the village. There was, however, no indication that the well-to-do Kolis had started to invest their wages in their farms.

Kolis were not the only caste engaged in urban employment. The same applied to many Anavils, although their motives for pursuing urban careers were quite different. In a previous section I already mentioned the preference of this caste for non-agricultural, white-collar jobs. In Kesala this preference had resulted in a steady decline of Anavils involved in agriculture. Between 1951 and 1964 the total number of Anavils living in Kesala had actually gone down from 204 to 155. Hommes expected that this decline might in the long run seriously undermine the dominant position of this caste in the village. In the section on 1986 we will see whether the trend to turn away from agriculture persists and how this has affected the position of Anavil Brahmans.

The Patidars and Ahirs were less involved in work outside agriculture. Some Patidars worked in the new and booming diamond cutting industry, but overall they were largely

TABLE 1: THE NUMBER OF INHABITANTS PER CASTE IN 1964

Anavil Brahmins	155
Patidar (Kanbi Patel)	75
Koli Patel	427
Ahir	107
Halpati (Dubla)	472
Harijan	163
Hajaam	11
Modi	13
Total	1423

Source: Hommes, [1970: 95].

TABLE 2: OPERATIONAL HOLDING PER CASTE IN 1964

(*Area in acres*)

Caste	No of Farmers	Total Holding	Average Holding
Anavil	21	327.45	15.6
Patidar	10	161.95	16.2
Koli	49	271.83	5.2
Ahir	19	42.29	2.2
Harijan	20	23.86	1.2
Total	119	827.38	6.8

Source: Hommes [1970: 101].

TABLE 3: THE NUMBER OF FARMING HOUSEHOLDS PER LANDHOLDING CATEGORY PER CASTE IN 1964

Caste	0-5 Acres	5-10	10-15	Over 15
Anavil	1	2	11	7
Patidar	2	2	2	4
Koli	33	6	8	2
Ahir	16	3	—	—
Harijan	20	—	—	—
Total	72	13	21	13

Source: Hommes [1970: 101].

oriented towards agriculture. Most Ahirs were still shepherds, although gradually they began to take interest in the cultivation on land.

Land Use and Cropping Pattern

In the early 1960s agriculture in Kesala, and for that matter in the whole region, consisted of a combination of dry and rainfed farming. Only a very small proportion of the fields was irrigated. I will elaborate on this issue later. Out of the total of 830 acres of cultivable land 116 acres had been turned into *kyaris* for the cultivation of paddy. On the remaining land dry crops such as *jowar* and cotton were cultivated. The average cropping pattern of a middle-sized farmer consisted of a few acres under paddy and *jowar* for domestic use, while the rest was cropped with cotton. It is important to note here that all farmers, large and small landholders, cultivated the same crops. Only the size of the area under the cash crop cotton differed. In 1986 this uniformity had disappeared. In Table 4 the cropping pattern for the entire village is shown. The main crops grown were cotton, *jowar*, paddy and pulses. We can see that the area under irrigated crops, such as sugarcane, banana and vegetables was still negligibly low. In 1964 the Kakrapar canals had been operational for a few years, but the impact of canal irrigation was nevertheless minor. No more than 8 per cent of Kesala's cultivable area was irrigated by means of canal water. In the command area of the system as a whole the same situation prevailed: paddy and cotton accounted for 20 per cent of the command area each, while 30 per cent was cropped with *jowar*. The important question is of course why farmers were not using more canal water, but decided to stick to the traditional crops. Hommes tried to explain the reluctant attitude by making a distinction between progressive and conservative farmers. Those who used fertilisers, introduced new crops, used more wage labour and, more in general, attuned farm management more to market demands were labelled progressive. Conservative were those farmers who clung more to traditional practices. Hommes recognised that this distinction could only be applied to middle and large landholders. Cultivators with less than ten acres were either not able to invest in new technology or not interested, because their main source of income was not agriculture but urban employment. The prevailing conservative attitude was, according to Hommes, the main reason for the limited use of canal irrigation [1970: 120].

It is very doubtful whether the dichotomy of conservative and progressive farmers will lead to the right explanation. We have seen that agriculture in south Gujarat as a whole is caught up in a process of commercialisation which started at least 150 years ago. There is no reason to assume that Kesala is an exception in this respect.

More to the point as far as the use of canal irrigation in Kesala in 1964 is concerned were the technical problems the farmers faced, such as insufficient land levelling and the lack of field channels. The most important constraint was surely the fact that canal water was only available during and shortly after the monsoon. The Ukai dam had not been constructed yet and water could not be stored for use in the dry season. Consequently, canal irrigation could only be used to supplement monsoon rainfall. This situation was obviously no incentive for farmers to start growing crops which require a regular supply of water perennially, such as banana and sugarcane. The decision not to rely on canal water was, therefore, not the result of conservatism but, on the contrary, a rational and calculated response to the inadequate supply of water. This explanation is more plausible, both in the light of the history of agricultural developments in the region and in view of the changes I witnesed in 1986.

Marketing of Agricultural Produce

We have seen that cotton was the main market crop in Kesala. In my brief discussion of the history of south Gujarat's agriculture I have pointed out that the Surat Patidars (Kanbis) established co-operative cotton gins in the 1920s and 1930s. The farmers in the Maroli area followed this example in the 1950s. The first co-operative ginning factory in Maroli Bazar was founded only in 1956. In 1964 some fifty villages were connected with a total of 2562 members. In Kesala too, nearly all cotton growers were members. Apart from processing and marketing cotton, the co-operative supplied its members with credit. In those days cotton was the only crop marketed in this fashion. Vegetables were becoming increasingly important as a market crop, but were still sold through middlemen in Navsari. Paddy, *jowar* and pusles (*val*) were grown primarily for household consumption. Surpluses were either sold to other Kesala households or marketed in Maroli.

Labour Relations

In 1964 only the Anavil and Patidar farmers employed agricultural labourers on a permanent basis. Some Kolis used wage labour during the peak periods of the agricultural cycle, but in general they cultivated their fields with family labour. Some occasionally even worked as agricultural labourers for Patidars and Anavils. Most of the agricultural labour was, however, recruited from the Halpati caste. Out of the 111 Halpati men living in Kesala, only ten worked outside the village permanently. 55 worked both in Kesala and other villages, while 46 were employed by the Kesala farmers the whole year through.

Hommes concluded that the Halpatis had benefited from the ongoing process of commercialisation. Due to the expansion of the areas under paddy, cotton and pulses in the 1950s the demand for agricultural labour had doubled. The Halpati population gr in the same period by some 50 per cent o ly. The process of commercialisation also a fected the character of the labour relation According to Hommes, the relationship be ween Patidars and Anavils on the one har and their permanently employed laboure on the other, no longer resembled the trad tional *Halipratha* labour regime. Althoug some moral obligations still existed, th labourers were in no way bonded to the employers. The Halpatis were legally free t leave their former masters and some in fa did. More important than the new leg rights of the Halpatis was the increasingl commercial outlook of the larger farmer They realised that often it was more pro fitable to employ labour on a seasonal o even daily basis than on a permanent on

The Halpati women only worked in th fields when the crops had to be eithe planted or harvested. The rest of the yea they were employed as maids in th households of Patidars and Anavils.

Summary

Before we turn our attention to the situa tion in 1986, some general conclusions abou agriculture in Kesala in the early 1960s ar in order. The large majority of the farmer were small landowners, who had to make do with less than five acres. Most of these smal and marginal farmers belonged to the middle castes of Koli and Ahir. For the former urban employment became increasingly important, while the latter still depended largely on their livestock. Agriculture was dominated by the upper castes of Patidar and Anavil Brahman. Although a minority, they controlled most of the arable land in the village.

In general, agriculture in Kesala in the early 1960s can be described as commercial. Especially the middle and large farmers were able to grow cotton on a large proportion of their land and could employ local labour on a permanent or semi-permanent basis. These farmers started to experiment on a small scale with the cultivation of new and more profitable crops, such as vegetables and sugarcane, the use of chemical fertilisers and irrigation. The level on which profits were reinvested in agricultural enterprise was, however, limited, by the inadequate supply of canal water. The farmers' choice of crops was still determined by their dependence on

Table 4: The Cropping Pattern in Kesala in 1964 (*Area in acres*)

Cotton	285
Jowar	185
Paddy	117
Pulses	98
Wheat	25
Vegetables	17
Sugarcane	5
Grass land	202
Total	934

Source: Hommes [1970: 106].

Anavils toward agriculture may have been of some importance too. The number of Anavils who depended on agriculture for their livelihood had steadily declined. It remains to be seen whether this retreat has affected their dominant position in the village.

KESALA IN 1986

According to the 1981 Census, 1728 people distributed over 305 households inhabited Kesala. It follows that the village population had increased by 21 per cent since 1964, which is relatively low when we take into consideration that in Valsad district the rural population increased by more than 18 per cent in the period between 1971 and 1981. The lower growth rate in Kesala may be explained by the fact that some Koli and Patidar households have migrated to the United Kingdom and the United States, while some Anavils left the village to live and work in the city. By contrast, the Halpati population of Kesala increased by 42.5 per cent from 472 to 673.

In 1986 the quality of life had improved for many. The village has been electrified and all castes, except the Halpatis, are able to afford the use of electricity nowadays. The Patidars and Anavils even installed streetlights in their *falia*. Most of the villagers no longer fetch their drinking water from one of the open wells. In the early 1970s a drinking water tank was constructed and now most women fetch water from taps in front of their houses. The tank was financed by the so-called Africa-*wallahs*: people who migrated to East Africa in the 1940s and 1950s. The ones who were successful contributed not only to the welfare of family members who stayed behind, but also sponsored village level projects, such as the water tank and a new primary school.

The general impression of the village centre is one of prosperity. The majority of houses is made of bricks with tiled roofs. Motor cycles, bicycles, radios and even (colour) television sets are a common sight. Most of these luxury goods are found in the Anavil and Patidar *falias*, but not only there. A number of Kolis and Ahirs seem to have done very well too. The only caste which does not appear to have benefited from recent developments are the Halpatis. Quite a few still live in huts scattered over the village grounds. Most of them, however, live in a government sponsored housing project on the outskirts of the village. Two long rows of small quarters were built here for the benefit of the Kesala Halpatis. These houses are unfortunately already in a bad state, due to the use of inferior material and clumsy construction work. I will elaborate on the difficult position of the Halpatis later in this article.

AGRICULTURE IN CONTEMPORARY KESALA

Let us start our discussion of contemporary agriculture in Kesala once more with an analysis of the landholding statistics. The figures presented in Table 5 tell us first of all that the Anavil Brahmans and Patidars have not lost their dominant position as far as landholding is concerned. The distribution of land between these castes has changed somewhat. The total landholding of the Anavil farmers decreased from 327 acres in 1964 to 280 acres in 1986, while the Patidars have been able to expand their landholding by 37 acres in the same period. The decrease of Anavil landholding is caused by the persisting trend to turn away from agriculture and pursue urban careers: the number of farming Anavil households went down from 21 to 17. Thanks to the smaller number of farmers, the average landholding could increase eventhough the total Anavil landholding declined.

The Ahirs have done fairly well over the past two decades. They managed to increase their total landholding by some 150 per cent. This no doubt impressive figure should not obscure the fact that the average landholding is still no more than 4.2 acres.

The Kolis seem to have fared least well. They lost about 50 acres between 1964 and 1986, while the total number of farming households went up from 49 to 55.

Let us now consider once more the size of individual holdings per caste. The majority of Anavil and Patidar farmers still fall in the categories of middle and large farmers. The development among the Koli farmers is more ambiguous. Some have been able to reach the ranks of large farmers (more than 15 acres) while others have lost land. The majority of the Kolis still belong to the category of marginal farmers. The same basically applies to the Ahirs.

In addition to the information presented in these tables, I should mention a few farmers with extraordinary large holdings. One Anavil, who is also the *sarpanch* of the village, cultivates about 100 acres and one Patidar household controls some 80 acres. Taken together, these two control more than 20 per cent of the arable land of Kesala. This type of landlords is a new phenomenon in the village. Hommes did not come across anything like this in the early 1960s. In those days the largest farmer owned no more than 38 acres. The fact that these two farmers have acquired extra land to the extent mentioned is an indication of the increasing value attached to land. This is no doubt related to the changes in the cropping pattern and land use, which we will discuss later. Due to the rising productivity of land and the increasingly capitalist outlook, the larger farmers try to obtain more land by all possible means. This brings me to the issue of tenancy relations. Contrary to 1964, tenancy is of considerable importance in Kesala today. The modern type of tenancy relations are, however, radically different from the traditional type: nowadays the large farmers rent land from smaller ones to expand their landholding. Due to the restrictions laid down in the Land Ceiling Act, the larger landowners are not able to buy more land. The only way to control larger areas of cultivable land is, therefore, to rent it. In this situation there are basically two categories of farmers who may decide to rent their land out. The first one consists of those whose landholding is too small to be economically viable and who may be indebted to larger farmers. The second category consists of Anavils who aspire after urban careers or households which lack sufficient manpower to cultivate the fields or supervise the cultivation. The latter category usually rent their land out to fellow caste members or family. They are often reluctant to sell, even if this were possible, because the land has been family possession for many generations and represents sentimental value or enhances their social status. In Table 7 the land rented per caste in Kesala is shown.

The large proportion of land is rented out to fellow caste members (66 out of 105.5 acres) and we may therefore assume that in Kesala land is rented out largely by farmers of the second category. The renting farmers belong without exception to the sections of middle and large landholders. The largest Anavil farmer, for example, has rented about 40 acres, which is 40 per cent of his total landholding. He rented this land primarily from other Anavils so we may conclude that the trend among the members of this caste to turn away from agriculture has actually favoured this particular farmer. The largest Patidar farmer is responsible for 33 out of a total of 44.5 acres rented by this caste. In the next section it will become clear why these farmers are so eager to control extra land. For now it will suffice to conclude that tenancy has re-appeared in Kesala, although nowadays not the small Koli farmers are the tenants but, on the contrary, the large Anavil

TABLE 5: OPERATIONAL HOLDING PER CASTE IN 1986

(Area in acres)

Caste	No of Farmers	Total Holding	Average Holding
Anavil	17	280.6	16.5
Patidar	11	199.0	18.0
Koli	55	222.3	4.0
Ahir	25	107.4	4.2
Harijan	15	15.7	1.0
Total	123	845.0	6.9

Source: Field data.

TABLE 6: NUMBER OF FARMING HOUSEHOLDS PER LANDHOLDING CATEGORY PER CASTE IN 1986

Caste	0-5 Acres	5-10	1-15	Over 15
Anavil	3	2	7	5
Patidar	1	3	2	5
Koli	39	10	2	4
Ahir	18	6	—	1
Harijan	15	—	—	—
Total	76	21	11	15

Source: Field data.

and Patidar farmers. The rent is a fixed amount of money which is paid annually. I did not encounter any traditional crop-sharing arrangements in which the lessor receives a share of the agricultural produce.

It is of course not surprising that the two largest farmers of Kesala dominate not only economic village life but also village politics. The Anavil Brahman is not only *sarpanch*, but also the chairman of the Maroli sugar factory and member of the governing boards of several federations of co-operative societies and, finally, he is an active Janata party man. The Patidar farmer is chairman of the village multi-purpose co-operative society of Kesala.

From all this we can conclude that the dominance of Patidars and Anavil has not decreased over the past two decades, although land and economic power have been concentrated in fewer hands.

The trend to seek urban employment has not only persisted among Anavils, but also among the Kolis. In every Koli household at least one person is employed in the textile mills or the government services. Contrary to the expectation of Hommes, the Kolis have not used their wages to boost their agricultural position by purchasing extra land or more sophisticated agricultural implements. The money is mostly used to improve houses and to buy luxury goods. The wages are furthermore used to hire more Halpatis to cultivate the fields, thereby substituting family labour with wage labour. In the early 1960s the Kolis still worked in the fields themselves and some even worked as agricultural labourer for Anavils and Patidars. The increasing reliance on wage labour should, however, not be interpreted as a sign of rural capitalism. The use of family labour and, more specifically, the cultivation of the fields by women, is considered a sign of low social status. The extra income derived from urban employment gives the Kolis the opportunity to imitate the lifestyle of the higher castes by freeing the family from annual agricultural work.

Unlike the Kolis, the Ahirs have no ambition (yet) to follow the example of the higher castes. They still cultivate their fields themselves and use wage labour only during the peak periods of the agricultural cycle. By 1986 the Ahirs had switched completely to agriculture. The flocks of sheep observed by Hommes have disappeared and the Ahirs I intrview confirmed that nowadays they are fully dependent on agriculture for their livelihood. The number of Ahirs who work in industry is very small. Those who do invest their wages in extra land, better implements and, if possible, a tube-well. A striking example of an Ahir household which uses this strategy to raise the income from agriculture, is composed of four brothers who live and work together with their wives and children. All brothers are working in the Navsari textile mills and they invest their wages in the farm. In 1986 this household owned 35 acres of which 30 were bought over the past twenty years. One of these brothers is considered to be the leader of the Ahir community. He has a university degree and has been chairman of the village co-operative for a number of years. When asked why he was no longer chairman he claimed that "lack of time" prevented him from being a candidate for the post again. It is also possible that the Patidars preferred one of their own people and no longer wished to support a low caste candidate. The success of this particular Ahir farmer in agriculture and, to a limited extent, in the village politics have no doubt contributed to the rising social status of the Ahir community as a whole. They are now more part of the village society than twenty years ago when their role in agriculture was still unimportant.

Land Use and Cropping Pattern

The significance of the completion of the Ukai dam in 1971 for the evolution of the cropping pattern in Kesala can hardly be over estimated. Canal water became available during the dry season and not ony during the monsoon when in fact it was least needed. Table 8 shows the cropping patterns for the agricultural cycles of 1982-1983 and 1985-1986.

Between the early 1960s and the 1980s the cropping pattern changed completely. Cotton has disappeared altogether, while the area under *jowar* is no more than a shadow of what it used to be. These 'dry' crops have been substituted with irrigated crops. The area under paddy tripled, vegetables gained importance, and especially sugarcane became very popular. The total area under irrigated crops increased from 139 acres in 1964 to 645 acres in 1986. Kesala is not unique in this respect, of course. The same trend is visible in large parts of the entire command are of the canal system. In Table 9 the cropping pattern in the common area are shown for five consecutive years.

We can conclude from these statistics that sugarcane has become the major cash crop in Kesala, as well as in the entire command area. The figures illustrate furthermore that the main objective of the Ukai-Kakrapar system, a substantial increase of the area under food crops, has not been achieved. On the contrary, in the early 1950s, before canal irrigation was introduced, a total of 1,17,900 hectares were cropped with paddy, *jowar* and wheat. [Government of Gujarat, 1972]. By the year 1982 this area had dwindled down to 43,200 hectares. The area under sugarcane, on the other hand, increased from next to nothing in the 1950s to no less than 90,800 hectares. This trend was not anticipated in any of the official cropping pattern forecasts, although one might have expected it in view of the strong tendency towards commercial agriculture.

In Kesala sugarcane is not cultivated by all farmers. It is, on the contrary, grown primarily on Anavil and Patidar land. 80 per cent of the total area under cane either belongs to or is rented by farmers of these castes. Roughly 40 per cent of the area is controlled by the two largest farmers of the village. There are several possible explanations for the uneven distribution of the cane cultivation between the farmers of Kesala. The explanation most often heard is that only middle and large farmers can afford the investments necessary to grow cane. It would seem obvious then that mainly Anavils and Patidars grow this crop, since the majority of the larger farmers belong to these castes.

Table 8: Cropping Patterns in Kesala in 1982-83 and 1985-86 Compared to the Cropping Pattern in 1964

(Area in acres)

Crops	1982/1983	1985/1986	1963/1964
Paddy	360	315	117
Jowar	10	12	185
Wheat	20	30	25
Pulses	170	125	98
Cotton	0	0	285
Vegetables	110	85	17
Sugarcane	90	245	5
Grass land	263	251	202
Total	1053	1063	934

Source: Field data.

Table 7: Rented Land Per Caste in Kesala in 1986

(Area in acres)

Renting Caste	Rented from: Anavil	Patidar	Koli	Ahir	Total
Anavil	33	6	14	0	53 (51)
Patidar	7	25	8.5	0	40.5 (38)
Koli	4	0	8	0	12 (11)
Ahir	0	0	0	0	0
Total	44 (42)	31 (29)	30.5 (29)	0	105.5 (100)

Note : Figures in parentheses are percentages.
Source: Field data.

However, there are several reasons why I do not find this explanation satisfactory. In India as a whole, most sugarcane is grown on small peasant holdings [Atwood 1985:60]. Data from Maharashtra show that in this major sugar producing state 80 per cent of the cane cultivators are small farmers who grow this crop on plots of one or two acres [Sathe 1986 : 737]. These statistics demonstrate clearly that size of landholding need not be a constraint. In Kesala as well, there are a few small farmers who cultivate cane, but they are exceptions. Lack of sufficient funds cannot explain the different pattern in Kesala. The co-operative society is willing to provide credit to those who cannot afford the initial investment and, furthermore, most households have additional sources of income.

A more appropriate explanation is the differential access to canal water. The introduction of canal irrigation triggered the cultivation of cane in the first place and it is therefore not surprising that unequal distribution of water between farmers will also affect the distribution of cane cultivation. A large proportion of the fields near the irrigation canal is cultivated by either Patidars or Anavils. As is often the case in canal irrigation systems, these fields receive a larger and more regular supply of waer than those situated in the tail-reaches of the command area. The assumption that access to canal water is the main reason why sugarcane is primarily cultivated by Patidars and Anavils is supported by the fact that in Kesala cane is grown almost entirely on fields near the canal.

Most kolis and Ahirs cultivate land in the tail-reaches of the village command area and cannot grow cane, even if they wanted to. This state of affairs constitutes an important difference with the situation in 1964. In those days all farmers, small or large, cultivated the same crops: paddy, *jowar* and cotton. Nowadays, Patidars and Anavils are increasingly specialising on cane, while the other farmers stick to crops such as paddy, wheat and vegetables which do not require as much canal water as sugarcane. Since cane is a very profitable crop, differences in prosperity are no longer related to size of landholding only, but also to the type of crops a farmer is able to grow on his land.

The same trend, though on a much larger scale, prevails in the command area of the Ukai-Kakrapar system as a whole. The sugarcane areas are concentrated around top-reaches of the main canals, i e, in Surat district. The *talukas* in Valsad district and the coastal tracts receive a smaller and less regular supply of canal water, because the sugarcane farmers in Surat district need a disproportionately large share of the total supply available [Government of Gujarat: 1978].

The growing reliance on canal irrigation and the subsequent changes in the cropping pattern have affected Kesala in many ways. I want to discuss here five aspects of this change: marketing arrangements, labour relations, mechanisation, government intervention and, finally, new types of dependency relations.

Marketing of the Agricultural Produce

When cotton disappeared from the fields, the co-operative ginning factories lost their reason for existence. The co-operative movement is, however, stronger than ever before. Paddy is marketed through the village co-operative and a federation of paddy co-operatives in Navsari. The same applies to the marketing of vegetables. These crops are no longer cultivated only for private consumption, but primarily for the market. The most important and impressive co-operatives are no doubt the sugar factories. In Maroli Bazar a medium size factory processes and markets the sugarcane grown in the area. The impact of this co-operative factory on agriculture is large. Factory personnel provide the farmers with the latest information on new crop varieties, planting techniques, and the right ways to apply water and fertilisers. They regularly check the sugar content of the cane and decide on the basis of this information when the crop should be harvested. The cutting as well as the transportation are organised by the factory. In fact, the farmers only have to plant and irrigate the crop. Apart from the high market value of cane, this comprehensive approach has certainly contributed to the popularity of this crop.

Each sugarcane growing farmer is a shareholder of the factory. The number of shares he holds determines the size of area he is allowed to grow cane on. The more shares, the larger the area. The growing popularity of cane is reflected in the rising value of these shares. Originally one share cost Rs 500. In Bardoli these shares are now sold among farmers for no less than Rs 20,000. In Kesala the value of one share had increased to only Rs 3,000 in 1986. The lower value here was probably due to the fact that cane cultivation started later in the Maroli area than in Bardoli. In view of the rapid expansion of the area under cane in Kesala over the past few years, we can safely assume that the value will rapidly increase here too.

Changing Labour Relations

Initially, the introduction of perennial canal irrigation promised to be beneficial to both farmers and Halpatis. Higher yields, multiple cropping, and new work, such as irrigating the fields and driving a tractor provided more agricultural employment. According to Breman, who studied the position of the Bardoli Halpatis, the growing dependence of the rural elite on local labour and the subsequent danger of rising wages, induced the large farmers to recruit labour from other parts of South Gujarat and Khandesh in Maharashtra [Breman 1984: 383].

The migrant labourers are hired by the farmers for the planting and harvesting of the paddy crop and by the sugar factories for the cutting of cane. From October until June large improvised camps appear near the villages and in the vicinity of the sugar factories. A salient detail is that many of these migrants are tribal peasants who were displaced by the Ukai reservoir and the submergence of some two hundred villages. The oustees were given small plots of infertile land in compensation and although irrigation facilities were promised, none were ever constructed [Mankodi and Gangopadhyay 1983: 41]. To make ends meet they have to leave for the central plain in search of work. During their fieldwork in the eastern, tribal parts of Surat district Mankodi and Gangopadhyay observed how

> ...about one and a half to two dozen trucks loaded to capacity with labourers passed daily down the Nizar-Ucchal road. ...There were caravans of close to 100 bullock carts and trains both loaded inside and on top of the roof with migrant labourers from Khandesh. In Ucchal a fleet of 28 chartered private buses was waiting to transport the workers to work in the sugarcane fields and factories in the command area [1983: 49].

The sugar factories of Khandesh use the same strategy as the factories in south Gujarat. They attract labour from eastern Maharashtra, thus forcing the local Khandeshi labourers to migrate to south Gujarat. The special problem of the Halpatis is that there is no place for them to migrate.

Table 10: The Number of Tractors in Valsad and Surat between 1971 and 1981

	1971	1975	1981
Valsad	na	396	1054
Surat	872	909	2178

Sources: *Cattle Census 1975/1976*, Directorate of Agriculture, Government of Gujarat.
Statistical Abstract of Gujarat State 1979/1982, Government of Gujarat.

Table 9: Cropping Patterns in the Ukai-Kakrapar Command Area

(*Area in '00 hectares*)

Crops	1977/78	1978/79	1979/80	1980/81	1981/82
Sugarcane	644	517	552	773	908
Paddy	343	354	444	406	374
Cotton	146	128	137	142	98
Jowar	23	13	19	31	10
Wheat	61	41	46	41	48

Source: Mankodi and Gangopadhyay [1983: p 45].

to. Especially in Bardoli *taluka*, the heartland of sugar cultivation, the Halpatis have protested violently on a number of occasions against their exclusion from the labour market.

In Kesala there are no such violent protests yet, although the farmers use migrant labour to cut the cane and plant and harvest the paddy crop. Many of the Kesala Halpatis are, however, still employed as agricultural labourers. The middle and large farmers employ one to five Halpatis on a permanent basis, while the wives of these workers work in the households of Patidars and Anavils as maids. Both men and women are paid in cash as well as in kind. The wages are below the legal minimum, but in addition food and some clothing are provided. Some of the patronage elements, which characterised the traditional *halipratha* labour regime, have not disappeared yet. It is still customary for farmers to lend their workers some money when they want to marry. When asked for the reason, the farmers answered that a loan assured them of the workers' loyalty. For the same reason it is not unusual that farmers give their permanently employed labourers some money to visit the cinema once in a while.

It is not easy to predict how the position of the Kesala Halpatis will develop over the coming years. Until 1986 the negative effects of the increasing reliance on migrant labour had been averted partly because elements of patronage still characterised the labour relation and also because Kolis started employing local labour. However, in view of the rapid expansion of the area under sugarcane, it is not unlikely that the position of the Chhinam Halpatis will deteriorate in the near future.

Mechanisation

A further consequence of canal irrigation and the changing cropping pattern is the mechanisation of agriculture. To be more precise, mechanisation is not a consequence of irrigation itself, but of the increasingly capitalist outlook of the larger farmers. Irrigation and the cultivation of sugarcane gave these farmers the opportunity to mechanise. An important part of this process of mechanisation is the use of tractors. Over the past fifteen years the rising profits have been invested more and more in this very expensive implement. Table 10 shows the increase in the number of tractors in Surat and Valsad between 1971 and 1981.

In addition to the figures presented in this table, I should mention that in 1961 no more than 50 tractors were registered in both districts taken together [Breman 1984: 45]. In 1981 this number had gone up to no less than 3,232. The number of farmers who use a tractor is even higher, because many tractor owners rent their machines to those who cannot afford to buy one.

In Kesala too, six tractors were bought over the past fifteen years. They were bought by two Anavils, two Patidar farmers and the large Ahir farmer. The largest Patidar farmer even managed to buy two. These five farmers hire their machines to those who want their fields cultivated. Due to irrigation the soil has become hard and tough, making it increasingly difficult to cultivate the land with a plough and a team of bullocks. The tractor is driven by one of the Halpatis working for the tractor owner and not by the farmer who hires the tractor. The rent is a fixed amount and payment can usually wait until the crops are harvested and marketed. The use of tractors has become very important in the agriculture of Kesala. This is first of all due to the condition of the soil, but also because timely preparation of the land will determine whether the farmer is able to grow another crop on his fields later in the year.

The profits made from the cultivation of sugarcane have not only been invested in tractors, but also in additional tubewells. In 1964 there were only three tubewells in the village. By the year 1986 this number had gone up to twenty. It may sound paradoxical that the number of tubewells has increased, while at the same time the use of canal water has become very popular. The answer to this riddle is that most tubewells were installed by Patidars and Anavils on their land in the tail-reaches of the village command area. Due to the fragmentation of landholding these farmers control land in both top- and tail-reaches of the command area. The irregular supply of canal water in the tail-sections forced some of the larger farmers to arrange their own supply.

Government Intervention

The introduction of perennial irrigation after the completion of the Ukai dam combined with the introduction of the 'green revolution' technology, resulted in increased and more permanent intervention by government agencies. The village level extension personnel, the *gram sevaks*, were assigned an important task in instructing the farmers about new crop varieties and techniques of cultivation, the application of fertilisers, pesticides, herbicides, and the right use of irrigation. During my stay in Kesala, the response of most farmers to the activities of the *gram sevak* was not very positive. The small farmers complained that he was only interested in the large farmers, while the latter expressed their low opinion of the *gram sevak's* knowledge of agriculture.

The role of irrigation personnel is more important in this respect. Indian canal systems are maintained and operated by the irrigation department and farmers are dependent on government officials for the timely and adequate delivery of canal water. At the village level the farmers are dependent upon the actions of irrigation field staff. They open and close the outlets and check the water flow in the fields. The power of these junior ranking officials is far greater than their low position in bureaucratic hierarchy would suggest [see Wade, 1978]. Most of the farmers I interviewed made very clear that it is of considerable importance to maintain a good relationship with the gate operators.

The dependence of farmers on irrigation personnel is enhanced by the absence of a local water users society. Whenever conflicts over the distribution of canal water arise, the parties involved can only approach irrigation officials for a solution. The village *panchayat* has no formal duties with respect to irrigation and the *sarpanch* was very reluctant to act as a mediator between quarrelling farmers.

Relations of Dependence

A final consequence of the new agricultural practice in Kesala are the new relations of dependence between various groups of farmers. I want to distinguish between two types: the first is directly related to the differential access to water, while the second results from the transformation of agriculture in general.

Let us start this discussion with the second type. John Harriss observes about the use of tractors in a district in south India that

> Tractors are attractive to many of the farmers because of their contribution to timely cultivation; because they make the cultivation of large areas of dry land possible, ... Tractors are also attractive because of the profits which the farmers think they can make by hiring them out. . . [1977: 227].

There is one more advantage to the ownership of a tractor. In Kesala it is used as a means of control over other, smaller farmers. The tractor owners of Kesala assured me that they are willing to hire their machines out to anyone, even if the landholding is so dispersed that ploughing becomes a difficult and time consuming affair. However, they also admitted that a bad or cool relationship could result either in a refusal to rent the tractor out or in the demand for immediate payment of the rent, instead of waiting until the crops are marketed. The largest Patidar farmer is known to use this tactic occasionally in order to demonstrate his power over others.

Another example of dependence between farmers which developed in the wake of canal irrigation has to do with the availability of labour. We have seen how the introduction of perennial irrigation resulted in an in-

reased demand for labour due to higher ields, multiple cropping and the expansion of the area under the labour intensive paddy rop. The greater reliance of Kolis on wage-abour is important too. Many small and ven middle farmers face a shortage of abour during the peak periods of the agri-ultural cycle: the planting and harvesting of paddy. Occasionally they have to contact he large farmers of the village to 'borrow' a few of their workers for a couple of days. There are two reasons why these large armers have better access to labour than the maller farmers. Firstly, they employ a fair number of local Halpatis on a permanent basis. Secondly, their hold over migrant abourers is stronger. The groups of migrant abourers who travel to the central plain to harvest and plant the paddy crop prefer to work for the large farmers, because this way they can earn sufficient money without having to change employers too often. New employers mean new negotiations about wages. Another advantage is that they are assured of work later in the year when the paddy has to be planted or harvested. The leaders of these groups agree to return and wages are fixed in advance.

The third type of dependence which is related to the transformation of agriculture concerns the access to information. The large farmers have access to more and better information about the market value of crops, the availability of new varieties, other cultivation techniques, etc, because of their contacts in the sugar factory and the co-operative movement in general. The Kesala *sarpanch* has no doubt the best connections. First of all he is the chairman of the sugar factory and therefore well informed about the future policy of the factory, new varieties, and government policies. He is furthermore a member of the governing boards of several federations of co-operative societies. Finally he is a member of the Canal Advisory Committee which reviews the functioning of the canal system in the Maroli area. He and other farmers are contacted frequently by other farmers with questions about the market value of crops, the quality of seeds, the best way to prepare the fields, and the availability of canal water. This kind of information is of more importance nowadays than in the early 1960s, when the farmers' choice of crops was very limited. Canal irrigation has provided the cultivators with the opportunity to grow a wider variety of crops.

The final aspect of dependence concerns the differential access among farmers to irrigation. We have already seen that the Patidar and Anavil farmers control most of the land near the irrigation canal. The smaller, tail-end farmers cannot irrigate their fields until the top-end farmers are finished or kind enough to release water. The irrigation field staff are not willing or just unable to look after the interests of the tail-end farmers. The fact that the large farmers have installed tubewells on their tail-end land, only serves to re-inforce the dependence of the smaller farmers. The latter can buy tubewell water from the well-owners when the supply of canal water is insufficient. In 1986, the going rate for one hour of tubewell irrigation was Rs 15. The large farmers are, therefore, not only in the position to benefit most from canal water, but they can also make a profit by selling water to those farmers who are unable to secure an adequate supply of canal water.

CONCLUSION

The description of agrarian change in Kesala over the past two decades indicates clearly a strong trend towards capitalist farming. This trend is, however, largely limited to the larger landholders. In the early 1960s, agriculture was already commercialised and wage-labour was used on a permanent basis by especially Patidars and Anavils. These castes had been the peasant vanguard in the process of commercialisation during the 19th and early 20th century. The construction of a large-scale canal irrigation system in south Gujarat has offered these farmers the means to transform from commercial farmers into full-fledged rural capitalist entrepreneurs.

Until the 1960s, the productivity of land was severely limited by the lack of sufficient irrigation facilities. A small number of farmers had installed private tubewells, but these incidental investments could not lift agriculture to a higher level of production. By and large, agrarian development remained on the level of dry and rainfed farming. There were, therefore, not enough incentives to invest profits in extra land, more sophisticated technology and a wider variety of crops. The introduction of perennial canal irrigation in the early 1970s changed this situation radically. *Jowar* and the traditional cash crop cotton have disappeared almost completely from the fields, while the cultivation of the far more profitable sugarcane crop boomed to an extent unforeseen in any of the official cropping pattern prognoses. In Kesala, perennial canal irrigation resulted initially in an increase of the area under paddy and vegetables. Nowadays, these crops are no longer grown only for home consumption, but primarily for the market. The cultivation of cane was taken up later than in other parts of the command area (notably the core region of Surat district), but in recent years the area under this crop has increased rapidly. The popularity of cane is, first of all, related to its high and stable market value. The active role of the sugar factories is of importance too. They co-ordinate and supervise the cultivation, processing, and marketing of the sugarcane crop

and they organise the recruitment of labour for the harvesting and transportation. The canegrowers have delegated the decision-making about production quota, the use of wage labour and the right time for harvesting to the management of these factories. In Kesala, mainly Patidars and Anavils have been able to benefit from the sugarcane boom. They have invested the high profits in machinery, the permanent use of wage labour and extra land. The eagerness among the larger Patidar and Anavil farmers to acquire extra land has resulted in the reappearance of tenancy relations. Tenancy is frequently associated with the persistence of feudal agrarian structures. It would clearly be wrong to make this conclusion about agriculture in Kesala. Land is no longer rented by small cultivators on a crop-sharing basis, but on the contrary by the large farmers. Their main motive is to evade the regulations of the Land Ceiling Act. Another reason could be that they prefer to use their capital to increase the productivity of land, instead of using it to buy land.

The dividing lines between various agrarian classes are more pronounced in contemporary Kesala than in the early 1960s. Land is concentrated in fewer hands. In 1964, 34 farmers owned more than 10 acres and 72 cultivators had to make do with less than 5 acres. In 1986, only 26 farmers owned more than 10 acres, but the size of holdings had increased considerably. The large farmers constitute the capitalist elite of the village. The cultivation of cane has enabled them to invest in tractors, tubewells, land and labour. The Patidars and Anavils take the lead in this process, although some of the larger Koli and Ahir farmers have been able to participate too. Most of the Koli cultivators are, however, increasingly relying on urban wage labour for their incomes. They do not invest in land or more sophisticated technology, while their reliance on local agricultural labourers is more related to status considerations than economic calculations. In view of this trend, it would hardly be surprising if many small and marginal Koli farmers were to withdraw from agriculture altogether and rent or sell their land to larger Koli landholders, Patidars, Anavils or even Ahirs.

The Ahirs show a strong interest in farming, although they have taken up agriculture only recently. Contrary to most Kolis, they do invest wages and profits in the agricultural enterprise. The level of surplus generated is, however, low due to the small size of their holdings. It remains to be seen whether they will be able to expand their holdings in competition with the economically stronger Patidars and Anavils.

The introduction of canal irrigation has affected the position of the Halpatis least favourably. In 1986, the labour relation between the Patidars and Anavils on the one hand and the Halpatis on the other, was still characterised by some pre-capitalist elements reminiscent of the traditional *halipratha* system. The larger farmers are, nevertheless, relying more and more on migrant labourers and the further increase of the area under sugarcane will probably result in a deterioration of the Halpatis' position.

Notes

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1 I have decided to change the name of the research village in order to protect the privacy of my informants.

2 The study by Enno Hommes was primarily concerned with the impact of a variety of development programmes. At present, Hommes is head of the Technology and Development Group of the University of Twente, The Netherlands.

3 The average amount of rainfall ranges from 2000 mm in the southern part of south Gujarat to 1500 mm in the north.

4 The high and stable market value of sugarcane is partly due to the policy of the government of India. 65 per cent of the processed sugar is bought by the government at a fixed price, while the remaining 35 per cent is sold on the free market at a far higher price [Breman 1978: 1321].

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Large Dams: The Right Perspective

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We cannot, on environmental grounds, say 'No' to large dams and reservoirs; nor can we, having regard to projections of demand and availability, accept the view that there is no need for such projects. We should certainly accord priority to the utilisation of the potential already created, the reclamation of the potential which has been lost through misuse, and a vast improvement in water management (including both economy in use and recycling). We must encourage extensive local water-harvesting, and undertake re-greening and other measures to retard the rate of run-off and improve the retention of water in the ground. We should also place a much greater emphasis than in the past on minor irrigation, which calls for less immediate investment, promises quicker results, and presents fewer problems. Possibilities such as the use of seawater and the tapping of deep underground aquifers also need to be examined. However, we cannot rule out investment in at least some large-dam projects. Large and small projects, and the use of surface water and groundwater, have to be integral parts of an overall plan of land-use and water-use for a drainage basin or watercourse system as a whole. At the same time, considering the heavy costs (financial, human, social and environmental) involved in large-dam projects, we have to be highly selective and extremely cautious regarding approvals to such projects.

I

Introduction

THE 'big dam' controversy which has been dormant for a while has once again become active. Among both the opponents and the supporters of big dams there is a wide range of persons: the scholarly and thoughtful; the well-meaning but ill-informed; the highly partisan; the populists; and the charlatans. Unfortunately, even at the most distinguished level on either side there seems to be a failure to see the force of the opposite point of view. Most papers and speeches on the subject tend to be partial statements. Anyone who refuses to declare his allegiance to one or the other point of view at the outset may fail to get a proper hearing. Moreover, the general polarisation of attitudes on the environmental aspects prevents an adequate discussion of other important aspects.

Despite that discouraging preamble, the present paper will attempt a discussion of the subject in all its complexity. It will be essentially an examination of issues, both environmental and other, and not a scholarly treatise; and it does not propose to attack or defend specific projects. It is to be hoped that the length of this paper will be found worthwhile, and the occasional statement of the obvious accepted as a necessary part of the effort at comprehensiveness (or an approach to it). Even with this length, the paper will be able to present the numerous issues in no more than a summary fashion; a fuller discussion would have needed a book.

II

'Interference with Nature' Argument

At the very threshold of the discussion, it is necessary to grapple with the guardian at the gates, namely, the 'interference with nature' argument. The argument is that the course of a river represents a natural regime; that the river and its environment including human habitations, tribal settlements, forests, and the entire flora and fauna of the area form a natural ecological system; and that any interference with this is fraught with danger and must be avoided. A moment's reflection will show that this line of argument has much larger implications and ramifications than might appear at first sight, and will take us far beyond an opposition to big dams.

All of human life and development involves an interaction with nature. Humanity, no less than wildlife, is part of nature, and it is the distinguishing characteristic of humankind to modify the environment. The discovery and use of fire, the establishment of human settlements on the banks of rivers, the practice of agriculture: all these constituted 'interferences' with nature. The avoidance of interference with nature is an impossibility.

However, it is obvious that with the advent of industrialisation there was a dramatic change in the kind of impact that humanity could have on the environment; for with industrialisation came an organised assault on natural resources as well as a large-scale pollution of the environment. It has been pointed out that the industrial use of timber (in particular for the paper industry) and exports of timber to foreign countries as well as to urban markets within the country led to changes in the pattern of ownership of forest land and to extensive deforestation. It is well known that the forest departments of the state governments have been regarded essentially as 'commercial' or revenue-earning departments. Even the famous Forest Research Institute at Dehra Dun was in the past mainly a Timber Research Institute. The protection and conservation of forests is a relatively recent concern. The profligate use of energy (until the 'oil price shocks' changed our attitude to energy consumption) is also a familiar story. By now there is also adequate awareness of the industrial pollution of air and water: the dangers of industrial accidents of which Bhopal and Chernobyl were horrifying examples; the fouling of the atmosphere by automobile exhaust in large cities; the phenomenon of acid rain; the poisoning of the seas and coastal areas because of oil-spills from tankers; the depletion of the ozone layer; the problem of disposal of nuclear waste; the warming of the atmosphere and the greenhouse effect; and so on. Even modern agriculture carries with it the dangers arising from fertiliser and pesticide residues in the soil and in agricultural produce; and insecticides and chemicals find their way into dairy and meat products. Not merely forest-cover but the entire environment is threatened, and it is threatened not merely by dams but by the whole course of development that western civilisation (and following it, the rest of the world) has adopted—which first makes heavy inroads into natural resources of all kinds, and then inflicts grave damage on those very natural resources and the air that we breathe and the water that we drink. However, while there is a groundswell of concern about environmental conservation and protection and a demand for more stringent pollution control standards and the stricter regulation of industry, there is no general call for the banning of industry (except for some opposition to nuclear installations) or of large-scale commercial agriculture. Why then is there a campaign for banning dams and reservoirs?

Large dams are not a separate phenomenon but a part of the kind of developmental process that has come to prevail. If we attack dams and reservoirs on the ground of interference with nature, we shall have to go further and attack the totality of the kind of demand-based, demand-multiplying, technology-driven, 'growth'-oriented development that is relentlessly marching forward, and turn to modest ways of living which make much less of a demand on natural resources and have a relatively low impact on the environment. There may indeed be a case for such a change, but it is not clear that the opponents of large dams are in fact willing to accept this. This paper does not

ropose to argue either for 'modern' ideas f development or for the Gandhian alter-ative; the point that is being made is merely hat having chosen certain modes of evelopment it will be inconsistent for us to ingle out one element or component for ondemnation.

Nor is it correct to assume that in the bsence of a particular project the environ-nent would have remained undisturbed: nuch of the denudation of the forest cover akes place for reasons not connected with lams and reservoirs. In fact, in many cases he 'forest lands' which fall within the ubmergence area of a project have already een so degraded as not to merit the descrip-ion. Indeed it is possible that such projects, f well conceived and executed, may even nave a benign impact on the environment. They facilitate the provision of finance and organisation for essential measures which may eventually lead to a situation better than what would have come to pass in the absence of the projects; and they may raise income levels and generate secondary occupations, and reduce the need to cut trees for fuel or fodder. The current opposition to large dams and reservoirs stems from bitter past experience in relation to many such projects which were marked by an exclusive concern with engineering structures and a neglect of human and environmental aspects; but this need not be an inescapable characteristic of such projects.

A general call for a ban on dams and reservoirs on the ground of interference with nature cannot be sustained. We have to look at the extent of interference with nature in each case and decide whether it is so great as to be totally unacceptable, or whether it is acceptable subject to a number of measures being taken for mitigating if not completely offsetting the impact. It may be argued that the attacks are in fact on specific projects, e g, Silent Valley, Tehri, Sardar Sarovar, Narmada Sagar; but in many of the articles and speeches on these projects there is an undercurrent of hostility to big dams *per se*; and there are certainly papers, reports and articles which explicitly call for a ban on big dams.

What is needed is that a high-level interdisciplinary group of professionals (including some or all of the following: dam engineers, specialists in earthquake studies, groundwater specialists, agricultural specialists, soil scientists, experts in land use and water use, environmentalists and ecologists, sociologists, economists, and others, as needed) should make fairly detaileded preliminary studies which would eliminate all those sites which are likely to be totally unacceptable. (Such an exercise will fail completely if the engineers were to resist stoutly the elimination of *any* site or if the environmentalists were to insist on ruling out *all* the proposed sites. We have to assume that the exercise will be undertaken with openness of mind on the part of all.) This will ensure that at least in future a good deal of time and effort will not be wasted on detailed project formulation with reference to sites against which there are fundamental objections. This will then leave a certain number of sites for which the preparation of detailed projects can be undertaken. These will of course have to be subjected to a thorough examination from all points of view; such an examination may again result in a negative decision on some projects, but there may be others which can be approved subject to certain conditions.

III
Case for Large Dams

A variant of the environmentalist opposition to large dams is the seemingly thoughtful suggestion that we do not really need them. So far as the present writer is aware, this proposition has not really been argued out in detail. It can mean one of two things. The first is that the same purpose can be served through a large number of small projects. This, however, is not necessarily true. If the same quantum of water as in a large reservoir has to be obtained from a large number of small storages, the total surface area to be submerged may, in fact, be larger as each would be a shallow reservoir; for the same reason, the loss of water by evaporation will be much greater. In any case, that is a hypothetical proposition; not all large projects can be broken down into a number of smaller projects. Water-impoundment is location-specific, and if we reject a favourable location which permits the impoundment of a large body of water, we cannot be sure of finding a large number of locations for smaller storages which together will impound the same quantity of water. Moreover, small dams can be built only on small streams or tributaries. It is the large rivers which carry the bulk of the annual flows and any storages on the main rivers will necessarily be in the nature of large projects. There is no either/or between large and small projects; there is, or ought to be, a complementarity among such projects in an overall plan for basin development.

Further, a large number of small storages with low heads of water may not be able to generate the same quantum of hydroelectric power as one single large storage with a high head of water; and some of the power-generating capacity has to be of the hydroelectric kind. (Alternatives such as thermal generation or nuclear power also create environmental problems of different kinds; and the use of coal, oil or gas involves the depletion of finite resources while hydroelectric generation utilises a renewable resource. In any case, where the possibility of hydroelectric generation exists, it is the best means of providing peaking stations.) While there is a place in overall power planning for low-head generation and run-of-the river schemes, they will be subject to the seasonality of the flows and will not have the dependability and resilience which only large storages can provide.

The second, and more plausible, meaning of the statement that we can do without large projects is that we can manage with a combination of other measures such as local water conservation *in situ*, water harvesting, the use of groundwater, greater emphasis on rainfed agriculture, economy in water use, better water management, etc. While all these things need to be done, it does not follow that they will be adequate for meeting the projected future demand for water.

It has always been an accepted proposition that the vulnerable dependence of Indian agriculture on the vagaries of the monsoons must be reduced through the storage of water for irrigation. The disenchantment with canal irrigation which has set in because of the injudicious use of water and its ill-effects cannot undermine the validity of that basic proposition. Certainly, dryland farming practices need to be greatly improved and the productivity of rainfed agriculture stepped up; but it does not follow that irrigation has ceased to be important. If food production in this country has gone up from 50 million tonnes in the fifties to the present level of 170 million tonnes, irrigation has surely been one of the factors responsible; without irrigation, fertilisers and high-yielding varieties of seeds could not have been used. Irrigation will continue to be needed if the production of foodgrains is to reach a level of 240 million tonnes in the early years of the next century to feed a projected population of 1000 million; and it will have to be a mix of different kinds of irrigation, including canal irrigation based on major projects.

Even the argument that minor irrigation needs greater attention, while it has much force (and we shall revert to this later), does not warrant the conclusion that it is a substitute for major projects. A great deal of what we call minor irrigation is linked to the use of groundwater. In the absence of large reservoirs, minor irrigation will depend even more heavily on groundwater (while at the same time the recharge provided by seepage from canal irrigation will diminish). Apart from the energy requirements for lifting water, this could lead to an over-exploitation of groundwater, which cannot be sustained for any length of time. Recent experience has shown that under prolonged drought conditions surface water tanks and even tubewells fail, and that one has to depend on the large water storages to maintain a modicum of supply. If the production of foodgrains during the drought years did not decline to disastrously low levels, it was only because of irrigation from large projects.

It has for long been urged that there should be a 'conjunctive' use of groundwater and surface water. This does not mean merely the use of groundwater to supplement surface water or vice versa; it means the integrated planning of the development and use of the totality of water resources, including atmospheric water, surface water and groundwater. In this understanding of

the concept of 'conjunctive' use, the augmentation of the availability of surface water through large projects is as essential and relevant as the augmentation of groundwater resources through an improved knowledge of such resources.

Industries need water too, for both process and cooling purposes and for townships; so do municipal systems, whether rural or urban, for supplying water for drinking, washing and waste-disposal purposes and for fire-fighting. Projections of total water demand for all uses (agricultural, industrial, municipal, etc) are somewhat conjectural, but such figures as are available seem to indicate that the future is going to be very difficult.

Various estimates have been made of the total water resources of the country by diverse agencies. The figures in the most recent document, namely, the brochure entitled "Water Resources of India" by the Central Water Commission (April, 88) are as follows:

1 Nationally available surface water resources	1880 Km^3
2 Actually utilisable surface water resources (i e, the quantum that can be actually utilised having regard to topographic, locational and other constraints).	690.309Km^3
3 Actually utilisable groundwater resources.	418.540 Km^3
4 Total utilisable water resources	1108.849 Km^3
Say (2+3)	1110.000 Km^3

As against these figures of availability projections of total annual water demand for all uses are as follows:

2000 AD	750 Km^3
2025 AD	1050 Km^3

It will be seen that practically the entire utilisable water resources of the country will be actually needed by 2025 AD. We are, therefore, likely to experience serious water shortages as the years go by. In fact the situation may well be even more serious than what the above figures indicate, as the demand projections seem likely to be underestimates, and the figures of 'utilisable resources' do not refer to resources which are *currently* utilisable, but only what is *potentially* utilisable if all the possible storages and transfers are built. In other words, the figure of utilisable resources *assumes* the understating of a number of large projects. (As against the total annual flow of 1850 Km^3, storages built or under construction have only a total gross storage capacity of 275.948 Km^3 and a live storage capacity of 222.072 Km^3.)

One may have serious doubts regarding some of these figures, but water scarcity is a reality: a present reality, not merely a future possibility. Already severe shortages are being experienced in most major cities and the hardship is acute in some. Delhi, even though it is close to the Yamuna, has to make a heavy draft on the Ravi-Beas waters through the Bhakra system, and is hoping for an earmarked allocation from the Tehri storage when it is built. Bombay draws water from the Tansa, Vaitarna and Bhatsa storages. Some cities (e g, Madras, Bangalore) are awaiting the completion of major projects (Telugu Ganga, Kavery Stage-III) to ease their extremely difficult situation; and in one (Madras) the exploitation of groundwater for meeting the city's water-supply needs is reaching dangerous levels. There have been occasions when water has had to be carried to Madras through trains and tankers. The situation in general is likely to get worse rather than better.

That picture of mounting demand and severe scarcity certainly points to a need for demand management. Economy in water use needs to be enforced, wastage penalised, the scarcity value of the resource clearly signalled through proper pricing, technological innovations undertaken for reducing water requirements whether for industry or for agriculture, and the re-use of once-used water promoted. However, these measures by themselves cannot bridge the gap between supply and demand; an augmentation of supplies will also be necessary. As the ultimate source of supply, namely, precipitation, cannot be increased, augmentation means mainly three things: (i) extending our knowledge of the country's groundwater resources and making more of those resources usable through processes such as reverse osmosis; (ii) extensive programmes of re-greening to retard the rate of run-off and improve the retention of water in the ground, as also of water-harvesting and conservation *in situ*; and (iii) bringing more of the country's notionally available surface water resources into the category of utilisable resources through the building of some large storages (i e, dams and reservoirs) where these are techno-economically feasible. We have to bear in mind the marked seasonality of the flows (particularly in the peninsular rivers and to a lesser extent in the Himalayan rivers), as also the extreme regional variations. Much of the precipitation occurs within a few months of the year, and even within those months the intensity is concentrated on a limited number of days; and while some areas of the country receive abundant supplies, there are vast areas which are water-short or even arid. It is difficult to see how supplies can be carried over from periods of heavy rainfall to the dry months, or how the water needs of certain areas such as Rajasthan, Rayalaseema, the drought-prone districts of Karnataka, and so on, can be met, without some arrangements for large storages and transfers.

The proposition that we can do without large dams really implies that we can manage with less water. However, the demand for water cannot be substantially reduced without reducing demand of all kinds all round. If we have to do with less water, then we may also have to do with less food, less power, less steel, less coal and less of everything; and settle for ways of living which are less demand-intensive. That point has already been made and need not be laboured again.

However, there are indeed certain possibilities of augmenting our water resources to which adequate attention does not seem to have been paid, namely, drawing water from nature's storages, i e, the seas or deep underground aquifers.

Any inquiry regarding the possibility of use of sea water meets with the response that it would be too costly a proposition. The question of costliness is a relative one of weighing the costs against the benefits, or of costs against alternative costs. It does not seem self-evident that the desalination of sea water and its conveyance over long distances would be necessarily found to be a more uneconomic proposition than alternative means of augmenting our water resources. The costs involved would of course have to be recovered through proper charges and this may in fact necessitate the economic pricing of water, which would be a good thing. Moreover, *prima facie* it would appear that drawing water from the sea may not involve major environmental and socio-economic problems. The possibility certainly seems to warrant more purposeful examination than it has received.

As regards deep underground aquifers, the existence of these (in the Gangetic plains) with vast quantities of water, much of it possibly under artesian pressure, has been postulated by some experts, and the consideration of this possibility has been urged by the World Bank. However, there has been a reluctance on our part (for whatever reasons) to undertake a serious examination of this proposition. Some belated beginnings in this direction seem to have been made in recent years.

However, these are merely possibilities which need to be examined in detail. For the present, the answer to the statement that we do not need large dams is that it is not borne out by facts.

IV

Environmental and Socio-Economic Impact of Large Dams

Let us now turn to the specifics of the environmental impact of large dams (with special reference to irrigation projects). The term 'environmental impact' is used here in the widest sense. There is a curious view that the displacement of people is not an 'environmental' aspect. Whatever we may call it, it is certainly a very important aspect, and it is difficult to see how anyone can object to this issue being raised by the environmentalists.

The environmental impact of large projects of this kind would include:

— the loss of agricultural and forest land through submergence under the reservoir which is created;

— the displacement of people and livestock by the project, and the loss of occupations; and in particular the hardship

caused to the landless and to tribal communities;

- the dislocation of wild life and the possible disappearance of some rare species of flora and fauna;
- the public health problems arising from the large-scale impounding of water (the spread of disease vectors) and possible climatic changes;
- the inherent dangers of large dams (the possibility of cracks and dam-bursts and the consequent inundation of large areas), particularly in regions prone to seismic activity; and the problem of reservoir-induced seismicity;
- the loss of vegetative cover in the upper catchment resulting in excessive run-off and loss of top soil, leading in turn to the accelerated siltation of the reservoir and the reduction of its useful life (this could be regarded as a case of the impact of the environment on the project); and
- the emergence of water-logging and salinity in the command area of the project after some years of irrigation, leading to valuable agricultural land going out of use.

We must also take note of certain socio-economic changes which irrigation projects bring about, though these cannot be brought within the ambit of the term 'environmental'. Land values rise with the prospect of irrigation; rich farmers tend to buy up the land; as water becomes available it gets used up by the farmers in the head reaches, and water-intensive crops are grown, so that by the time the canal extends to its full length, the tail-enders get little or no water; all this results in the accentuation of the differences between the rich and the poor farmers. Attempts to settle project-affected people in the command area are also fraught with difficulty. There are also instances in which flow irrigation assures water supply to water-intensive cash crops such as sugarcane, while in nearby areas even drinking water is scarce. The easy availability of canal water and the political difficulties of pricing it economically lead to wastefulness in the use of water, and this in turn aggravates the water logging problems mentioned above. Lastly, doubts have even been expressed about the introduction of irrigation into arid or desert areas, as it changes established ways of living; for instance, the Rajasthan Canal Project may have the effect of converting an essentially nomadic people practising animal husbandry into agriculturists; or alternatively, it may lead (as in fact it has) to the induction of farmers in large numbers from adjoining states, which could lead to social tensions.

Some of these adverse consequences are readily amenable to remedial measures; some are rather more difficult to deal with; and some are fairly intractable. Among the most difficult problems is the finding of land for settling project-affected people. It is equally difficult to find suitable land for compensatory afforestation to offset lost forests. The re-location and re-training of project-affected people (particularly tribal communities which make a living by hunting and gathering) is a daunting task. The treatment of the upper catchment to prevent the loss of topsoil and the carriage of sediment into the reservoir may present problems, if the project were a large one with the upper catchment far away from the reservoir, and possibly in another state or country. Encouraging economy in water-use, preventing waterlogging, and ensuring equity in the distribution of water also present formidable challenges. Such challenges can and must be met; there is no need to take the gloomy view that certain adverse consequences and social evils are inherent in the projects, and draw the conclusion either that they must be endured, or that the projects themselves should not be undertaken at all.

As against these direct and indirect environmental and social costs, the benefits would consist in the provision of water to arid or drought-prone areas; irrigation leading to incremental agricultural production, income-generation and secondary occupations; and in the case of hydro-electric projects, the generation of power and its contribution to industrial activity, income-generation and employment, as also the role of hydro-electric power in balancing the overall power generation system. (No reference has been made to the generation of revenues, as water rates in general are so low that no significant revenues are yielded by irrigation projects).

In the light of the foregoing summary of direct and indirect costs and benefits, it would appear that the matter is merely one of weighing the costs against the benefits and approving those projects which pass the test of a certain minimum excess of benefits over costs. Unfortunately, the matter is far from simple. There are enormous difficulties in calculating both costs and benefits, and there is a curious reluctance to adopt a proper methodology of evaluation.

V

Appraisal and Monitoring of Projects: Problems

Under the procedure now in force, the major and medium* irrigation and multi-purpose projects of the state governments are referred to the Central Water Commission for examination and submission to a high-level committee known as the Advisory Committee on Irrigation and Multi-purpose Projects set up by the Planning Commission (commonly referred to as the Technical Advisory Committee or the TAC). For the purposes of the present paper, it is not necessary to go into the details of this procedure. Nor need we concern ourselves with certain questions which have been raised in this context, such as the need for the central clearance of state projects, the time taken by the processes of secrutiny and clearance, and so on. Considering the massive outlays involved, the need for carefully appraised investment decisions is quite clear, whether this takes place at the central or the state level, and whatever the procedures. What we are concerned with is the quality of the appraisal and the criteria for the approval of projects.

The first point to note is that the engineering point of view is predominant in both the formulation and the examination of large-dam projects. A project has its origin in an engineering conception with reference to a location which seems convenient for large-scale water-impoundment, and then the utilisation of the water which the project will make available is considered. The sequence is from project to utilisation, and not from identified needs to a project to meet those needs. To some extent this is understandable, as large-scale water-impoundment must necessarily be planned with reference to a favourable location. However, it is surely necessary to provide some basic justification for the proposed project as the optimal answer to the needs of the area in question and of the basin in which it is situated (unless the project involves an inter-basin transfer, which again will need justification with reference to need and possible solutions). We have to ask whether, from the point of view of the planning of land-use and water-use in the basin as a whole, and having regard to the socio-cultural history of the people, the particular area in question is suitable for agriculture or some other activity; whether it should be rainfed agriculture or irrigated agriculture; what the cropping patterns should be with reference to agro-economic considerations and soil characteristics; what kind of irrigation that cropping pattern will need, i e, what combination of groundwater and surface water, and whether techniques such as sprinkler or drip irrigation will be appropriate; and in the light of the answers to these questions, what the water needs of the area are and what options are available for meeting those needs. (The consideration of options should include water-harvesting, small tanks, the use of ground water, and so on.) If within such a framework we reach the conclusion that a large reservoir and canals are the best answer to the needs in a given situation, there are once again some choices to be considered: the precise location of the dam, the height of the dam, different levels of submergence with corresponding differences in damages and benefits, and so on. Such an examination of basic justification and possible options is not presented to the TAC; what is placed before the committee is only a single engineering proposition (including in some cases some relatively minor engineering choices) for approval. Efforts to in-

* The classification of irrigation projects into major, medium and minor in government documents is based on the extent of the culturable command area covered—major: having more than 10000 hectares of CCA; medium: 2000 to 10000 hectares of CCA; minor: below 2000 hectares of CCA.

troduce an approach of the kind outlined above have not been very successful.

Secondly, the manner in which even the specifically proposed projects are appraised for approval leaves a great deal to be desired. The criterion is conformity to an acceptable benefit-cost-ratio. The basic norm is a ratio of 1.5:1, but there are more liberal standards for drought-prone areas, tribal areas, and so on. Questions can be raised both about the adequacy of the basic norm and about the wisdom of lowering the norm still further for certain areas. However, leaving such issues aside, what is particularly unsatisfactory is not so much the standards adopted as the manner in which the benefit-cost-ratio (BCR) is calculated.

The BCR as now calculated is based essentially on the direct project cost and the value of the incremental agricultural production. (There is a host of difficulties, methodological and other, relating to the very concept of the 'irrigation potential' created by an irrigation project, which is the starting point for the calculation of benefits; however, that is a complicated and perplexing question which cannot be gone into in this paper.) The point is that neither the project cost nor the value of incremental agricultural production is a reliable figure.

It ought to be possible to make reasonably firm project cost estimates, given the experience available in this country, but evidently this is not so, judging from the practically open-ended time and cost overruns to which most major irrigation projects are subject. As regards the benefits by way of incremental agricultural production, these are somewhat conjectural, as no one can say with any confidence that the cropping pattern projected will in fact materialise (not to mention the difficulties of valuation). The possibility that the proposers of the project might have tried to adjust the calculations to yield an acceptable BCR cannot be ruled out. This is a very shaky basis indeed for decision-making.

So much for what the reports present; the omissions are even more egregious. There is very little effort to estimate the socio-economic and environmental costs and benefits. The value of the land needed for the project is taken at the estimated amount of compensation to be paid, and a very rough-and-ready estimate of the costs of rehabilitation of project-affected persons is included. No attempt was being made until recently to value the loss of forest cover or of occupations. Some efforts at such calculations have begun to be made under pressure from the ministry of environment, but they are very unsatisfactory. It should not be unduly difficult to estimate and include measures for countering the public health consequences of water-impoundment, but the provisions made are usually *ad hoc* and rough-and-ready, and are inadequate. The cost of treatment of the upper catchment is not generally included in project costs, except in a few cases at the instance of the environment ministry or of aid-giving agencies such as the World Bank. (There is a controversy as to whether in fact this is a legitimate charge on the project cost.) Water distribution and the development of the command area will call for further investments before the expected benefits can be realised, but until recently these did not enter the project cost estimates; 'command area development' was thought of as a separate activity. A few years ago, an integrated approach to project formulation covering everything from catchment treatment to command area development was formally adopted, but this has not yet become fully operational. On the benefits side also, there is little attempt to reckon the secondary and indirect benefits.

Industrial, mining and commercial projects in the central public sector are placed before the Public Investment Board after an appraisal by the project appraisal division of the Planning Commission, which, though not a full-scale socio-economic cost-benefit analysis, is a partial approach to it. No such appraisal is attempted in the case of irrigation projects, though these involve massive investments. Some years ago, a committee set up by the Planning Commission brought out a report outlining a methodology for the economic appraisal of such projects. Perhaps that methodology does not go far enough, but it will be a great improvement on the kind of examination that takes place at present. However, it has not been found feasible to adopt that methodology. There has in fact been considerable resistance to such ideas on the part of those involved in the formulation and examination of such projects.

In fairness, it must be admitted that any attempt at a proper socio-economic appraisal of such projects would encounter serious difficulties. The problematic nature of estimating (and valuing) the incremental agricultural production has already been mentioned. The estimation of secondary benefits is still more difficult. It will be relatively less difficult to evaluate the benefits of power generation, if the project were a hydro-elecric or a multi-purpose project. (Even in such cases, the quantification of the benefits derived from adding a peaking station to the system is not easy; but this is at least attempted—separately—by the central electricity authority.) If the project includes flood-moderation as one of its purposes, the valuation of this benefit also presents problems. On the costs side, it is extraordinarily difficult to quantify the environmental costs. While it may not be too difficult to put a value on the loss of trees or forest produce, how does one quantify the general environmental consequences of the disappearance of forests? The ministry of environment has laid down a thumb rule for quantifying this, but its soundness is open to serious doubt. In regard to the impact on flora and fauna, the absence of a data base makes it difficult to evaluate this and formulate remedial measures. Expensive and time-consuming surveys have to be undertaken, and this is best done *pari passu* wit the implementation of a project, by makin it a part of the project and providin organisation and finance for this activit within the project itself.

There is yet another complication. Ther are costs imposed by the project in the forn of loss of agricultural produce, loss of forest and loss of occupations; and there are othe costs involved in compensation payments fo land acquired or the provision of alternativ land, compensatory afforestation programmes, retraining and rehabilitation measures the provision of financial assistance and infrastructural facilities in the new resettlemen areas, and so on. But some of these costs are in fact intended to counter others, anc therefore the two work in opposite directions. It will be rather misleading tc aggregate all of them; if we do so we must also take into account the resulting benefits, such as the new occupations and the new forests which will arise in due course. In so far as agricultural land is concerned, we can either take the compensation paid as a measure of the loss of agricultural produce and occupations, or we can attempt to estimate the latter in true economic terms; a simple aggregation of the compensation payment and the value of the loss of agricultural produce and occupations would be methodologically unsound. Again, as mentioned earlier, it is quite possible that watershed treatment undertaken as part of a project may eventually result in a better situation than might have prevailed without the project. If so, the costs of such treatment should be offset by the benefits derived from it.

A further difficulty is that costs and benefitis do not affect the same set of people. To some extent, this may be true of all long-term planning for development: one generation saves and invests and another reaps the benefits of the investment. However, in the case of large-dam projects there is the further complication that even within one generation one set of people undergo the trauma of loss of familiar occupations and displacement from areas they have lived in for generations, and others (those who are in the command area of the project or are able to buy land there) derive the benefits of irrigation. In such a situation, how do we weigh the costs against the benefits? Whose costs against whose benefits? The only answer to this is that the rehabilitation measures should be inspired by the aim of not merely mitigating hardship but also assuring to the affected people a quality of life as good as if not better than what they are losing; and this should be a charge on the project. Attempts have also to be made to ensure an equitable distribution of the benefits arising from the extension of irrigation, if necessary through legislation enabling the allotment of land in the command area to the project-affected persons.

Clearly, then, a proper socio-economic cost-benefit evaluation of a major irrigation

(or multi-purpose) project is an enormously complex undertaking. It is true that some agencies outside the government have attempted this in the case of certain projects, but their calculations have been questioned by others. However, to recognise the difficulties is not to conclude that the exercise cannot or need not be attempted. The best possible efforts in the given circumstances must be made, and what cannot be quantified should be taken into account qualitatively. Without such an attempt there can be no basis for rational decision-making.

Our difficulties are not over with decision-making. Having made all kinds of calculations and approved a project, we may find that we have no way of knowing how the project will actually proceed. Leaving aside the problem of corruption, there is the persistent phenomenon of slippages, modifications, additions, scope-changes and cost over-runs, so that in the end the project as executed may bear little resemblance to the project as originally envisaged at the time of approval. Provisions may exist in the project for various matters such as proper drainage, environmental measures, the full rehabilitation of project-affected people, and so on, but there is no assurance that these provisions will be properly and fully utilised. In general, the human and environmental aspects tend to receive much less attention once the project has been sanctioned. The funds for compensatory afforestation may indeed get spent but the afforestation may not take place. In theory, waterlogging and salinity can be avoided but in practice they may not. The project may envisage the 'conjunctive use' of surface water and groundwater, but there is no operative system to ensure this. Water rates are so low as to guarantee the wasteful use of water, so that the full potential of the project may not be realised. Lastly, the maintenance of the assets created does not receive adequate funding or attention, with the result that the benefits begin to decline rapidly. In other words, the costs both direct and indirect are very real (and irreversible) though they are difficult to estimate, but the benefits may elude us.

It is, therefore, clear that a stringent and comprehensive appraisal is not enough; it is equally necessary to establish a strong, well-equipped machinery which will monitor the progress of all aspects of the project: the engineering and construction aspects as well as the rehabilitation, environmental and water-use aspects. A mere reviewing body will not be of much use: if it is to be effective, it must be armed with adequate powers of enforcement. Unfortunately, the existing appraisal machinery is not really adequate, and there is hardly any monitoring or enforcement machinery.

If the Central Water Commission is to undertake a comprehensive techno-socio-economic appraisal of major irrigation projects, it will need to be transformed into a multi-disciplinary body, not merely by the induction of a few persons from different disciplines at the lower levels, but by providing the agricultural, environmental, economic and sociological expertise at the senior levels (including the top level). A major restructuring will be needed to transform what is in effect a central water engineering commission into a central water commission in the real sense. Alternatively, the project appraisal division of the Planning Commission which services the public investment board in regard to industrial projects will have to be expanded to undertake the appraisal of irrigation projects as well; and an appraisal by the PAD should supplement the technical examination by the CWC, and these two examinations together should form the basis for a clearance by the advisory committee.

The establishment of a separate body to monitor the implementation of a project once approved, and to ensure not only that project implementation in its construction aspects proceeds apace but that there is also equal attention to the environmental and human aspects, has not really been tried. So far as the present writer knows, such a body has been set up only in one case, and there too it has not yet become very effective.

It must be added that given the political and the (misguided) popular pressure for such projects and the vested interests that

get built up, it is most unlikely that any machinery will be established at the state level for a rigorous socio-economic cost-benefit analysis of such projects as the basis for an investment decision, or for the effective enforcement of the remedial measures on the human and environmental fronts in the project-implementation stage. Needless to say, under our federal structure, any attempt at the central level to make the appraisal methodology more rigorous or to establish a post-approval monitoring and enforcement machinery will meet with strong resistance from the state governments. It may, therefore, seem to some that recommendations regarding a stringent examination of projects and the strict enforcement of conditions are unrealistic. From this, the drastic conclusion may be drawn that the only solution to the problem is not to go in for such projects at all. However, this too is unrealistic. Whether we like it or not, such projects will continue to be undertaken. We must, therefore, see how best a measure of discipline can be introduced.

Undoubtedly this will be difficult. We have the familiar phenomenon of a large number of 'unapproved' projects, i e, projects which have been taken up by the state governments without central clearance; and even the Planning Commission finds it impossible to refuse to make provisions for such projects. There is also the other phenomenon of 'non-plan projects', i e, major irrigation projects which cannot be included in the plan and made eligible for central assistance because of non-clearance by the centre, and which are, therefore, being financed by the state governments out of non-plan resources. Nevertheless, in spite of these difficulties, we have no alternative but to keep trying to bring about better discipline in this regard through such means as are available to the centre, namely, the requirement (grudgingly accepted by the state governments) of a scrutiny and clearance for inclusion in the plan, and a legal requirement of central clearance under the Forest Conservation Act, 1980. We must use these means to the fullest extent possible and simultaneously build up the right attitudes on the subject through an extensive dissemination of information and analyses.

In this context the point that has been made by several writers regarding the need for openness on the part of the project authorities and the governments concerned is very important. Information regarding all aspects of a project should be freely available; studies by academic institutions, consultancy agencies, voluntary bodies and others should be facilitated, and there should be receptivity and not resistance on the part of the project authorities and the governments concerned to the suggestions and ideas emanating from such outside sources.

It will be very useful to undertake an evaluation of a number of completed major projects with a view to ascertaining nature of the socio-economic and enviro mental impact that they have actually ha the benefits that they have contributed, a the costs that they have imposed. Su studies, of which there are regrettably ve few, would provide invaluable guidance f the consideration of new projects.

VI

Investment Costs and the Fundin Problem

We have not so far considered the fundi problem. The capital costs of major irrig tion projects have been going up sharp over the years, and at the same time the pr jects take longer and longer to complete, ar there is always a heavy backlog of u completed projects for which funds have be provided in each plan. According to t Annual Report of Ministry of Wat Resources for 1988-89, as many as 181 maj projects were spilling over from various pla periods into the Seventh Plan, needing a pr vision of Rs 26,270 crore. However, th actual provision in the Seventh Plan fo major and medium irrigation projects wa only Rs 11,555.56 crore. Clearly, this wa inadequate even for the needs of 'ongoing projects and left hardly any scope for ne projects. In fact, the Seventh Plan gav priority to the completion of unfinishe

irrigation projects which were in an advanced stage and were capable of yielding full or partial benefits in the plan period, particularly those benefiting tribal areas, drought-prone areas and areas with a substantial scheduled caste population; and restricted new starts to medium projects in drought-prone, tribal and backward areas. It also envisaged greater emphasis being laid on minor irrigation programmes which could be completed quickly and start yielding benefits, and the highest priority was to be accorded to measures for the utilisation of the existing irrigation potential. The position regarding provisions to be made in the Eighth Plan is likely to be even more difficult. Priorities will probably have to be still more stringent in the Eighth Plan, and it is difficult to envisage a large provision for new projects. In fact, there will have to be a rigorous review even of the socalled 'ongoing' projects with a view to concentrating on some and completing them; it may even be sensible (though probably politically difficult) to stop work on those projects on which not much progress has been made so far. The position which emerges is that a general debate regarding the desirability of large dams is perhaps somewhat academic, considering that there are hardly any resources for undertaking such projects.

However, this is a question of relative priorities. To rule out major irrigation projects entirely on the grounds of the heavy investment they need and the constraint on resources is to make an implicit priority judgment against these projects and in favour of others in the same sector or other sectors. While giving greater priority to the utilisation of the irrigation potential already created, the reclamation of the potential which has been lost through waterlogging and salinity, local water conservation and a vast improvement in water management, we cannot rule out new projects completely. We cannot say that there will be no new major irrigation projects in the Eighth Plan. That would be like the old argument of the sixties in favour of a plan holiday: the answer to that argument is simple, namely, that it cannot be done. The very fact that these are long-gestation projects means that early starts are needed; the uncertainties in regard to costs and benefits and the difficulties of control over the projects are not arguments in favour of abandoning planning, but merely call for greater and more concerted efforts.

Another argument relates to the rate of investment per hectare of irrigation potential created, which has been going up. It was Rs 1,530 in the First Plan period and has been reckoned at Rs 39,330 for the Seventh Plan period. (The latter figure has been arrived at with reference to the likely actual outlay of around Rs 11,800 crore on major and medium irrigation projects and the irrigation potential of 3 million hectares actually expected to be added during the Seventh Plan period.) The figures are somewhat misleading because we cannot really compare First Plan figures and Seventh Plan figures without an adjustment for price-level changes. Moreover, there is also a time-lag problem: some of the expenditure incurred during a plan period may fructify into irrigation potential in the next plan period. (But of course, the time-lag factor applies at both the commencement and the conclusion of the plan period, and so perhaps it may not significantly affect the calculations.) To get out of these difficulties, it has been suggested that the investment per hectare of irrigation potential should be determined with reference to individual projects recently cleared by the TAC. One calculation is that this would be Rs 22,600. However, this too may not be dependable because the completion costs of the projects might turn out very much higher than the costs approved by the TAC, and the irrigation potential created might turn out to be less. On the other hand, if we try to calculate the cost with reference to a few *completed* projects, we will run into the difficulty that these projects must have commenced several years ago, and that a substantial part of the investment in these projects relates to past years and will not reflect current costs.

If we ignore all these complications, refrain from making comparisons between different plan periods, and go merely by the Seventh Plan provision of Rs 11,555.56 crore and the projected creation of additional irrigation potential or 4.3 million hectares, we get a figure of Rs 26,874 as the investment per hectare of irrigation potential. To this we have to add a figure, say Rs 2,000 or so (this is purely guesswork), to make up for the likely under-provisioning of environmental and rehabilitation costs; and a further figure of Rs 2,500 to Rs 3000 to cover investments on CAD works, etc, to ensure the utilisation of the water made available. We then get a rough-and-ready figure of around Rs 32,000 per hectare. As against this, the Seventh Plan provides an outlay of Rs 2,804.99 crore on minor irrigation; if we add the projected institutional investment of Rs 3,500 crore, we get a total of Rs 6,304.99 crore. This was expected to create an additional potential of 8.6 million hectares. This gives an investment of Rs 7,331.38 per hectare. Whatever the methodological questions and the adjustments needed, it seems abundantly clear that the investment per hectare of irrigation potential created by a major irrigation project is a multiple (fourfold or more) of the figure under minor irrigation projects.

VII

Major versus Minor Irrigation

It is in this context that the advocacy of a shift of emphasis to minor irrigation acquires plausibility. An economic comparison of the two is of course not very simple. In the first place we may have to make some addition to the investment cost under minor irrigation to cover elements which it does not take into account. Secondly, the cost of operation (energy for pumping, etc) may be much higher in the case of minor irrigation, and there may be need for capital repairs or renewals and replacements every few years. (Assets created under major irrigation projects have a much longer life.) These are matters for detailed calculations. (The Central Water Commission believes that in

with the large projects.) The more important point is that, as we have seen earlier, the use of surface water and that of groundwater cannot be considered in isolation from each other.

However, without attempting an economic comparison between major and minor irrigation, it has to be conceded that there are some practical advantages in the latter. In a capital-scarce situation, where the resources to undertake and complete large projects are not easy to find, we may necessarily have to give some preference to options which call for limited investments. Further, we have a much greater control over small projects. These are not plagued by time and cost over-runs. The area covered is limited and so there should be no time-lag in utilisation; the gap between potential created and potential utilised is essentially a problem relating to major irrigation projects (though it has begun to make its appearance in the case of minor irrigation also). The question of a conflict between head-reached farmers and tail-enders is also one which does not arise in the case of minor irrigation. Minor irrigation is also unlikely to create problems of waterlogging and salinity. As the farmer ultimately bears both the capital and the operating costs under minor irrigation (though with some subsidisation), water-use is likely to be much more careful and economical than under major irrigation. Lastly, major irrigation projects have a long gestation period whereas minor irrigation yields immediate returns. In view of these considerations there is certainly a case for a much greater emphasis being placed on minor irrigation, and for being more selective about major irrigation, though this does not mean a ruling out of major projects. In fact we need a change of names: the terminology of 'major' and 'minor' carries an unintended implication of a ranking of the two kinds of irrigation. It is necessary to remember that what we call 'minor irrigation' is minor only in respect of area covered and not minor in importance.

VIII

Projects to be Multi-Purpose

Finally, considering the heavy investments, long-gestation periods and the human, social and environmental problems involved in large-dam projects, it stands to reason that every possible benefit should be extracted from such projects; in other words, they should be multi-purpose projects. Each such project should provide for drinking water, irrigation, industrial use, the generation of hydro-electric power and flood control (if the river is prone to floods), and the reservoir should also be used for fisheries development. Additional investments (power station and distribution network, water supply systems, cold storage and transportation facilities, etc) would of course be needed for the actual realisation of some of these benefits. Some of these investments may be a part of the project from the beginning, and others may be made later and may be separate projects, but the water-resource project should be conceived of as a composite one from the start. The economics of that project would undoubtedly be greatly enhanced by such an approach. (Needless to say, each such project should be conceived of, not as an isolated project, but as one component in an overall plan for the development of the basin as a whole.)

IX

Conclusion

The purpose of undertaking this rather protracted examination was not merely an academic clarification of issues but also a practical one of deriving guidance for policy and action. The results of this analysis can be set forth as follows.

We cannot, on environmental grounds, say 'No' to large dams and reservoirs; nor can we, having regard to projections of demand and availability, accept the view that there is no need for such projects. We should certainly accord priority to the utilisation of the potential already created, the reclamation of the potential which has been lost through misuse, and a vast improvement in water management (including both economy in use and recycling). We must encourage extensive local water-harvesting, and undertake re-greening and other measures to retard the rate of run-off and improve the retention of water in the ground. We should also place a much greater emphasis than in the past on minor irrigation, which calls for less immediate investment, promises quicker results, and presents fewer problems. Possibilities such as the use of sea water and the tapping of deep underground aquifers also need to be examined. However, we cannot rule out investment in at least some large-dam projects. Large and small projects, and the use of surface water and groundwater, have to be integral parts of an overall plan of land-use and water-use for a drainage basin or watercourse system as a whole. At the same time, considering the heavy costs (financial, human, social and environmental) involved in large-dam projects, we have to be highly selective and extremely cautious regarding approvals to such projects. First, there should be an elimination of sites which are totally unacceptable from the environmental or socio-economic points of view. In respect of other locations, strenuous efforts need to be made for a comprehensive and rigorous techno-socio-economic appraisal of large-dam projects, despite the methodological, institutional and political difficulties involved. All available options for a given situation should be examined. Major water-resource projects involving large dams should be considered acceptable only if they represent the optimal answers to the needs of the area. Each such project should be planned from the beginning as a composite multi-purpose project

(covering irrigation, hydro-power, dri
water, industrial use, fisheries developm
etc) within an overall development pla
the basin. The clearance of such pro
should be conditional not merely on
passing a thoroughgoing scrutiny, but
on the benefits significantly exceeding
costs. Stringent conditions, particularl
regard to the human and environme
aspects, will have to be attached to
clearance, and there should be a machi
armed with adequate powers to enforce
conditions. This will be difficult but it is
only way in which the dangers inheren
such investment decisions can be mini
ed and the projected benefits realised.

Some of the elements in that statem
may seem familiar; they may be found
writings and speeches which advocate
ferent (and partial) points of view. The m
of the present contribution, if it has
must lie in the openness of mind it stri
to bring to bear on the subject; the rout
patient examination through which it se
to reach its results; and the effort it ma
(with whatever measure of success) at co
pleteness of statement. The result may ple
neither the environmentalists (or so
among them) who would strongly argue
a simple 'No' to such projects, nor
engineers who may fear that the con
tionalities proposed would be so string
as to be virtually negative; but alas, in t
as in many other matters the truth is diffic
and complex and does not lend itself
simplification.

[This paper has been written in the autho
personal capacity and the views expressed
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ed; errors of perception, fact or analysis th
remain are his own.]

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Major and Minor Irrigation Works

Cost Aspects of the Controversy

B D Dhawan

It is inappropriate to derive investment norms for irrigation, plan-wise and category-wise, from plan statistics on outlays and irrigation potential. Such norms for minor irrigation works are inherently underestimated. Their comparison with the corresponding norms for major and medium irrigation works give a misleading picture that minor irrigation is a less capital-using option for the Indian economy. Not only the capital saving argument but also the recurring costs argument appears to be tilted against minor irrigation. Thus the case for according priority to minor irrigation development in Indian water planning on grounds of cost economy is not well founded in facts.

INTRODUCTION

BY nature water is a very complex resource. As and when its complexities are ignored, or simplified, by the critics of water planning, controversies can easily crop up. In view of the heightened public interest in this vital resource some of these controversies can spill over to public fora like the daily press, weekly magazines and parliament. Given the ample scope for misunderstanding[1] of crucial aspects of this resource, non-issues can become issues of great concern and attention.

By and large, the controversial issue of promoting minor or major irrigation works—a variant of this issue is groundwater against surface water irrigation—is a non-issue. This is for two solid reasons. First, our water endowment is not that bountiful as is often portrayed by many public-spirited persons. Even on full development of all our ultimate irrigation potential, we are not likely to extend the benefit of irrigation to more than 60 per cent of our crop land—this percentage is likely to be around 35 for extremely water-short regions like the Deccan plateau, Gujarat and Rajasthan states of western India. Thus we cannot afford to neglect any of our water resources, half of which are in the form of major and medium works category.

The second weighty consideration emanates from a hydrological standpoint. Hydrologically speaking, both groundwater and surface water are inter-linked resources.[2] It is mainly due to such inter-linkage that water planners plead for development of a conjunctive irrigation system, thereby precluding exclusive emphasis on either surface or groundwater irrigation.

In view of the foregoing perception it does not appear to be a matter of great relevance to investigate which of the two options, namely, major and minor irrigation, would prove a better proposition in terms of cost-benefit framework. Given the difficulty of resolving the question of comparative costs and comparative returns, one must be wary of all simplistic propositions in this regard. The pitfalls in comparing costs alone of the two categories of irrigation, let alone their comparative augmentation in farm production, are dealt with in what follows. It is hoped that this will go a long way in exploding the myth about minor irrigation, unlike major irrigation, being deemed as a low-cost proposition for the Indian economy. In a way, the author is carrying forward the story of his short paper,[3] in which he conjectured as follows:[4]

> If costing of the two sources of irrigation is appropriately carried out, surface irrigation works may score decisively over well irrigation, possibly by a margin of 3:2.

The outline of the paper is as follows. To begin with, we briefly describe the criteria for categorising irrigation works in Indian planning. Next we look at the cost structure of irrigation. This is to emphasise the need for probing the cost issue both from capital and recurring cost angle, as the comparisons done by some writers solely or the basis of capital costs unfairly show major irrigation works in a poor light. This kind of partial comparison of the two categories of works is still further tilted against major irrigation as the available estimates of unit capital cost are found to be deficient on three counts. The drawbacks of the available estimates, derived mostly from five-year plan reports, are duly highlighted. This is followed by drawing attention to the weakness of the much-talked about capital saving argument in favour of minor irrigation development. Towards the end, we bring out the substantial advantage in respect of recurring costs in promoting major over minor irrigation in India.

Since neither our estimates of unit capital cost nor our estimates of operational costs of major and minor irrigation works are very firmly established, we are desisting from indicating the extent to which the overall cost advantage lies in favour of major instead of minor irrigation works. Whosoever is eager to do so must use not only firm estimates of capital and operational costs but also carry out the exercise in terms of social costs. While doing so, one must duly reckon with two aspects of investment costs of major irrigation works, namely, (i) the true cost of land (including forest cover) submerged by reservoirs and (2) the rent-seeking elements (i e, kickbacks and fictitious expenditure) in costs of major irrigation projects. While the true cost of land submergence is likely to be far more than the nominal figures shown in project records, the exclusion of rent-seeking costs will substantially bring down the true resource cost of the major irrigation projects.

CATEGORIES OF IRRIGATION WORKS

Irrigation works can be distinguished in more than one way. For our purpose here it would suffice to note that categorisation of irrigation works in Indian planning is mainly on the basis of irrigation capacity of a work, mentioned as irrigation potential in our plan documents. (Prior to the Fifth Five-Year Plan, investment outlay needed for executing an irrigation work was the criterion of categorisation.) When the crop area to be irrigated from a given scheme is 2,000 hectares or less, the scheme is treated as a minor irrigation work. It is when the irrigated acreage exceeds the limit of 10,000 ha that the irrigation work is characterised as major work. For a scheme designed to irrigate between 2,000 and 10,000 ha there is the third category of medium irrigation works. Schemes under the third category being few, these are usually clubbed with the category of major irrigation works. And all groundwater-based schemes are invariably included in the minor irrigation category.

Leaving aside for the moment the limitations of plan statistics with regard to major and minor irrigation potential, the aggregate irrigation capacity of all minor irrigation works is of the order of 40 million ha as compared to about 30 million ha under major (and medium) irrigation works. Thus the minor irrigation segment of the Indian irrigation sector is bigger than the major irrigation segment by a factor of one-third.[5]

Within minor irrigation segment, dugwells and tubewells dominate, accounting for almost three-fourths of the capacity of this segment. In fact, most of the additions to minor irrigation capacity since 1951 are from groundwater sources.

COST STRUCTURE OF IRRIGATION

For any productive activity, two types of costs are entailed. One is the capital cost, and the other is the operational cost. Capital costs arise in the construction phase, whereas operational costs are incurred after the construction phase is over. It is now well recognised that modern irrigation works are highly capital-using. In view of this, project cost comparisons are often made in terms of unit capital costs of various irrigation projects. That is to say, irrigation projects are compared on the basis of their construc-

tion costs (including pre-investment investigational outlays) per unit area to be irrigated by them on full development. This way of looking at comparative project costs appears quite all right for major irrigation works whose annual operational costs (including repair and maintenance costs) per unit area to be irrigated are extremely small. According to the Eighth Finance Commission of India, the operational costs for major irrigation works for 1981-82, when divided by area benefited by these works, would amount to about Rs 92 per irrigated hectare.

Evidently, it is inappropriate to compare two irrigation projects on the basis of unit capital cost only if their cost structures are substantially at variance with each other. This is precisely the position when it comes to comparing major with minor irrigation works. It is a well known fact that operational costs *vis-a-vis* capital costs are of far greater significance for minor than for major irrigation works. Given this structural difference in costs, cost comparison based on capital costs alone can put minor irrigation in a questionable advantage over major irrigation. And matters can become truly worse if the estimates of unit capital cost of the two categories of irrigation are highly deficient, the deficiency being such as to tilt the balance in favour of minor irrigation, as shown below.

Drawbacks in Available Estimates

Nowhere in the five-year plan reports one comes across concrete figures of unit capital requirements for irrigation works of either category. Therefore, one must be wary of any such estimates that may be quoted by minor irrigation lobbyists in support of their contention. The cited figures, category-wise or plan-wise, are usually the handiwork of analysts who try to grind them out from the following two sets of statistics listed in the plan documents:

(1) actual or anticipated outlays for major and minor irrigation works for each plan period; (2) planners' own estimates of irrigation potential created, or anticipated to be created, in each plan period for each category of irrigation.

In what follows we bring out how faulty estimates of unit capital cost can be generated when plan outlays are divided by corresponding estimates of irrigation potential. To begin with, the plan statistics on outlays for minor irrigation do not give a full picture of capital resources required for developing minor irrigation capacity in the country. The reported outlays are for the public sector only, thereby leaving out investments on private account. In other words, the play outlays for minor irrigation works are not inclusive of farmers' own investments in tubewells, dugwells, pumpsets etc. Since the plan statistics on minor irrigation potential are for the entire minor irrigation segment (i e, both on public and private account), the collation of the area and outlays data given in the plan documents gives rise to seriously underestimated figures of unit capital requirements of minor irrigation unless the user of these plan statistics makes suitable adjustments for the omitted investments on private account. Needless to say, a similar collation for major and medium irrigation works yields an estimate of unit capital cost which is free from the element of underestimation as the major and medium irrigation schemes are envisaged entirely for the public sector.

Secondly, there is some lack of compatibility between outlays on irrigation in a given plan period and the resultant addition to irrigation capacity in the same plan period. It is well known that the gestation period for a major irrigation project is about 10 to 12 years under efficient conditions of implementation, and 20 to 25 years under inefficient conditions of implementation. As irrigation capacity of an ongoing project is not created in direct proportion to investment expenditures in a given plan, a lack of correspondence between plan outlays and created irrigation potential can exist for a given plan period. This can distort the estimate of unit capital cost, the distortion being more serious in the case of major than minor irrigation works like wells which can be usually constructed within a single year.

The third limitation of the plan outlays on irrigation arises from the fact that some of these are not meant to result in any addition to irrigation capacity. For instance, outlays on (1) research and investigation organisations like the Central Water Commission and the Central Groundwater Board, (2) remodelling of headworks, lining of channels and strengthening of drainage in old irrigation and (3) replacement of old works[6] that have outlived their useful lives, are not envisaged to enhance irrigation capacity as such. Instead, these are meant more to improve the productivity of the irrigation system as such. Evidently, such outlays unduly raise the derived figures of unit capital costs, the rise being obviously higher for major works.

The foregoing exposition of the principal drawbacks of the plan data on irrigation sector clearly brings out that the estimates of unit capital cost for irrigation works, when derived from such data, can be quite erroneous. Such derived estimates, as we shall demonstrate presently, could be grossly understated in respect of minor irrigation works—especially for wells and tubewells—and considerably overstated for major and medium irrigation works. Evidently, inferences based on a comparative analysis of such unit capital cost estimates for various irrigation works cannot be accepted without reservation. In his recent book, J S Kanwar, basing himself on such faulty estimates, erroneously observes that the 'costs of groundwater development are hardly one-fourth of surface water development in the Seventh Plan'.[7] Likewise, in another recent study by the secretariat of the Afro-Asian Rural Reconstruction Organisation, the following inference is drawn for the entire period of Indian planning:

> The investment cost of unit irrigated area for major and medium irrigation projects was 118 per cent more than for minor irrigation.[8]

For the benefit of the curious reader, we give in the table the estimates derived by P Sachidanandan and B P C Sinha for major and minor irrigation works for various plan periods.[9] Mainly owing to the persistence of price inflation throughout the period of planning, unit investment costs for all categories of irrigation works have shown a strong upward rise, notably since the Third Five-Year Plan period. During the fifties this rise was rather of a modest magnitude in the category of major and medium irrigation works, but very steep in the category of minor irrigation works (see the table). As a result of this, the Second Plan figure for unit cost for minor irrigation works came to exceed the corresponding figure for major and medium irrigation works. Our contention is that this startling result has arisen largely because of serious underestimation in the estimated outlay figure for minor irrigation for the First Plan period.

Institutional finance has played a noteworthy supporting role in the development of minor irrigation. Over time, its share in total investment funds used for minor irrigation works has risen steadily, though firm estimates in this regard are not available. This is inferred from two empirical facts. First, investments in Indian agriculture are being increasingly financed by the commercial and the co-operative banks. According to M V Gadgil, institutional finance, which accounted for 29 per cent of private capital formation in Indian agriculture in 1973-74, constituted about 43 per cent of capital formation during 1982-83.[10] Second, much of this institutional finance has been used for minor irrigation purpose. According to S S Sangwan, the per cent share of such finance was 42 in 1969, 80 in 1975, 63 in 1981 and 49 in 1985.[11] In view of these facts, one may say that the degree of underestimation in investment outlays for minor irrigation ought to diminish as we move from First to the Seventh Plan.

Questionable Capital Saving Argument

In a capital-short economy like ours it is a very appealing thing to commend to planners options which appear least capital using. In this context, we must reckon with two things, namely, (1) the supporting investments required for each option and (2) the replacement time after which fresh investment is required for each option. Let us, therefore, look at these aspects of major and minor irrigation options, so as to ascertain which option may strain our capital resources less in the long run. In my assessment, the capital saving argument, contrary to the general impression, is more tilted in favour of major than minor irrigation.

Generally speaking, the useful life of major irrigation works is reckoned at 100 years, after which the civil structures of the canal network need to be reconstructed. As far as the dam is concerned, its life is governed mainly by the number of years it would take to get the 'dead' storage of the reservoir to fill up with silt and debris brought by water flowing into the reservoir. It is widely agreed that the rate at which reservoir siltation is occurring in India is much higher than the rate assumed by dam designers. Even then, reservoirs are expected to serve useful purpose for 100 years or thereabouts. So, the need for replacement investment in the case of major irrigation works is anticipated to materialise largely after 100 years. This is far in excess of the corresponding period for minor irrigation works, especially tubewells which are expected to last for 20 years or so under good maintenance conditions. Likewise, pumpsets fitted on open wells need replacement investment in 15-20 years time. It is only the investment embedded in dugwell proper that requires replacement after a much longer time, say, about 50 years in the case of masonry wells located in alluvial soils and 100 years or more for dugwells in hard rock regions.

Major and medium works use the natural force of gravity in their operation, while groundwater and minor surface water lift schemes need energy for countering the pull of gravity. Thus supporting investments in the energy sector are minimal for major and medium works but quite substantial for minor irrigation. In particular, electric pumpsets/tubewells need requisite investment in power generation equipment and rural electrification system. An average pumpset in India required about 4 KW of power during the mid-seventies when each KW of generating capacity cost nearly Rs 3,000 in capital outlay alone.

It is not known how much is the capital cost borne by the nation while meeting the energy needs of an agricultural pumpset. Nor do we have firm estimates of such supporting investment needed for each unit area of irrigation potential established through minor irrigation works. But some idea about the relative dimension of such costs *vis-a-vis* the plan outlays on minor irrigation can be formed by adopting the following procedure, which we apply to the Fifth Five-Year Plan data. To begin with, we estimate that portion of the plan outlay on power generation as can be attributed to 0.870 million electric pumpsets added during the same plan period. To this we add the specific plan outlay earmarked for rural electrification. Finally, we estimate the investment in minor irrigation on farmers' own account. Adding these three costs on capital account to the direct capital outlay reported for minor irrigation, we obtain total investment needs of the minor irrigation segment, which on division by the corresponding addition to minor irrigation potential yields the estimate of total investment cost per unit area for minor irrigation works.

Assuming (1) each electric pumpset requires 4 KW capacity at the power generating point and (2) each KW capacity was established at Rs 3,500 during the 5th Plan, the plan outlay for power generation for 0.870 million electric pumpsets would amount to about Rs 12,180 million. To this may be added Rs 8,420 million on account of expenditure on rural electrification programme during the Fifth Plan, making a total of Rs 20,600 millon on account of supporting investment in power for electric pumpsets.[12]

As against the supporting, or indirect, investments of the order of Rs 20,600 million on account of electric pumpsets, the Fifth Plan figure of direct investment in minor irrigation is considerably lower, namely, Rs 14,110 million. As pointed out earlier, this figure is exclusive of investment on farmers' own account. The reported break up of this figure is as follows: (i) contribution of the state governments Rs 6,310 million (ii) financing from institutional funds Rs 7,800 million.

If we make an assumption that farmers' own funds amounted to just *one-fifth*[13] of the total direct investments in minor irrigation, the farmers' share would be around Rs 3,528 million. Thus aggregate direct outlays on minor irrigation for Fifth Plan add up to nearly Rs 17,638 million, still less than the corresponding indirect outlay of Rs 20,600 million on account of electric pumpsets. The sum of these direct and indirect outlays comes to about Rs 38 billion, which on division by 3.8 million ha of minor irrigation potential added during the Fifth Plan yields an estimates of nearly Rs 10,000 per ha. This reestimated unit capital cost is well above the corresponding estimate of nearly Rs 6,000 per ha for major and medium irrigation works (*vide* the table).

Differential in Operational Costs

The weakness of the assertion that, hectare for hectare, minor irrigation requires a fraction of the capital resources needed for developing major irrigation works has been demonstrated in the preceding analysis. In all probability, establishment of major irrigation projects may prove a much less capital using proposition for the economy as a whole. In what follows an attempt has been made to quantify the advantage in recurring costs in promoting major over minor irrigation schemes. What is being attempted here is an all-India picture of recurring as well as one-shot costs of the two broad categories of irrigation works. It is very likely that the differential in costs varies considerably across regions of this country of continental diversity.

The estimational details, alongwith the sources of data and their limitations, are not being enumerated here in the text but are being relegated to an appendix note. Here, two observations would suffice for a discerning reader. First, the operational costs are strictly recurring costs, thereby excluding both the depreciation charges as well as the interest charge on investment cost. Second, an attempt has been made to work out the recurring cost in resource use terms. While we have tried to keep out the elements of taxes and subsidies, no attempt has been made to shadow price the inputs. Thus, the cost of electricity used in wells equipped with electric pumpsets (now the most prevalent mode of groundwater irrigation in the country) is reckoned at the resource cost of supplying it to rural areas. That is, we value electricity neither at its opportunity cost elsewhere in the economy, nor at the highly-subsidised rates actually paid by farmers.[14]

Obtaining estimates of recurring costs for major and medium irrigation works is a comparatively simple task as the comptroller and auditor general of India compiles financial accounts of public irrigation works in one consolidated form. On the other hand, it entails considerable effort in estimational work for minor irrigation works, which are largely owned by individual farmers. We

Table 1: Unit Investment Figures for Irrigation by Type of Irrigation and by Phase of Indian Planning

S No	Planning Phase	Major and Medium Irrigation Works	Minor Irrigation Works (A)	Minor Irrigation Works (B)
1	First Five-Year Plan (1951-56)	1,520	550	655
2	Second Plan (1956-61)	1,810	2,300	2,210
3	Third Plan (1961-66)	2,640	2,010	1,990
4	Annual Plans (1966-69)	5,900 (2,890)	2,810	2,820
5	Fourth Plan (1969-74)	4,760	2,610	2,610
6	Fifth Plan (1974-78)	6,110	2,710 (3,710)	3,670
7	Annual Plans (1978-80)	10,820	4,120 (3,620)	3,660
8	Sixth Plan (1980-85)	19,310	4,520	4,390
9	Seventh Plan (1985-90)	26,870	7,830 (7,330)	NA

Notes: (1) For major and medium works as well as minor works (estimate A), the data are from Sachidanandan's paper. Some discrepancies were noticed. So the correct figures, as derived from his data on expenditure and irrigation potential given in Table 1 (p 80), are shown in brackets.

(2) The estimate B for minor works is derived by the author from Sinha's relevant data in Table 6 (p 140). For Sixth Plan, the estimate is based on provisional data.

Source: Papers by P Sachidanandan and B P C Sinha in J S Kanwar's book.

have attempted the exercise for the beginning of the eighties only. Needless to say, there is ample room for improving the estimational work.

Our estimate for major and medium irrigation works comes out to nearly Rs 60 per irrigated hectare. This is way below the corresponding estimate of recurring expenditure for groundwater irrigation, which ranges between Rs 637 and Rs 849 per irrigated hectare. Thus there emerges a differential of almost 1:10 between major and minor works, that is, major irrigation is one-tenth less resource using in respect of recurring costs.

Conclusions

It is inappropriate to derive investment norms for irrigation, plan-wise and category-wise, from plan statistics on outlays and irrigation potential. Such norms for minor irrigation works are inherently under-estimated. Their comparison with the corresponding norms for major and medium irrigation works give a misleading picture that minor irrigation is a less capital using option for the Indian economy. Not only the capital saving argument but also the recurring costs argument appears to be tilted against minor irrigation. Thus the case for according priority to minor irrigation development in Indian water planning on grounds of cost economy is not well founded in facts.

Appendix

Estimates of Recurring Costs of Irrigation

In this note we spell out the details behind our estimates of recurring costs of major and minor irrigation per irrigated hectare for the beginning of the eighties. There is considerable room for firming up these estimates, especially the one for minor irrigation. Despite the infirmities, we do hope these numbers do provide a fair picture of the differential in recurring costs between the two categories of irrigation works.

Sources of Data and Their Limitations

The annual reports of the state irrigation departments are the principal source of information with regard to operational expenses of major irrigation works. The audited accounts of these reports are published by the comptroller and auditor general of India in its annual publication entitled *Combined Finance and Revenue Accounts of the Union and State Governments of India*. Accounts of major and medium irrigation works figure in two sets of tables, namely (a) Account No 101 for multipurpose river valley projects like Bhakra and Nagarjunasagar, and (b) Account No 102 for irrigation, navigation, drainage and flood control projects. While the data in respect of irrigation is separately listed in Account No 102 (and its sub-accounts), it is not so with the other account. Expenditure on two items, namely, maintenance and administration, is being deemed by us to be the operational cost of major irrigation works.

For getting at the operational costs of minor irrigation, one has to carry out an estimational exercise. The task is not difficult because we have adequate data base for the purpose. First, we have the published records on electricity consumed by the Indian agricultural sector. Since the resource cost of supplying electricity can be computed from the records of the state electricity boards, we can make a reasonable estimate of operational cost of well irrigation due to the use of electricity. Second, we have published records on the number of waterlifting devices by category of motive power, namely, electric pumpsets and diesel pumpsets. By adopting a suitable norm for petroleum oil consumption per diesel pump per year, one can figure out consumption of diesel oil for well irrigation purpose, and this consumption can be valued at appropriate price of diesel oil. Third, repair and maintenance cost of pumpsets can be figured out by first adopting an investment norm per pumpset, and next applying the norm that repair and maintenance expenditure amounts to some 5 to 10 per cent of the cost of a pumpset. Fourth, operational costs for wells equipped with traditional waterlifts may be assessed with the help of estimates based on sample survey reports prepared by scholars/agencies who have studied the comparative economics of traditional and modern wells.

A word about the data source on irrigated area is necessary. We are using the data on utilised irrigation potential given in five-year plan reports, and not from the land use statistics compiled by the state revenue departments and finally published by the central ministry of agriculture. The problem with the latter source, which is usually used by scholars of Indian agriculture, is that category-wise statistics of irrigated area are in 'net' terms, and not gross terms. Without making assumptions about intensities of irrigation for major and medium irrigation works on the one hand and minor works on the other, it is not possible to convert net irrigated area into its corresponding gross irrigated area. Fortunately, the plan statistics of irrigation potential are on gross area basis.

Operational Cost of Major Irrigation

The operational expenditure for the multipurpose river projects amounted to about Rs 279 million during 1980-81. In respect of major and medium irrigation projects the same totalled around Rs 1,083 million. Thus overall operational costs of canal irrigation may be reckoned at Rs 1,362 million, of which Rs 530 million was accounted by establishment cost alone. The maintenance and repair expenditure stood at about Rs 844 million, just about 15 per cent below the revenue income (Rs 986 million) from the canal system in 1980-81. Adopting a figure of 23 million hectare for area actually irrigated by major and medium works in 1980-81, one obtains an approximate estimate of Rs 60/ha as operational cost for canal irrigation.

Operational Cost of Well Irrigation

There were about 4 million electric pumpsets at the beginning of the financial year 1980-81. Indian agriculture reportedly absorbed in this year about 14,489 million KWH. These statistics imply an annual consumption of about 3620 KWH per electric pumpset, which is about one-fifth higher than the norm of 3000 KWH per electric pumpset used by the Working Group of Energy Policy in its report of 1979. Assuming that some of the electricity was used for purposes other than pumping of groundwater, we are envisaging that about 13,000 million KWH was used for groundwater pumping. Though farmers usually paid 15 to 20 paise per KWH, the resource cost of power generation and rural electrification in 1980-81 may be placed in the range 60 to 80 paise per KWH.[15] Thus, cost on account of electricity comes in the range of Rs 7,800-10,400 million.

Diesel oil used in agriculture, as per the national income accounts of 1980-81, amounted to about Rs 24,788 million at current prices. This was used by over 2.6 million diesel pumpsets, nearly 0.3 million tractors, an unknown number of harvest combines and threshers. The Working Group on Energy Policy (1979) adopted a norm of 0.8 tons per diesel pumpset. (We believe that this is on the high side, as it is derived on the principle of energy equivalence for 3000 KWH for an electric pumpset.) If we follow this norm and assume a price of Rs 2,200 per ton for diesel oil, the energy cost for diesel irrigation pumps may be placed at Rs 4,576 million for 1980-81. But if we adopt a lower norm, say 0.6 tons per diesel pumpset, the cost for 2.6 million diesel pumpsets would be Rs 3,432 million. Thus we get a range sestimate of Rs 3,432-4,576 million for diesel consumption by diesel pumpsets for 1980-81.

Thus the expenditure on account of electricity and diesel oil fell in the range Rs 11,232-14,976 million, which, when divided by a groundwater irrigation potential of 23 million ha for 1980-81, yields a range estimate of Rs 488-651 per ha. To this may be added a notional repair and preventive maintenance cost of Rs 49-98 per ha by making two assumptions, namely, (1) the investment cost per pumpset in 1980-81 was Rs 3,500 and (2) the repair and maintenance cost ranged between 5 and 10 per cent of the investment in pumpset. Therefore, the operational cost on account of pumpsets alone ranged between Rs 537 and Rs 749 per irrigated hectare. To this have to be added two more costs, namely, (i) cost of operating traditional wells and (2) repair and maintenance of dugwells and tubewell borings.

There were about 7.8 million dugwells and nearly 2.2 million tubewells in existence at the beginning of 1980-81. If 6.5 million pumpsets were used in 2.2 million tubewells and 4.3 million dugwells, 3.5 dugwells are presumed to be operated by traditional waterlifts. Since many of the dugwells fell into disuse as their owners acquired tubewells, we may say about 2.3 million dugwells were used with traditional waterlifts. We are adopting a figure of Rs 1,000 per traditional waterlift.[16] With this, the average operational cost per hectare for well irrigation stood somewhere between Rs 637 and Rs 849 during 1980-81.

Notes

1 Even for a country like the US, Charles Howe is constrained to remark in his book *Natural Resource Economics* (Wiley, 1979) that water among the natural resources is most misunderstood.

2 Some hydrologists consider the interlinkage so close that they refuse to consider groundwater and surface water as separate entities.

3 B D Dhawan, 'Water Resource Development: Groundwater versus Surface Irrigation', *Journal of Indian Water Resources Society*, Volume 8, No 1, January 1988, pp 49-52.

4 Also, it was hypothesised that the cost advantage of surface irrigation works is wholly offset by the disadvantage on the benefits side. That is, neither groundwater nor surface water irrigation is a cost-effective option, and thus need not be specifically promoted on grounds of costs and returns.

5 B B Vohra, a proponent of the minor irrigation cause, is unduly dramatising by writing under the banner 'Minor becomes Major'. In point of fact, such a differential between the two segments has prevailed since long, e g, the same differential is noticeable in 1950-51, the pre-plan date.

6 A sum of Rs 8,000 million is to be spent as replacement investment on the Ganges Canal System (west UP) whose major civil works (between Roorkee and Haridwar) are now more than 125 years old. The World Bank is financing this scheme. Likewise, Rs 2,000 million is the replacement investment needed for the Sone Canal of south Bihar.

7 J S Kanwar (ed), *Water Management—The Key to Developing Agriculture*, New Delhi, 1988, p 7.

8 Source: 'Role of Irrigation in Development of Agriculture in Developing Countries', *Rural Reconstruction*, Volume 20, No 1, January 1987, p 82. See also the subsequent issue of this journal.

9 It may be pointed out here that separate plan outlays for groundwater development are not listed in the plan documents. It is by assuming groundwater development to be synonymous with minor irrigation development that writers like J S Kanwar and B B Vohra argue about groundwater being more cost-effective than surface irrigation in India.

10 M V Gadgil, 'Agricultural Credit in India: A Review of Performance and Policies', *Indian Journal of Agricultural Economics*, Vol 42, No 3, Conference Number, Part I, July-September 1986, p 293.

11 S S Sangwan, 'Agricultural Investment and Regional Imbalances: A Study of Refinance Disbursed by NABARD', *Indian Journal of Agricultural Economics*, Vol 42, No 3, Conference Number, Part II, July-September, 1986, p 567.

12 Admittedly, there is overestimation here because of our tacit assumption that the generating capacity of 4 KW and the rural electrification system are wholly and exclusively for electric pumpsets. But then, we are also not reckoning with supporting investments for diesel pumpsets.

13 The Working Group for Sixth Plan assumed that 35 per cent of the outlay on private wells would be financed by farmers themselves (p 17). But if we reckon with total investments of minor irrigation, the share of private investment is Rs 1,000 crore out of Rs 4,850 crore, i e, about one-fifth.

14 For a 5 HP pumpset, the price realised by the public utilities is estimated to vary widely from state to state. It is about Rs 0.15 per KWH in Kerala, MP and Maharashtra; between Rs 0.10 and Rs 0.15 per KWH in Andhra Pradesh, Jammu and Kashmir, Karnataka, Punjab and Tamil Nadu; between Rs 0.15 and Rs 0.25 per KWH in HP, Orissa, Rajasthan, Chandigarh, Delhi, and Pondicherry; between Rs 0.25 and Rs 0.35 per KWH in Assam, Haryana, Meghalaya, West Bengal and Tripura; and between Rs 0.35 and Rs 0.45 in Bihar, Gujarat and UP (Central Electricity Authority, *Average Electric Rates and Duties in India*, 1986, p 15.)

15 For Uttar Pradesh, Rajadhyaksha Committee on Power (1980) found that resource cost of supplying electricity to rural areas during 1978-79 amounted to about 67 paise/KWH as against the average cost of 44 paise for all LT consumers.

16 That our figure of Rs 1,000 is not unduly high is sustained by the following comparative picture of operational costs for different waterlifts for west UP for 1984-85.

Rope and bucket lift ('mhot')	= Rs 2331
Counterpoise lift	= Rs 963
Persian wheel	= Rs 2494
Diesel pumpset TW	= Rs 3335 - 5322
Electric TW	= Rs 1561 - 2202

(Potential of Small Scale Lift Technologies with Special Reference to Access of Small and Marginal Farmers to Ground Water. Water Resources Development Training Centre, University of Roorkee, Chapter VI (draft report).)

Statement of the Chairman, Mr. N. A. Palkhivala

(53rd Annual General Meeting at the Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Bombay-400 020, on Thursday, September 28, 1989)

“After four decades of strangulating controls, total decontrol has been the most propitious development this year but …. unless cement selling is delicensed, penetration into the rural markets is bound to remain dishearteningly difficult.”

I have to begin on a sad note. Sumant Moolgaokar is no more. He was one of the main builders of your Company, and served the cement industry with rare distinction for 58 years. The fall-out from his dedicated labours was “innovative quantum jumps in India’s technological progression”, as one of your Directors put it.

As an architect of a new undertaking, Sumant was in the world class of the most dynamic entrepreneurs. He combined a creative mind with a high-octane passion for perfection. To him perfection was a goal, never quite reached but always sought after. **He had an eye for the scarcest resource of all – talent; and he could bring out the best in his team. No one worked *under* him: every one worked *with* him. Emperors rule, but leaders motivate. He could motivate the workforce to the pitch where they became emotionally involved in the company they served.**

Integrity and self-effacement came as naturally to him as deviousness and ostentation come to some others. *Business ethics* was not to him an oxymoron – like a hot ice-cube or a tiny giant.

Sumant Moolgaokar loved nature – “the silence that is in the starry sky, the sleep that is among the lonely hills.” He loved birds and trees and the wind upon the heath, and “saw the brightness of the skirts of God”. He felt a mystic kinship with the animate and the inanimate world – in that sense he was in tune with the infinite. Ecology and environment were to him paramount considerations which were non-negotiable. His was, par excellence, a life with a theme, a life dedicated to the great thinker’s ideal –

“To see as far as one may;
To feel the great forces that lie behind every detail;
To hammer out as solid and compact a piece of work as one can;
And to leave it unadvertised.”

We shall endeavour to ensure that your Company will always maintain the high standards that Sumant established. To impove upon them is beyond hope.

Depression in cement industry

After four decades of strangulating controls, total decontrol has been the most propitious development this year for the cement industry. I heartily welcome the long-delayed decision on decontrol for this vital industry which can now organize itself to achieve higher standards in the free market.

However, the year under review has been a year of depression for cement. For the second time in its 53-year history, your Company will not be paying any dividend. A recent study, undertaken by the Cement Manufacturers’ Association (CMA), of 42 companies – accounting for 80 per cent of the total capacity – revealed that the post-tax return on net worth fell sharply from 36 per cent in 1983 to zero in 1987. In 1988 it was a *negative* 12 per cent! The Reserve Bank of India Bulletin of April 1989 gives some startling figures for 1987-88. While the ratio of after-tax profits to net worth was 5.6 per cent for the total industry of India, it was a negative figure for the cement industry. Likewise, the return of post-tax earnings (less preference dividends) on ordinary share capital was 21.2 per cent for the total industry, but was a negative figure for the cement industry.

The reasons for the bad times the industry is going through at present, are not far to seek.

As much as 75 per cent of the input costs of the cement industry is governed by administered prices totally beyond the control of the manufacturers. Decontrol has unfortunately coincided with steep increases in coal prices, electricity charges, and railway freight. With the industry’s output estimated at 49 million tonnes during 1989-90, all the plants taken together will incur an additional expenditure, according to a CMA study, of Rs. 52 crore by way of increase in excise duty, and Rs. 290 crore on account of the hike in freight.

The increase in administered prices and costs has not been compensated by any increase in the retail price of cement. On the contrary, the retail price has fallen over 50 per cent in real terms since the introduction of partial decontrol seven years ago.

The cost increases have come at a time when the industry faces a situation of excess production and cut-throat competition. On a rough reckoning, the supply of cement outstrips demand by four million tonnes.

Widespread industrial sickness is a danger to be guarded against, though the shutting down of some old and unviable units would contribute to a healthy adjustment.

Remedial measures

If we have “an intelligent heart and a kind brain” – the Russian poet’s birthday wish to a little girl – we would have no difficulty in adopting remedial measures which are so obvious that they almost cry aloud for adoption:

***First,* the imperative for the cement industry is to scout for new markets in semi-urban and rural areas where the demand for cement has remained largely untapped.** Cement should be placed outside the purview of the Essential Commodities Act which makes it obligatory for dealers to go through the arduous process of obtaining licences at considerable cost in time and money. Unless cement selling is delicensed, penetration into the rural markets is bound to remain dishearteningly difficult.

Secondly, active measures need to be taken to promote the use of cement for housing. It is a sad commentary on our plans and public policies that, on the one hand, we have a glut of cement and consequent sickness in the industry, while on the other hand we view with equanimity the homelessness of tens of millions of our people as a regular feature of the bleak national landscape. **Recently, the Chairman of the National Housing Bank put the existing housing shortage at 29 million units, and estimated that an additional 36 million housing units will be required to be constructed by the year 2000. In other words, 65 million housing units will have to be constructed over the next twelve years if the shortage is to be met in full.**

Thirdly, the Central and State Governments should implement a priority programme of constructing concrete roads and using cement for the lining of canals for irrigation purposes. International financial agencies have shown an active interest in plans for concretizing our roads. **While the initial cost of concrete roads may be a little higher, (a) the savings in maintenance costs and the longer life of the roads, and (b) the savings in operation costs of plying the ever-increasing number of vehicles, would far outweigh the extra initial outlay. While we mentally accept that roads are the road to national growth, we are content to have the most woefully inadequate system of roads of any comparable country in the world. Only about 1.3 per cent of our surfaced road length is laid out in cement concrete, while – as the Planning Commission's Report recently pointed out – almost one-third of the length of our national highways has only a single-lane road pavement.**

I have no doubt that the depression in the cement industry will not last long. "Even this shall pass away." The governments will be obliged by compelling circumstances to adopt the three remedial measures. The foresight of those who, like your Company, are expanding their capacity, will be fully justified by events.

Exports

While cement was a deficit commodity earlier, it has now the potential to become an earner of precious foreign exchange. The market in our neighbouring countries – Pakistan, Sri Lanka, Bangla Desh and Nepal – is large; and Indian cement, which is of world quality, is readily acceptable in those countries.

But our cost of production is so high that it is impossible for Indian cement to face international competition. Since 75 per cent of the input costs is governed by administered-prices as stated above, there is not much room for reducing the cost of production. The gap between the price of Indian cement and that in the world market is such that Indian producers, to compete successfully, would have to suffer a significant loss of Rs. 400 per tonne. This is hardly the time when the cement industry can bear such a loss. The reliefs offered by the Government on the export front – duty drawback, import replenishment, and ten per cent cash compensation support – are wholly insufficient to neutralize the price differential.

A few of our cement units are strategically located for exports and your Company's reputation attracts numerous international inquiries. But the extent of the loss involved in exports at international prices is a powerful commercial deterrent. Nevertheless, your Company has already ventured into the export market in a modest way.

Modernization and expansion

As I said five years ago, modernization is one of those words which have a resonance wider than their original meaning. To your Company modernization does not mean merely replacement of equipment; it covers upgradation of product and process technologies in their manifold varieties, as also energy conservation.

The completion of the modernization of the plant at Madukkarai, and the optimization schemes at Jamul, Chanda, and Gagal – dealt with in the Directors' Report – augur well for the unfolding future of your Company.

The Government has just cleared our project to increase the present installed capacity of 5.6 lakh tonnes of the plant at Gagal in Himachal Pradesh, by an additional one million tonnes per annum. The project, estimated to cost Rs. 130 crore, will meet the growing demand for cement in the Northern region, specially for the large hydel projects in Himachal Pradesh and in Jammu & Kashmir.

Leader in the field

In the competitive situation today, we are fully geared to stay ahead of the others. In production, our accent is on quality; in distribution, on availability of the product at a fair price.

We strive to live up to the motto – "It is good to be big; it is better to be good; it is best to be both". We shall maintain our premier position in the field; and the good quality of our product is witnessed by the better price it commands in the free market.

Your Company is fortunate in having – under the outstanding leadership of Dr. Subrata Ganguly – a dedicated and loyal family of employees at the works, the offices, and other establishments, who have carried out their tasks devotedly through the difficult times. I should like to express, on your behalf and on behalf of the management, our sense of appreciation and gratitude for their performance in a trying year.

ACC

THE ASSOCIATED CEMENT COMPANIES LIMITED

Bombay, September 21, 1989

ACC

times change, our values don't

Structure of Effective Incentives in Indian Agriculture

Some Policy Implications

Ashok Gulati

This paper seeks to estimate ·revailing effective incentives for cultivators of different crops in various regions during the 1980s. Section I o ihe paper spells out the methodology adopted and Section II presents estimates of effective incentives for sp.cific crops and regions. The final section draws some policy implications of these results and lists the issues that need further study.

THE present study estimates the structure of effective incentives for Indian cultivators of different crops in various regions during 1980s. More specifically, it calculates four variants of protection coefficients—nominal (NPCs), effective (EPCs), effective subsidy (ESCs) and adjusted nominal (ANPCs), for wheat, rice, cotton and groundnut cultivators. The results have important policy implications such as: that in order to promote an efficient cropping pattern in the country, relative prices be shifted in favour of cotton and rice; that investment programmes to promote long staple cotton in Andhra Pradesh and rice in the eastern states (with high rainfall) have high economic rates of return; that resources and foreign exchange can be saved by increasing production of wheat and rice primarily in line with their domestic demand, and that of cotton in excess of domestic demand, the excess being for exports; and so on.

Section I of this paper spells out the objective and methodology adopted for estimating the structure of effective incentives in Indian agriculture. Section II presents estimates of effective incentives at crop- and region-specific level while Section III draws the policy implications from these results as also the issues that need further study.

I

Objective and Methodology

Government intervention in Indian agriculture is pervasive. The government tinkers with market mechanism through its price support/procurement policy on the one hand, and its subsidisation of major agricultural inputs on the other. The government's price policy played a role in speeding the adoption of high yielding varieties (HYVs) of wheat and rice in the so-called Green Revolution and it has helped to provide greater certainty for farmers in terms of the prices they can expect to receive. Subsidies have encouraged the use of modern inputs. Estimated subsidies, including irrigation charges that do not cover fully costs and non-payment of water charges, low interest rates and non-payment of credits, low electricity rates and non-payment of electricity charges, and the difference between international and domestic prices of fertilisers, are now equal to about 17 per cent of the agricultural GDP (higher in the case of wheat and rice) and, correspondingly, about 2.5 per cent of total GDP. Other government policies have delinked internal and external markets by imposing quantity and/or price controls over exports/imports of agricultural commodities and by 'canalising' the sale of agricultural exports and imports through public corporations. The government also extends support to agriculture through research and extension programmes. Besides such broad interventions, the government has frequently launched crop-specific programmes with more limited objectives.

The simultaneous implementation of such wide-ranging, and sometimes divergent, policies impinges upon farmers' incentives in many complicated and sometimes conflicting ways. Analysts of the impact of government policies typically have examined their effect on a summary variable—net income per hectare in a given crop—in assessing whether the policies in question have stimulated additional output. More sophisticated analyses also consider the opportunity cost of the policy in terms of the policy-induced substitution between one crop and another. The inclusion of opportunity costs clearly represents an improvement over the simple calculation of net income per hectare. However, both approaches rely on domestic prices in their evaluations. Thus, they implicitly adopt an autarkic view of the agricultural sector and thereby neglect the possibilities of gains from international trade and changes in net foreign exchange earnings.

Another approach, taken in this study, is to analyse how agricultural policies affect the differential between domestic prices (adjusted for subsidies and input costs) and international prices. In other words, are certain crops, and agriculture in general, being protected or disprotected (in effect taxed) by the maintenance of prices that diverge from those that would prevail under free international trade? To see the importance of this question, suppose that policies combine to keep the domestic price of one commodity above the world price (protecting that crop) and prices of a second commodity that could be produced on the same land, below world prices (disprotecting or in effect taxing that crop). Then, from an efficiency standpoint, too much land, labour and capital are being used to produce the first commodity and too little are being used to produce the second. Resources and foreign exchange could be saved by adjusting prices to stimulate a shift of resources from production of the first commodity to the second. Demand could be satisfied and foreign exchange earned on balance by exchanging the increased production of the second crop for imports of the first in international markets.

The differentials between domestic and international reference prices are measured in this study by three standard ratios, referring to comparisons at three levels of increasing complexity—nominal protection coefficients (NPCs), effective protection coefficients (EPCs), and effective subsidy coefficients (ESCs). These coefficients are defined below but basically the NPC indicates incentive to produce a commodity, the EPC indicates incentive to the use of resources (land, labour and capital) in producing the commodity after deducting the cost of importable intermediate inputs, and the ESC adjusts the EPC to take into account taxes and subsidies on non-traded inputs (e g, irrigation, electricity); all relative to what would exist under free trade.

In calculating the international competitiveness of a commodity, transport costs can make a potentially enormous difference. In terms of competing with imports, international transport costs provide a degree of protection for domestic producers. In contrast, exporting means that the domestic producer's price must be low enough to make the product competitive in foreign markets, including transport costs to the market. A simple example will make clear how important this difference is: if international transport costs are $ 10 per ton and the international price of a good at the foreign point of sale is $ 100, then domestic producers could compete effectively with imports providing they produce profitably at a price of $ 110. However, in order to export, domestic producers would need to be able to produce profitably at a price of $ 90. Thus, the competitive import price is about 22 per cent higher than the competitive export price. This means that investments in production could easily earn a high economic rate of return as long as domestic production is substituting for imports, but might become unprofitable once it became

necessary to capture an export market.

To cover this issue of transport costs, the NPCs, EPCs, and ESCs have been calculated under two hypotheses: (a) the crop in question is imported and thus competes at the domestic port with imports including their transport cost (the importable hypothesis) and (b) the crop in question is exported and thus competes at a foreign port including transport costs (the exportable hypothesis). Thus the two different treatments of transport costs allow the analyst to see whether the Indian producer is competitive with imports given the protection accorded by transport costs and what, if any, subsidy would be required to export the crop.

In addition to NPCs, EPCs and ESCs, this study also comments on the size of the price differentials under the assumption that foreign exchange is accorded a notional premium of 25 per cent over the going exchange rate. The inclusion of such a premium is assumed to cover not only the possibility of currency overvaluation under the current trade and payments regime, but also the compensatory change in the exchange rate that would be necessary if all protection were to be eliminated. With the inclusion of such a premium, the coefficients become good proxies for cost benefit indicators such as Domestic Resource Cost (DRC).[1] Finally, the coefficients also are estimated for specific regions and crop varieties to provide some idea of the differences in incentives between regions.

The nominal protection coefficient (NPC) is defined as the ratio of the domestic price to the world reference price of the commodity under consideration. Symbolically,

(1) ... $NPC = PD/PR$,

where,

- NPC = nominal protection coefficient
- PD = domestic price of the commodity in question at the farmgate
- PR = reference price of the commodity in question, i e, what the farmer would have received in the case of free trade.

In this study, the domestic price is approximated either by what the cultivators of the relevant commodity receive or what the government announces as its support/procurement price; the world reference price is derived from the international price, adjusted for transport cost (both foreign and domestic), and marketing and trading margins, including any processing necessary to make the domestic commodity equivalent to the internationally traded commodity.

If the NPC is greater (less) than one, then the commodity is protected (disprotected or in effect taxed), compared to the situation what would prevail under free trade. Of course, one needs to compare NPCs across crops and industries and make an adjustment for the premium on foreign exchange to get a better idea of whether the policy regime provides more or less incentives for production of a given crop than under free trade. For example, if the average NPC was 1.4, then crops with NPCs of 1.4 or more would be receiving an incentive *vis-a-vis* other import substitutes; crops with lower NPCs would be receiving an incentive *vis-a-vis* exportables and, perhaps, non-tradables.

The effective protection coefficient (EPC) is defined as the ratio of value added[2] at domestic prices to value added at world reference prices. Symbolically,

(2) ... $EPC = VAD/VAR$

$= (PD\text{-}Sum(aij\ PDj))/(PR\text{-}Sum(aij\ PRj))$

$= (PD\text{-}TID)/((PD/NPC)\text{-}(TID/NPCi))$

where,

- VAD = value added in domestic prices
- VAR = value added measured at international reference prices
- PD = domestic price of the good in question (the ith good)
- PR = international reference price of the good in question.
- aij = quantity of the jth input used to produce the ith good
- PDj = domestic price of the jth good
- PRj = international price of the jth good.
- TID = sum (aij PDj)
- NPC = nominal protection coefficient of the good in question
- NPCi = weighted average of the nominal protection coefficients of the tradable inputs into good i, with the weights equal to the value shares of the inputs in the reference price.

Thus, a prerequisite for estimating EPCs is a detailed knowledge of the input structure of the commodity under consideration and the nominal protection not only on the output but also on its traded (tradable) inputs.

Again, a coefficient greater than (less than) one indicates protection (disprotection or, in effect, taxation) compared to the free trade. EPC will be greater than (less than) the NPC to the extent that tradable inputs into the production process have a lower (higher) NPC than the product. Thus the EPC refers to the protection accorded to the land, labour and capital (the value added) used in the production of the commodity in question, while the NPC refers to the protection accorded to a commodity, including all the inputs that go into its production. A high NPC does not provide much incentive to apply resources to production if all the inputs have even higher NPCs. Hence, the EPC is a better measure of the incentives accorded to the production of a commodity than the NPC.

Finally, the effective subsidy coefficient (ESC) essentially adds net subsidies (subsidies minus taxes) on non- traded (non-tradeable) inputs in the numerator of EPC and divides by value added at world reference prices. Symbolically,

(3) ... $ESC = (VAD+NS)/VAR$

where

- NS = subsidies(net of taxes) non-traded inputs, VAD and VAR were defi previously.

Net subsidies on traded inputs are alre taken into account in their prices and t are already included in the EPC calculati The ESC goes a step beyond the EPC measuring incentives to the use of resour in a crop or a sector, because it takes i account not only protection and subsid on traded (tradable) inputs, but also net s sidies on non-traded (non-tradable) inpu

The three estimates of protection coe cients defined above help

(1) to measure the extent of diverger (distortion) between domestic and int national prices as a result of t regulatory policies on international tra and domestic markets;

(2) to measure the level and differences 'effective incentives' for cultivators different crops in different regions. T in turn can throw some light on iss related to equity in the distribution incentives across regions, as also ass in identifying the causes that lead faster growth of some crops in certa regions than in others;

(3) to measure comparative advantage a thus degree of competitiveness of vario crops in different regions, consideri foreign trade as a transformation fro tier. This would be valuable informati assisting in allocating existing and inve ment resources more efficiently, a evolving a rational/desirable croppi pattern;

(4) to test the hypothesis of underpricing agriculture in developing countri [Schultz, 1978] and to measure the exte of bias against agriculture and in favou of industry.

II

Estimation of Protection Coefficients and Results

Four commodities are covered in thi study: wheat and rice, India's most impor tant cereals; cotton, an important cash cro used in the country's large textile industry and groundnut as a representative of th oilseeds crop complex. Together, these fou crops account for roughly 45 per cent o gross cropped area and above 50 per cent o gross value of crop output. Wheat, rice an cotton experienced technological break throughs during late 1960s and 1970s i certain regions, while groundnut has lagge behind. Presently, efforts are being made t stimulate oilseed production under th Technology Mission on Oilseeds launche by government of India in 1986 and a buf fer stock/price stabilisation scheme wa introduced in 1989.

Tables 1 and 2 summarise the estimate

of the protection coefficients for each of these crops for the 1980s (1980-81 to 1986-87), for the major producing states and crop varieties, under both the importable and exportable hypotheses.[3] Details on the individual crops can be obtained from Gulati, 1987A (wheat and rice), Gulati, 1987B (cotton) and Gulati, 1988 (groundnut), and the references cited there.

Starting first with the incentives for crops as import substitutes (the importable hypothesis), the crop-specific NPCs[4] for the period 1980-81 to 1986-87 were lowest in case of rice (0.67) and highest for groundnut (1.50) (see Table 1). Wheat and cotton fall in between, with both having NPCs of 0.80. Across states, the lowest NPC is for Andhra Pradesh cotton (MCU-5 variety, NPC=0.63), followed by rice in Bihar and Orissa (NPC=0.65). In sum, domestic prices of rice, wheat, and cotton were all well below comparable world prices, indicating disprotection or effective taxation of these commodities compared to border prices. In contrast, groundnut was highly protected. The relative incentive provided for groundnut by the policy regime and the delinking from international markets is more than 123 per cent higher than for rice.

Turning to effective protection (under the importable hypothesis), the EPCs for wheat, rice, and cotton all were less than the corresponding NPCs. This is because tradable inputs used in these crops were protected, while the crops themselves were disprotected. The difference between the EPC and the NPC is greatest in the case of cotton (13.75 per cent) and smallest in the case of rice (2.98 per cent). The large difference betwee the EPC and NPC in cotton, especially tha of Gujarat (by 31.5 per cent), reflects th large share of tradable inputs, primaril pesticides, in the production of cotton, an the fact that NPC of pesticides is muc higher than NPC of cotton. On the othe hand, the protection on groundnut wa greater than the protection on inputs int groundnut production, making the effectiv protection (EPC) of groundnut greater tha the nominal protection. In sum, for wheat rice, and cotton the prevalence of EPCs tha are below one and below the correspondin NPCs show that the combined effect of th policy regime, including the protectio accorded to industrial goods, has dis couraged resource use in these crops, relativ to a free trade regime. However, the polic

TABLE 1: CROP AND REGION-SPECIFIC DISPERSION OF EFFECTIVE INCENTIVES IN INDIAN AGRICULTURE

(AVERAGE 1980-81 TO 1986-87)

Hypothesis/Crop/State	NPCs	EPCs	ESCs	Index of ESCs (Weighted Average=100)	ANPCs	Crop Variety: Domestic	Crop Variety: International
Importable Hypothesis							
Wheat							
Haryana	0.84	0.79	1.03	110.75	0.66	FAQ	Hard Red Winter No 2
Madhya Pradesh	0.75	0.73	0.96	103.22	0.60	-do-	with ordinary protein (USA)
Punjab	0.85	0.80	0.93	100.00	0.66	-do-	-do-
Uttar Pradesh	0.77	0.73	0.91	97.85	0.62	-do-	-do-
Weighted average	0.80	0.75	0.93	100.00	0.63	-do-	-do-
Rice							
Andhra Pradesh	0.69	0.66	0.88	100.00	0.55	Common	Thai White (Milled) 51 per cent Broken
Bihar	0.65	0.64	0.86	97.72	0.52	-do-	-do-
Madhya Pradesh	0.67	0.65	0.85	96.59	0.53	-do-	-do-
Orissa	0.65	0.63	0.84	95.45	0.52	-do-	-do-
Punjab	0.74	0.72	1.01	114.77	0.58	-do-	-do-
Uttar Pradesh	0.66	0.64	0.85	96.59	0.52	-do-	-do-
Weighted average	0.67	0.65	0.88	100.00	0.54	-do-	-do-
Cotton							
Maharashtra	0.96	0.93	0.98	130.67	0.74	H-4	Mexican
Gujarat	0.89	0.61	0.67	89.33	0.68	S-4/16	California (SM 1 1/8″)
Punjab	0.83	0.74	0.86	114.67	0.64	J-34/320F	Orleans/Texas (1″)
Andhra Pradesh	0.63	0.54	0.55	73.33	0.50	MUC-5	Giza-67/69/81
Weighted average	0.80	0.69	0.75	100.00	0.62		
Groundnut							
Gujarat	1.47	1.59	1.70	99.41	1.17		
Andhra Pradesh	1.50	1.54	1.72	100.58	1.18		
Tamil Nadu	1.53	1.55	1.73	101.17	1.21		
Weighted average	1.50	1.56	1.71	100.00	1.18		
Exportable Hypothesis							
Wheat							
Punjab	1.34	1.71	2.01		0.98	FAO	Hard Red Winter No 2 (USA)
Rice							
Punjab	0.87	0.87	1.21		0.66	Common	Thai White (Milled) 5 per cent broken
Cotton							
Maharashtra	1.13	1.12	1.17	132.95	0.86	H-4	Mexican
Gujarat	1.10	0.74	0.81	92.04	0.78	S-4/6	California (SM 1 1/8″)
Punjab	0.98	0.89	1.04	118.18	0.75	J-34/320F	Orleans/Texas (1″)
Andhra Pradesh	0.67	0.56	0.58	65.91	0.53	MUC-5	Giza-67/69/81
Weighted average	0.92	0.80	0.88	100.00	0.71		
Groundnut							
Gujarat	1.87	2.48	2.60	105.26	1.45		
Andhra Pradesh	1.91	2.15	2.42	97.97	1.48		
Tamil Nadu	1.95	2.13	2.38	96.36	1.51		
Weighted average	1.91	2.26	2.47	100.00	1.48		

TABLE 2: TEMPORAL BEHAVIOUR OF CROP-SPECIFIC EFFECTIVE INCENTIVE AND PRICES IN INDIAN AGRICULTURE

Hypothesis/Crop/ Protection Coefficient	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	Average
Importable Hypothesis								
Wheat								
NPCs	0.72	0.73	0.84	0.84	0.76	0.76	0.91	0.80
EPCs	0.67	0.68	0.80	0.80	0.72	0.72	0.89	0.75
ESCs	0.76	0.85	0.99	0.99	0.90	0.90	1.12	0.93
ANPCs	0.57	0.58	0.67	0.67	0.60	0.60	0.73	0.63
Domestic price/a (Rs/q)	117	130	142	151	152	157	162	
World price/b (Rs/q)	127	148	152	159	170	173	145	
Price ratio	0.92	0.88	0.93	0.95	0.89	0.91	1.12	0.94
Rice								
NPCs	0.45	0.51	0.75	0.70	0.72	0.78	0.80	0.67
EPCs	0.43	0.48	0.73	0.68	0.70	0.78	0.78	0.65
ESCs	0.58	0.65	0.99	0.90	0.96	1.01	1.06	0.88
ANPCs	0.36	0.40	0.60	0.56	0.57	0.63	0.64	0.54
Domestic price/c (Rs/q)	150	164	174	189	196	203	208	
World price/d (Rs/q)	353	355	255	291	293	274	274	
Price ratio	0.42	0.46	0.68	0.65	0.67	0.74	0.76	0.63
Cotton								
NPCs	0.77	0.94	0.82	0.68	0.73	0.86	0.83	0.80
EPCs	0.66	0.82	0.71	0.58	0.62	0.74	0.69	0.69
ESCs	0.71	0.90	0.79	0.64	0.67	0.82	0.75	0.75
ANPCs	0.60	0.72	0.64	0.53	0.57	0.66	0.64	0.62
Domestic price/e (Rs/q)	895	1118	1118	1176	1206	1250	1264	
World price/f (Rs/q)	1629	1415	1594	1949	1727	1333	1734	
Price ratio	0.55	0.79	0.70	0.60	0.70	0.94	0.73	0.72
Groundnut								
NPCs	1.06	1.37	1.66	1.41	1.40	1.53	2.05	1.50
EPCs	1.09	1.44	1.74	1.47	1.47	1.58	2.13	1.56
ESCs	1.20	1.55	1.93	1.58	1.60	1.76	2.32	1.71
ANPCs	0.84	1.08	1.31	1.11	1.11	1.21	1.63	1.18
Domestic price/g (Rs/q)	294	386	421	450	486	500	528	
World price/h (Rs/q)	382	539	389	396	497	445	409	
Price ratio	0.77	0.72	1.08	1.14	0.98	1.12	1.29	1.01
Exportable Hypothesis								
Wheat								
NPCs	1.15	1.09	1.24	1.29	1.27	1.33	1.99	1.34
EPCs	1.29	1.16	1.35	1.47	1.55	1.71	3.44	1.71
ESCs	1.57	1.35	1.57	1.73	1.81	2.00	4.07	2.01
ANPCs	0.87	0.83	0.93	0.96	0.93	0.97	1.38	0.98
Rice								
NPCs	0.50	0.60	0.94	0.89	0.94	1.09	1.16	0.87
EPCs	0.47	0.57	0.93	0.88	0.95	1.13	1.19	0.87
ESCs	0.65	0.77	1.26	1.21	1.30	1.60	1.68	1.21
ANPCs	0.39	0.46	0.70	0.68	0.72	0.83	0.87	0.66
Cotton								
NPCs	0.89	1.13	0.92	0.74	0.83	1.01	0.93	0.92
EPCs	0.78	1.04	0.80	0.62	0.71	0.89	0.79	0.80
ESCs	0.84	1.13	0.88	0.69	0.78	0.99	0.86	0.88
ANPCs	0.70	0.87	0.72	0.58	0.64	0.76	0.72	0.71
Groundnut								
NPCs	1.25	1.72	2.03	1.69	1.76	2.03	2.87	1.91
EPCs	1.44	2.09	2.44	1.90	2.07	2.36	3.45	2.26
ESCs	1.57	2.24	2.69	2.04	2.31	2.63	3.76	2.47
ANPCs	0.99	1.34	1.57	1.32	1.37	1.56	2.20	1.48

Notes: (a) Domestic price of wheat is approximated by its procurement price for FAO.
(b) World price is of US Hard Red Winter No 2 with ordinary protein, fob US gulf (at official exchange rate) for April to June quarter.
(c) Domestic price of rice is estimated as procurement price of paddy divided by 0.7, which is paddy-rice conversion factor for Indian 'Common' rice.
(d) World price of rice is of Thai white (Milled) 5 per cent Broken, fob Bangkok (at official rate) for October to January.
(e) Domestic price of cotton is approximated by procurement price of kapas (J-34/414F/H-777 variety) divided by 0.34, which is kapas-lint conversion ratio.
(f) World price of cotton is that of cotton outlook index 'A', cif Liverpool.
(g) Domestic price of groundnut is its procurement price (in terms of kernels).
(h) World price of groundnut is of kernels of any origin, cif Europe (Rotterdam).

regime has stimulated the allocation of resources to groundnut.

Not surprisingly, the adjustment for subsidies on non- tradable inputs such as irrigation (canal), electricity and credit and the low level of agricultural taxes (ignored here), produce ESCs that are higher than the respective EPCs. The largest increase occurs in case of rice (by 35.4 per cent) and smallest in case of cotton (by 8.7 per cent). The adjustment for subsidies also changes the ranking of incentives to the various crops. Whereas on the NPC and EPC scales, rice received the lowest protection (the largest rate of effective taxation), on the ESC scale it is cotton that appears with the lowest protection, with an ESC of 0.75 compared to 0.88 for rice, 0.93 for wheat and 1.71 of groundnut. The difference between the highest and lowest ESCs is marginally greater (128 per cent) than for the NPCs (123 per cent), but is lower than that of the EPCs (140 per cent).

The spatial dispersion of ESCs is maximum in case of cotton, with Maharashtra's ESC (0.98) 78 per cent higher than that of Andhra Pradesh (0.55). Across all states and all crops, the highest ESC is that of Tamil Nadu for groundnut (1.71) and the lowest of Andhra Pradesh for cotton (0.55).

Adjusted NPCs (ANPCs) can be estimated for these crops by assuming a national premium on foreign exchange, in this case 25 per cent. The pattern of ANPCs and NPCs is of course similar, but ANPCs are much lower than NPCs. This has important implications discussed in Section III.

Turning to the possibility of exports (the exportable hypothesis), protection coefficients are generally much higher than under the importable hypothesis. This reflects the fact that under the exportable hypothesis shipping costs are *deducted* world prices before comparison with domestic prices, while for imports, shipping costs are added to world prices. Obviously, the higher the share of transport cost in the output price, the greater the deviation in protection coefficients between the exportable and the importable hypothesis. Estimated shipping costs also reflect the distance between Indian ports and the foreign lands where Indian goods are assumed to compete. In case of wheat, for example, Indian exports are assumed to occur to Tunisia. The deviation in results under the importable and exportable hypotheses is therefore much greater than in the case of rice, where competition is assumed to be near Calcutta, in the strait of Malacca. Similarly, groundnut estimates diverge by more than cotton estimates because in the former exports are assumed to be delivered Europe (Rotterdam) while in latter Japan is assumed to be the market.

Except for cotton, the ESCs under the exportable hypothesis are higher than unity for all crops. Even in case of cotton, the ESCs are above unity for Maharashtra and the Punjab (Table 1). The average ESC is lowest for cotton (0.88) and highest for groundnut (2.47), with rice (1.21) and wheat

(2.01) falling in between. Across all states and crops under consideration, Gujarat groundnut has the highest ESC (2.60) and Andhra Pradesh cotton the lowest ESC (0.58). The percentage difference between the highest and lowest ESCs under the exportable hypothesis (348 per cent) is much higher than under the importable hypothesis (215 per cent). These results suggest that cotton, particularly Andhra Pradesh cotton, is an efficient export. Cotton from other states and rice also would be efficient exports with a foreign exchange premium of 25 per cent.

Crop-specific protection coefficients have tended to rise over the seven-year period 1980-81 to 1986-87 (Table 2), suggesting that the disprotection of agriculture has been reduced in the 1980s. Under the importable hypothesis, for example, ESCs of wheat rose from 0.76 to 1.12; ESCs of rice rose from 0.58 to 1.06; ESCs of cotton rose from 0.71 to 0.75 and ESCs of groundnut rose from 1.20 to 2.32. Thus, the maximum increase took place in the case of groundnut (by 93.33 per cent), followed by rice (by 82.76 per cent). In fact in all cases except cotton, ESCs in 1986-87 were above unity. For cotton, rice and wheat the rise is largely explained by the declining trend in world prices, not offset by the devaluation of the rupee. Domestic prices (in rupees) rose about 5-6 per cent per annum, about the same as the wholesale price index in general. In the case of groundnut, domestic prices rose about 10 per cent per annum owing to the growing demand-supply imbalance in the domestic edible oil economy; this contributed to the rising protection for groundnut along with the fall in international prices.

III

Implications and Concluding Remarks

The results of present study suggest following implications:

(1) *Efficient Import Substitutes*: Three of the four agricultural commodities—wheat, rice and cotton—appear to have been efficient import substitutes. The protection coefficients of these crops are below unity in almost all years in the 1980s. In contrast, for groundnut the coefficients suggest substantial protection. A foreign exchange premium in excess of 40 per cent would be needed to make groundnut an efficient import substitute. This result suggests that perhaps too many resources were being devoted to groundnut production in the 1980s, while too few were being devoted to cotton, wheat and rice. This is particularly true in areas where these crops compete directly for resources, such as parts of Gujarat and Andhra Pradesh. A switch of resources out of groundnut, into the other three crops, brought about by a shift in relative prices, probably would have increased efficiency and net foreign exchange earnings.

(2) *High Economic Rate of Return in Agriculture* (particularly cotton, wheat and rice): Investment programmes aimed at increasing the production of wheat, rice and cotton appear to have had high economic rates of return during 1980s. This is suggested particularly by the 'adjusted' protection coefficients—adjusted for overvaluation of exchange rate—which are significantly lower than the unadjusted coefficients, and which would be close to cost-benefit indicators such as Domestic Resources Cost (DRC). In particular, the economic rates of return are likely to be higher than those prevailing in the industrial sector, where protection coefficients generally fall into a much higher range [see World Bank 1987, Chapter 4].

In this regard, long staple cotton in Andhra Pradesh deserves special mention. It appears that the technological breakthrough that took place in Andhra's cotton economy, resulting in a phenomenal rate of growth in yields, offers an opportunity to reap high economic return on investment. Closer linkage with the world economy would thus be desirable from an efficiency standpoint. Of course the resulting rise in cotton's price would raise domestic prices of cotton textiles.

Investment in long staple cotton deserves priority from another angle. While in the case of other commodities, the ESCs under the exportable hypothesis exceed unity, in the case of cotton they are below unity. Hence, cotton production can be increased faster than its domestic demand, the excess making an efficient export.

In contrast, increases in wheat and rice production are likely to be efficient up to the point that these crops remain import substitutes, but the efficiency of exporting these crops is less clear. A foreign exchange premium of at least 25 per cent would be needed to make rice an efficient export. This implies that planners should aim to increase production of wheat and rice basically in line with their domestic demand, with some scope for rice exports. In view of this result, the Special Rice Programme launched by government of India in eastern states during mid-1980s seems a promising investment.

Investment in groundnut appears to be a less attractive proposition from the standpoint of economic rates of return. In this context it may be remarked that large investments under the Technology Mission on Oilseeds would require a high implicit weight for the objective of self-sufficiency, as their justification on purely economic grounds is low.

In calculating economic rates of return, due consideration must be given to subsidies. In particular, rice, which is a water intensive crop, has a much higher economic rate of return in high rainfall areas like Bihar and Orissa (with low ESCs) than in the Punjab-Haryana belt. In fact, if one simulated a scenario where electricity and water are appropriately shadow priced in the low rainfall areas of north-western India (Punjab-Haryana), the results might well suggest diverting resources away from rice cultivation, to less water intensive crops such as maize.

(3) *Inter-State and Inter-Crop Differences in Effective Incentives:* The calculations of protection coefficients across states indicate at least two significant spatial variations: (1) Punjab rice has a much higher NPC, EPC, and ESC than the other states, reflecting higher prices and, the irrigation subsidy; (2) Maharashtra cotton (and to a lesser extent Punjab cotton) received much higher protection and Andhra cotton received much lower protection than the average for cotton, reflecting differences in procurement price policy during the period and, to a lesser extent, irrigation subsidies.

(4) *Input Subsidies and Effective Incentives*: In most cases, subsidies on non-tradable inputs are large and adjustment for subsidies consequently leads to ESCs significantly higher than EPCs. For the crops covered here, estimated subsidies on non-traded inputs range from 8 per cent in cotton and 13 per cent in groundnuts to 24 per cent in the case of wheat and over 30 per cent in the case of rice. For the agricultural sector as a whole, subsidies amount to about 17 per cent of value added [Gulati, 1988] and the equivalent of over 2.5 per cent of GDP. With subsidies of this magnitude, NPCs or even EPCs may not be good proxies for effective incentives. This seems to be particularly true in the case of canal irrigated crops. The study on input subsidies [Gulati, 1988] suggests that subsidies on canal irrigation, because of charges that do not cover costs and because of non-payment of charges, are quite large. In fact, they represent roughly 70 per cent of total estimated input subsidies including electricity, credit and fertilisers. The estimates of subsidies on other non-traded inputs represent a much smaller portion of output price, though in terms of GDP or government budgets, they may be relatively large.

Given the government's large fertiliser subsidy, this statement requires some additional explanation. First, since fertiliser is traded, this subsidy is already taken into account in the EPC, to the extent the fertiliser subsidy lowers domestic fertiliser prices below international levels. Second, the government's fertiliser subsidy, which looms large in the budget, lowers Indian fertiliser prices only somewhat below world prices in the 1980s; part of the subsidy goes to ensure that fertiliser plants could operate profitably at these prices. The portion of the subsidy going to fertiliser producers obviously does not affect agricultural incentives.

Although further work on subsidies is necessary, the relatively small size of the non-irrigation subsidies suggests the possibility that their reduction would not have a large impact on price. This is even more so given the fact that these subsidies are generally not received by many farmers and hence may not affect the cost of the marginal farmer. In case of canal irrigated crops, it appears that best policy would

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involve a combination of better collection of higher charges and evolution of a cropping pattern that relies more on crops requiring little water.

(5) *Export Subsidies:* Cotton, especially long staple cotton, can compete in international markets effectively without any export subsidy. What is required is a change in policy environment, particularly the quantitative restrictions on exports. Of course, this would increase the domestic price of cotton and lead to an increase in the price of cotton textiles.

Punjab common rice cannot be exported under the current policy regime without export subsidies. However, if foreign exchange is given a 25 per cent premium, then Punjab rice could become exportable, depending on the international price. During the second half of 1980s, even after allowing for this premium, Punjab rice was not competitive with Thai rice in international market because of the fall in the price of Thai rice and a rise in the domestic price of common rice. Also, if electricity and canal water were appropriately shadow-priced in the Punjab, then its rice could well cease to be an efficient exportable.

Wheat and groundnut probably cannot be considered efficient exportables. Both have ESCs greater than two. Punjab wheat would have required substantial export subsidy, especially during 1985-86 and 1986-87, to compete US wheat in international market. It may be observed that in 1986-87, the ESC of Punjab wheat was as high as 4.07, almost eliminating any possibility of wheat exports. Groundnut with an ESC of 3.76 in 1986-87 also was not really an efficient export[5]

(6) *Underpricing of Agriculture:* The weighted average ESCs (averaged over the 7 years under consideration) for wheat and rice cultivators, who operate on more than one-third of gross cropped area, are below unity. The ESCs are even lower for cotton. These results support the thesis that agriculture is underpriced in developing countries due to their bias in favour of newly emerging industrial sector [Schultz, 1978]. The results are similar to those reported in the recent study of Krueger, Schiff, and Valdes, 1988. As in their study, exported products (cotton) were in effect taxed in India by delinking domestic sales from international markets, while imported food products (edible oils, of which groundnut is a major component) receive substantial direct protection. Factoring in a premium for foreign exchange[6] reduces the protection of edible oils (groundnut) but it means the 'distortion' in the price of cotton, and of rice and wheat is much greater than shown by the unadjusted coefficients.

(7) *Bias against Rice Cultivators:* Of the two major crops of Indian agriculture—wheat and rice—weighted average ESCs are lower in the case of rice than of wheat. This is true almost for all years and all states, except for the Punjab. In case of Punjab, and presumably of Haryana (not analysed here), ESCs for rice cultivators are higher than those for wheat cultivators. These results, therefore, seem to be in line with Mitra's thesis of a bias in Indian agricultural price policy. Mitra, while analysing domestic terms of trade, remarked that Indian agricultural price policy had a bias in favour of wheat growing cultivators of Punjab-Haryana belt and against rice cultivators of eastern India [see Mitra, 1977]. Somewhat similar results emerge out of our study, through a different methodology. However, there is one important difference in our study: that rice cultivators of the Punjab (and Haryana) are more protected than wheat cultivators of the Punjab (and Haryana).

This study also raises a number of important issues that will require further exploration:

(1) *Source of International Competitiveness or Uncompetitiveness of India's Agricultural Products:* Simply put, why is cotton exportable, with prices below world levels, and why are groundnut so expensive compared to imports? On one level the answer is that it is not products but the marginal producers that are competitive or uncompetitive. The delinking of international and domestic markets has allowed domestic prices to diverge from international prices. To the extent that domestic prices have become higher (lower) than international prices, then more (less) resouces have been allocated to the production of the products than would have occurred had free trade prevailed, and production has moved into areas that are perhaps not fully suited to same crops.[7] Correspondingly, this has reduced production of crops that are more competitive internationally. Linking domestic markets more closely to international markets would mean that domestic and international prices would become more similar—in the limit they would be exactly the same. This would mean that the domestic producers of all crops would be competitive. Of course, it also would mean a shift from the current allocation of resources among crops; resources would shift out of those crops that had been protected, leaving production only in areas that can better compete internationally. Resources would shift into the production of crops that formerly had been disprotected.

On another level the question is what can be done to make Indian crops more competitive. The foregoing results are indicative of static inefficiencies, resulting from relative price distortions, but what do they say about investment? As noted above, when EPCs and ESCs are adjusted for the shadow price of foreign exchange and projected over time, they serve as good proxies for such cost benefit indicators as DRCs (Domestic Resource Costs) and thus are suggestive of the relative returns from investment in different crops.

It is also true that these indicators only reflect existing technology, and do not indicate what might happen if the technol[ogy] changed, for example, if a high yield[ing] groundnut variety were developed. Howe[ver,] this point should not be taken as an ar[gu]ment for protection of certain crops in or[der] to develop new varieties (a variant of [the] infant industry argument). The linkage b[et]ween high prices and development of n[ew] seed varieties is even more tenuous in In[dia] than elsewhere, given the delinkage of Indi[an] research and extension services from mar[ket] signals. If such high yielding varieties [are] developed by Indian or foreign research[ers,] then arguments might be made for a favo[ur]able price policy, in order to stimulate rap[id] dissemination. In the meantime, howev[er,] there is no dynamic rationale to engage [in] a protective price policy that will result [in] static inefficiency.

(2) *The Role of Processing and Marketi[ng] in Competitiveness:* The analyses of prote[c]tion coefficients reflect two elements on t[he] domestic side:

(a) relative crop yields adjusted for relati[ve] costs of land, labour, and capital a[nd] the exchange rate—even if Indian yiel[ds] are low, lower prices of Indian facto[rs] of production (in foreign currenc[y]) could leave Indian agricultural outp[ut] competitive in world markets;

(b) cost of transport, marketing and pr[o]cessing (very few agricultural produc[ts] enter the world market in a complete[ly] unprocessed state).

To the extent that marketing, transport, an[d] processing margins are high in India, th[e] price at the farmgate is squeezed and India[n] products tend to appear uncompetitive wit[h] imports and too high priced to be exporte[d]. For example, in the edible oil comple[x,] marketing and processing costs are high b[y] international standards. Moreover, the col[]lection and transport methods contribute t[o] the aflatoxin problem for groundnut an[d] thereby make Indian production of ground[]nut less competitive internationally. Thi[s] problem affects not only groundnut kernel[s] but the by-products from refining ground[]nut, which elsewhere can be sold for cattle feed, but which in India contain high level[s] of aflatoxin. Another example of the impor[]tance of trading margin is found in a recen[t] study of the export potential of agricultur[e] for fresh vegetables [Bombay Chamber o[f] Commerce 1986]. The study shows tha[t] wholesale margins represent 60-80 per cen[t] of the fob Bombay price and farmgat[e] prices only 20-40 per cent. Hence, ther[e] seems to be great scope for making Indian agricultural products more competitive by increasing the efficiency of processing and distribution, as well as by increasing agricultural yields.

(3) *The Impact of Subsidies on Prices, Resource Allocation and Distribution:* As mentioned above, the estimated subsidies represent a large fraction of the cost of production of the four crops under consideration. In the calculation of ESCs, these subsidies have been treated as lowering the

erage cost of production and the price eeded to cover costs. However, it is quite ossible that the subsidies do not have this fect on prices and costs, but instead mainly ave distributional effects.

This is because, first of all, most of the timated subsidies--irrigation, electricity, nd credit—do not go to all farmers but only ose with access to inputs such as canal ater, power lines and bank loans.[8] In most ases the subsidies do indeed lower costs of ese producers.[9] Hence these farmers are ncouraged to use more resources and produce more. However, numerous farmers ithout access to these inputs continue to roduce the crops in question. To the extent hat they represent an important share of he market, then it is their unsubsidised osts that determine the prices of the ommodities—the subsidised producers mply earn higher incomes at the prices that over costs of the unsubsidised producers. n this case the subsidies have mainly a istributional effect. Second, in order to ccess the subsidised inputs, it may be ecessary for farmers to make payments outside normal channels, for example payments o canal operators to receive releases of canal vater. Thus, the true costs of these inputs o the farmer may be greater than estimated ere,and again the provision of these inputs o farmers at prices below cost would mainly ffect the distribution of income and not ncentives. In sum, to the extent that either of these points is true, the ESCs overstate the ncentives to producers. More importantly, he impact of the 'subsidies' on prices is less han what might be expected and their impact on rural income distribution may be greater. All this suggests that further work s needed to analyse the true impact of subsidies'.

(4) *India's Potential Influence on World Market Prices:* The estimates of protection/incentives described above treat world market prices as independent of the volume of India's sales or purchases. However, large scale buying or selling could alter world prices. In some cases this may be important for countries like India. For example, the world rice market is relatively small and India's entry either as a large importer or exporter could disturb world prices substantially. Adjusting for this possibility would mean that under the importable hypothesis the protection coefficients for rice should be even lower, i e, Indian rice is an even more efficient import substitute than shown above and therefore investment in rice would have even higher economic rates of return. At the same time, exports would be less attractive than shown above, because additional Indian exports would lower the price. These considerations should not, however, be overstated. First, there is the question of how much extra rice, or other commodities, would be produced and exported with a shift in relative prices, i e, what is the domestic supply elasticity of output. Second, additional trade would in general be beneficial, even taking into account the effect of additional Indian sales or purchases on price. However, the standard optimum tariff models suggest that it may not pay for India to go to completely free trade[10] in cases where it affects the international price significantly.

Notes

[Results and policy implications of this study were presented in a seminar by the author in the National Institute of Public Finance and Policy. I would like to thank various participants, particularly A Bagchi, Sudipto Mundle, B N Goldar and A Das Gupta for stimulating discussion on the subject. Thanks are also due to Janes Hanson and Garry Pursell for their comments.]

1 See Garry Pursell and Neil Roger (1985) and Pasquale L Scandizzo and Colin Bruce (1980), for further details.

2 Value added as used here refers to the difference between the price of the output and per unit value of all traded (tradable) inputs that go to produce one unit of output. Theoretically, the non-traded inputs should be decomposed into their tradable and primary, non-traded components, and different treatments accorded to both, but in practice such refined treatments are precluded by lack of data.

3 In the case of wheat, the co-efficients, are estimated separately for four states—Uttar Pradesh, Punjab, Haryana and Madhya Pradesh. Fair Average Quality (FAQ) of domestic wheat, as categorised by Food Corporation of India, is compared with US Hard Red Winter No 2 with ordinary protein. In the case of rice, the coefficients are calculated for Andhra Pradesh from the south, Bihar and Orissa from the east, Punjab and Uttar Pradesh from the north and Madhya Pradesh from the central region. Indian 'common' (FAQ) rice is compared with Thai (milled) white, five per cent broken. The protection coefficients for Cotton are worked out for Maharashtra, Gujarat, Punjab and Andhra Pradesh. In case of Maharashtra, Hybrid-4 variety is compared with its like Mexican cotton; Gujarat's Shankar-4/6 is compared with California (SM 1 1/8"), Punjab's J-34/320 F of is compared with Orleans/Texas (1") and Andhra MCU-5 with Giza 67/69/81. In case of groundnut, protection estimates are for Gujarat, Andhra Pradesh and Tamil Nadu.

4 The crop specific NPCs were calculated as a weighted average of the state NPCs, with value of the crops in the states used as the weights.

5 Some exports of groundnut occurred in the 1980s, but they went almost wholly to the Soviet Union and the other eastern bloc countries, where prices of groundnut and groundnut oil may be substantially higher than in world markers. Another factor in these exports may be the accounting rates of conversions used for the inconvertible currencies in which this trade is conducted.

6 Krueger, Schiff, and Valdes call this the indirect protection effect. As discussed above, it arises from (a) over- valuation of the currency and (b) the compensating change in the exchange rate that would be necessary to offset the elimination of protection economywide.

7 This shows up quite clearly in a recent study on natural rubber production in India [Mani, 1989]. Rubber production is competitive with Malaysian rubber only in a small part of Kerala, but protection and subsidies allowed production to extend into climatically less suitable zones.

8 In contrast to these inputs, the subsidy on fertiliser is accessible to all farmers and thus would almost certainly affect costs of crop production of both the average and marginal farmer.

9 In the case of credit, lower interest rates may not lower costs, the credit may simply substitute for the farmer's use of his own funds, or be invested elsewhere.

10 See for example Johnson, 1971. In the simplest partial equilibrium model, free exports are preferable to autarky, provided the elasticity of demand for the product is greater than the share of the country in world exports of the commodity, although some restriction of trade will lead to still higher benefits for the country.

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Self-Sufficiency in Oilseeds
Within Grasp or Elusive Goal?

K N Ninan

This paper examines the prospects of India realising her goal of self-sufficiency in oilseeds, in the light of th optimistic crop outlook for oilseeds in 1988-89. While analysing the various policy options for India to becom self- reliant in this crucial sector, it suggests that the main constraint for increasing oilseeds production in Indi is technology. It cautions against a strategy of laying sole emphasis on the price mechanism which can only b at the cost of coarse cereals, the main competitors of oilseeds and which are mostly consumed by people wit low incomes.

CROP forecasts for 1988-89 suggest that India is poised to reap a bumper harvest of over 15 million tonnes of oilseeds. If true, this will be an all-time record compared to the last record harvest of nearly 13 million tonnes of oilseeds during 1984-85. Favourable monsoons along with institutional support no doubt would account for this feat. But the moot question is: Does this represent a structural break in the production trends of oilseeds or is it just a freak phenomenon? Is the goal of self-sufficiency in edible oils and oilseeds which has been accorded priority in the development plans of the country within grasp or elusive?

Demand-Supply Gap

It is indeed ironic that India which is one of the largest producers of oilseeds in the world has also become the largest importer of edible oils in the world. The import bill on edible oils which was just around Rs 15 crore in 1975-76 currently averages at over Rs 1,000 crore per annum. Between 1975-76 to 1986-87 India has spent nearly Rs 7,000 crore for importing edible oils. In fact it now ranks second in our import bill after petroleum. This cannot go on forever without affecting the growth and stability of the Indian economy. The necessity for attaining self-sufficiency in this crucial sector, therefore, cannot be disputed.

The demand for vegetable oils and fats in the country has been rising rapidly at over 4 per cent per annum. But domestic output has been growing at a sluggish pace, at just around 2 per cent per annum, resulting in a big gap in the domestic market which is estimated at 1 to 1.5 million tonnes in terms of oil or about 3.5 million tonnes in terms of oilseeds. The National Commission on Agriculture (NCA), 1976 and other agencies have suggested that the demand for vegetable oils by the year 2000 will range between 8 to 10 million tonnes or more.[1] Supply projections made by the NCA indicate that if the required investment takes place, if average yields of oilseeds were to increase to over one tonne per hectare as against the present average of about 0.6 tonne per hectare, and if area under irrigated oilseeds were to increase to over 5 million hectares as against the present level of 2 to 3 million hectares, then the supply of vegetable oils may go upto about 9.7 million tonnes by the year 2000. But other studies suggest that not only is the supply likely to be at a lower level but also the deficit which is presently around 1 to 1.5 million tonnes may rise to about 2.8 to 4.5 million tonnes by the year 2000.[2] The Planning Commission envisages the demand for vegetable oils to increase to about 8 million tonnes by 2000 A D equivalent to about 26 million tonnes of oilseeds, that is, double the present level of output of around 11 to 13 million tonnes of oilseeds. For the Seventh Five Year Plan, the target set by 1990 is about 5 million tonnes of vegetable oils, equivalent to about 18 million tonnes of oilseeds. To reach this target India's oilseeds output will have to increase at about 6.5 to 7 per cent per annum as against the present growth rate of about 2 per cent per annum.[3] Though our oilseeds output is expected to rise to over 15 million tonnes this year, it is important to recall that the original target for this year as per the Seventh Plan document was about 17 million tonnes.

Factors Inhibiting Growth

It is necessary to identify the factors inhibiting the growth of oilseeds in India. Is it the lack of remunerative prices or technology or are there other factors which explain the slow pace of growth of oilseeds? The role of price in stimulating agricultural production is well known. But in a dynamic setting it is technology which is a more important factor. Development of cost-effective or high yield low cost technology can itself change the scenario for oilseeds. A recent study reveals that over the past three decades, while movements in relative prices have been favourable to oilseeds, the reverse is the case in respect of relative yields where the trends have been against oilseeds, which clearly shows that technology is the major constraint.[4] A word of caution may be mentioned about a strategy which lays sole emphasis on the price mechanism to boost oilseeds ouput. Any price policy favouring oilseeds could only be at the cost of coarse cereals, which are the main competitors of oilseeds and are also mostly consumed by the low income people. Hence while solving one problem a new problem may get created through disincentives for producing coarse cereals. Moreover, the Indian experience shows it was only when there was a technological breakthrough that wheat and rice production registered a significant increa This will have to happen in the case oilseeds also.

But there are some who contend that pri is the main constraint on increasing oilsee production.[5] The policy of importing ed ble oils has been criticised on the ground th it unduly depresses domestic prices ar hence a disincentive to increase oilseeds pr duction. It may be mentioned that India edible oil prices have ruled higher than wor prices for several years in the recent pas One could easily argue that on grounds o economic efficiency and comparative advar tage it would be better to import edible oi than support a high cost domestic econom This is, of course, not to argue the case fo imports. Given India's bad experience wit food aid (with strings attached!) it necessary for us to be self-sufficient in a essential commodity like edible oils. A stud by M L Dantwala points out that the whol sale price index for oilseeds (347.7) i 1986-87 was distinctly higher than for cerea and cotton (276.3 and 184.7 respectively). Further, the annual rate of increase fron 1950-51 to 1986-87 in oilseed prices has als been higher than that for other agricultura commodities. The rate of increase wa relatively much higher during the recen period from 1970-71. The study furthe observed that during the last decade pric parity measured by the wholesale price inde has moved distinctly in favour of oilseeds The percentage increase in procurement/sup port prices for different crops betwee 1975-76/1977-78 to 1985/86 indicated tha the increase in support prices for differen varieties of oilseeds had been more generou compared to increases in the support price of other agricultural commodities. Oilsee growers, therefore, cannot complain o remunerative prices not being available. I may, however, be noted that though there ha been a secular rise in the prices of oilseeds and oils, the benefit of a price rise has gon more to the trader than the grower.[7] I oilseeds cultivation is to be made more attractive, it is necessary to help oilseed growers realise a better share in the consume rupee. The need for eliminating the role o middlemen and speculative interests in the trading of oilseeds and oils, therefore, cannot be disputed.

The limitations of relying solely on the

ce mechanism have been mentioned rlier. Though the expected revenue from seeds is an important factor behind mers' crop production decisions, it may noted that profitability is not determin- by price alone but also by other factors ch as yield, cost of cultivation, production d market risks, etc. Moreover, it is well own that aggregate supply response of riculture to price changes is low in most veloping countries.

TOWARDS SELF-RELIANCE

If we observe the past performance of lseeds it is seen that area has continued to the main source of growth in oilseeds out- it, yield being of secondary importance.[8] he prospects for attaining growth through n extension of cultivated area are minishing fast. If we are to double our lseeds output by the turn of the present ntury which is the goal set by our plan- ers, then yield rates would have to be step- ed up considerably. The wide differences current yield rates across the states itself ndicates the scope for increasing yield levels. mproved varieties of oilseeds which give 20 30 per cent higher yields than present rains are available. But they don't seem to ave made much of an impact so far. Owing o various production and market risks armers appear to be reluctant to adopt the mproved technology because of the high in- estment requirements in terms of fertilisers, esticides and more so because oilseeds ultivation is concentrated in high risk egions where returns on investments are ncertain. Shortage of certified quality seed lue to constraints in large-scale multiplica- ion,[9] high cost of seeds due to high verheads, low priority given to oilseeds esearch and development in the country un- il very recently etc, are some of the reasons or the low adoption rates of the improved echnology.

Irrigation is another input which could in- rease per hectare yield of oilseeds. Yield of oilseeds under irrigated conditions are substantially higher (about 2 to 3 times higher) as compared to those secured under rainfed conditions. Further oilseeds require ess water than other crops such as rice. In fact, the water required to irrigate one acre of area under paddy is sufficient to irrigate about four acres of area under groundnut. But the impact of irrigation on oilseeds cultivation has varied from region to region. While it has had a positive influence on oilseeds cultivation in the southern states and Gujarat, in the northern states the spread of irrigation and new agricultural technology has affected oilseeds cultivation, farmers preferring to switch over from oilseeds to other lucrative crops such as paddy, wheat, sugarcane when irrigation is available.[10] Rabi groundnut which is usually raised with irrigation support is not suited for northern India because of the extreme temperatures which affect the crop's growth. But in southern and western India rabi groundnut which gives higher yields than kharif groundnut is picking up. Increasing the coverage of rabi groundnut, including oilseeds in the recommended crop pattern for command areas, shifting some of the irrigated area in favour of oilseeds are some suggestions worth considering. In this context the suggestion mooted for charging irrigation on a volumetric basis (since oilseeds consume less water) should be seriously considered.

Two important developments which will influence the future course of India's oilseeds economy deserve to be mentioned. One is the constitution of a Technology Mission on Oilseeds by the government of India in May 1986 which aims at harnessing the best of production, processing and management technologies to accelerate self-reliance in oilseeds through an improvement of the crop production, post harvest and processing technologies, transfer of technology and farm support systems, guarantee support prices to farmers and also support to industry in the co-operative and private sector for processing, storage and marketing.[11] A Rs 170 crore National Oilseeds Development Project (NODP) covering 180 districts in 17 states is presently under implementation. Another Rs 125 crore Oilseeds Production Thrust Mission is being implemented since August 1987 covering 246 districts in 17 states, including 151 NODP districts. Though it is still too early to assess the impact of the Technology Mission on India's oilseeds economy, it is interesting to observe that during 1984-85 in the pre-technology

mission period when 74 per cent of the meteorological sub-divisions in the country had normal or excess rainfall, oilseeds output peaked to 12.95 million tonnes whereas in 1987-88, after the advent of the Technology Mission in spite of only 40 per cent of the meteorological sub-divisions reporting normal/excess rainfall, oilseeds output was of the order of around 12.4 million tonnes. In 1988-89 the output is expected to peak to over 15 million tonnes, which cannot be solely attributed to the good monsoons.

The other important development is the scheme to restructure the oilseeds and edible oil economy of india by bringing farmers together under Anand-type co-operative federations under the auspices of the National Dairy Development Board (NDDB). These co-operatives procure oilseeds directly from its members (i e, oilseed growers), provide technical input and extension services for production enhancement programmes and also look after all activities right from procurement, processing and marketing to final sale of product. In the process not only are farmers paid a fair price based on standardised quality assessment but also the consumers are given a quality product at a fair price. As on January, 1989 there were 3000 Anand-type oilseed co-operatives in seven states with a total farmer membership of 6 lakh and covering an area of 13 lakh hectares under oilseeds spread over 14,000 villages. It is proposed to extend the programme further and cover an additional 12 lakh farmers and 25 lakh hectares in nine states with an investment of Rs 450 crore. Recent studies show that farmers participating in such co-operatives have benefited by earning additional income of Rs 30 to Rs 50 per quintal of oilseeds sold, which clearly shows that institutional intervention through mechanisms such as co-operatives, regulated markets can help oilseed growers realise a better share in the consumer rupee.[12]

Since 1985 the Crop Insurance Scheme has been extended to oilseeds cultivation also. The rate of premium for oilseeds has been fixed at one per cent of the amount insured as against 2 per cent for foodgrains. If popularised this scheme would help cover the production risks faced by the oilseed growers.

For the present India cannot do away with imports of edible oils. However, it has been suggested that instead of importing edible oils, we should import oilseeds since they are not only cheaper but also they could benefit our crushing industry which is hitherto grossly underutilised. One way of financing our imports would be to encourage the exports of HPS groundnut, oilcakes and other surplus agricultural commodities. The policy of supplying cheap imported oils at less than domestic prices to the vanaspati industry has been criticised by many. Almost 30 to 50 per cent of the imported oils is allocated to the vanaspati industry and in turn the vanaspati industry has to maintain an informal price control on the final product. Since vanaspati (refined oil) is mostly consumed by the upper income groups, the policy of supplying cheap imported oils to the industry has been questioned. Rationalising the price structure of imported oils is therefore one of the suggestions for augmenting resources for oilseeds research and development. In this context it is gratifying to note that the government has taken a positive step in this direction recently by revising the price of imported oils to bring it closer to the domestic price.

The long-term strategy to make India self-sufficient in its requirements of edible oils should lay emphasis on technological upgradation, apart from providing suitable economic incentives and institutional reforms. Investment in research to evolve location-specific, high-yielding and pest-resistant varieties of oilseeds should be stepped up considerably. Apart from increasing the coverage of irrigated area under oilseeds it is also worth considering diverting some of our cereal area for oilseeds cultivation. For instance, rapeseed-mustard could be grown in place of unirrigated wheat which is not as remunerative as rapeseed-mustard. Further, apart from extending oilseeds cultivation to new areas, we should also exploit non-traditional sources of oil such as cottonseed, rice-bran. If we fully exploit the potential of cottonseed, rice-bran and oilseeds of forest/tree origin, it would be possible to generate an additional 2 million tonnes of oil. Oil-Palm, if popularised could be another important source of edible oil. Its per hectare oil yield is the highest (over 5,000 kg) as compared to other crops like coconut (615 kg), sunflower (275 kg), groundnut (201 kg) rapeseed-mustard (161 kg), soyabean (120 kg) and sesamum (82 kg).[13] It is a capital-intensive crop and suited only for large-scale production under corporate or co-operative management. An advantage is that it is not a seasonal crop but is produced all-round the year and is also singularly free from pests and diseases.[14] It gives a steady stream of income spanning over 30 years after an initial gestation period of 5 to 7 years. India is trying to popularise Oil-Palm cultivation in Kerala, Andaman Nicobar Islands, Karnataka and other southern states.

Conclusion

The main constraint for increasing oilseeds production in India is technology. Though price is an important tool for increasing agricultural production, in a dynamic setting it is technology which is a more important factor. Development of cost-effective or high yield low cost technology can itself change the scenario for oilseeds.

It is necessary to caution about a strategy of laying sole emphasis on the price mechanism for increasing oilseeds output which can only be at the cost of coarse cereals, which are the main competitors of oilseeds and also mostly consumed by the low income people. Owing to the dominance of private traders and considerable speculative activities in the trading of oilseeds and oil the benefit of a price rise has gone more t the trader than the oilseed grower. The nee for institutional intervention throug mechanism such as co-operatives, regulate markets, in order to help oilseed grower realise a better share in the consumer rupe and also make oilseeds cultivation more at tractive, therefore, cannot be disputed.

If India is to realise her goal of sel sufficiency in oilseeds then her strategy fo oilseeds should lay emphasis on techno logical upgradation, apart from providin suitable economic incentives and institu tional reforms.

Notes

1 *Report of the National Commission o Agriculture, Part III (Demand and Suppl Aspects)*, Ministry of Agriculture, Govern ment of India, 1976; James Harrison an others: *India—Demand and Supply Pro spects for Agriculture*, World Bank Staf Working Paper No 500, Washington, 1981 and J V Meenakshi and others: *The Impac of India's Grain Revolution on Pulses an Oilseeds*, Cornell International Agricultura Economics Study No AE Res 86-22, Cornel University, Ithaca, New York, November 1986.

2 cf J V Meenakshi et al, op cit, p B-36.

3 A C Chhatrapati: 'Oilseeds Development—Evaluating the Thrust Mission', *Economic Times*, June 16, 1986.

4 K N Ninan: *Edible Oilseeds—Growth, Area Responses and Prospects*, Oxford and IBH, New Delhi, 1989; and also 'Edible Oilseeds—Growth and Area Responses' in Review of Agriculture, *Economic and Political Weekly*, September 26, 1987.

5 cf V Kurien: *Oils and Fats—Beyond Nutrition*, Tenth Gopalan Oration, Nutrition Society of India, Hyderabad, November 27, 1986, p 17.

6 M L Dantwala: 'Price Policy for Oilseeds', *Economic Times*, September, 10, 1987.

7 C G Ranade et al: *Groundnut Marketing—A Study of Co-operative and Private Trade Channels*, IIM, Ahmedabad, 1982.

8 Ninan, op cit.

9 For instance, to cover even 5 per cent of groundnut area 40,000 tonnes of improved seeds are required. National and State Seed Corporations are not able to produce even 10 per cent of this quantity. See Chhatrapati, op cit.

10 Ninan, op cit.

11 P V Shenoi: 'Why the Technology Mission'? *Economic Times*, September 10, 1987.

12 cf T Shah and Shrikant Modak: *Co-operative Organisations in Indian Oilseeds System: A Study of GROFED in Gujarat*, Research Report No 2, IRMA, Anand, 1986; C G Ranade and D C Sah: 'Role of Co-operative and Private Trade in Groundnut Marketing in India', *Commerce*, Annual Number, 1982; K Uma Shankar Patnaik: *Marketing Channels Trade Structure and Groundnut Farm Economy—Effects of Government Intervention*, Working Paper No 16, CESS, Hyderabad, 1988.

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Sources of Recent Growth in Rice and Wheat Output

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This paper measures the sources of growth in output in the two principal foodgrains, wheat and rice, over the period 1970-71 to 1983-84. The major producing states are considered individually as well as on the aggregate. The analysis is conducted in two parts. The first part analyses growth from point-to-point in the 'peak' years of foodgrain production—1970-71, 1978-79 and 1983-84. The second part contrasts these results to the 'trough' years—1972-73 and 1979-80.

The major conclusions suggested at the aggregate level are: (a) Output differences between peak and trough years are primarily due to variations in yields on unirrigated land. (b) Irrigated yield increases have been a substantial and increasing source of growth in both rice and wheat output, especially the former. (c) In the peak years, changes in the area components contributed more to growth in wheat than rice. The better quality of the incentive package available to wheat growers might be behind this development. However, in the trough years the area components accounted for a greater share in the growth of rice than wheat.

TO add to the knowledge of the growth mechanism in Indian agriculture, an exercise to measure the sources of recent (1970-71 to 1983-84) growth in wheat and rice output is attempted in this paper. A state-wise analysis for the major producing states is proposed with data which to the best of our knowledge has hitherto not been used for such purposes.

Two methods of analysis have generally been employed in identifying the sources of growth in Indian agriculture. One decomposes time series data on agricultural output to obtain the contributions made by growth in crop area and in yield levels. The other uses production function analysis to work out the contributions of different inputs like fertilisers, labour, mechanisation, etc, to variations in output. This paper works within the framework of the first methodology but extends it to account for differences in irrigated and unirrigated acreage.

The rest of the paper is divided into four sections. Section I lays down the methodology for measuring sources of growth; Section II deals with the data and results on rice and wheat for the 'peak' foodgrain production years, i e, 1970-71, 1978-79 and 1983-84; Section III analyses the same for the 'trough' years, 1972-73 and 1979-80. Section IV ends with the conclusions.

I
Methodology

Output growth in each crop is decomposed into four components: growth due to changes in (i) new area brought under cultivation, (ii) shift from unirrigated to irrigated area, (iii) irrigated yields, and (iv) unirrigated yields. The underlying hypothesis is that all new area brought under cultivation is evaluated at the unirrigated yield levels. It needs to be recognised that new area here need not imply hitherto unused area alone; it can also be a switch in area from some other crop. The present exercise seeks to differentiate between this additional land brought under cultivation and a switch from unirrigated to irrigated land under the same crop.

Q = Total output; Q_1 = Irrigated output; Q_2 = Unirrigated output; A_1 = Irrigated area; A_2 = Unirrigated area; L = Total area cultivated.

$$
\begin{aligned}
Q &= Q_1 + Q_2 \\
&= A_1(Q_1/A_1) + A_2(Q_2/A_2) \\
dQ &= dA_1(Q_1/A_1) + dA_2(Q_2/A_2) + A_1 d(Q_1/A1) \\
&\quad + A_2\, d(Q_2/A_2) \\
&= dA_1(Q_1/A_1) + (dL - dA_1)(Q_2/A_2) + \\
&\quad A_1\, d(Q_1/A_1) + A_2 d(Q_2/A_2). \\
&= dL\,(Q_2/A_2) + dA_1\,(Q_1/A_1 - Q_2/A_2) \\
&\quad + A_1\, d(Q_1/A_1) + A_2 d(Q_2/A_2) \quad \ldots(1)
\end{aligned}
$$

$$
\frac{dQ}{Q} = \frac{dL}{L}\frac{Q_2}{Q}\frac{L}{A_2} + \frac{dA_1}{A_1}\,[Q_1/Q - (Q_2/Q)\,(A_1/A_2)] + \frac{d(Q_1/A_1)\,Q_1}{(Q_1/A_1)\,Q} + \frac{d(Q_2/A_2)\,Q_2}{(Q_2/A_2)\,Q}
$$

On the RHS of equation (1) the first component measures increase in new area weighted by unirrigated yield as per our assumption that all new area brought under cultivation is unirrigated. The second catches change in irrigated area weighted by the yield differential between irrigated and unirrigated land. This component can therefore be interpreted as representing the growth due to transfer from unirrigated to irrigated land. The third and fourth components measure growth due to changes in yields on irrigated and unirrigated lands weighted by their respective acreage.

II
Analysis for 'Peak' Years

The major producing states are analysed individually as well as on the aggregate. The period 1970-71 to 1983-84 is broken up into two—1970-71 to 1978-79 and 1978-79 to 1983-84 and compounded rates of growth from point-to-point are studied. The rationale behind choosing these years was (a) 1983-84 represented the latest year for which all necessary data was available, (b) all three years were 'peak' years in foodgrains production with growth rates from one to the other closely paralleling the trend rate over the whole period.

Rice

Thirteen states, cumulatively accounting for over 90 per cent of total rice output in the country, are considered. Data on output, area and yields is presented in Annexure 1. Some comments are in order on its compilation since the data has been sparingly used. Earlier studies of this nature have generally relied on data gathered from the cost of cultivation studies. For our purposes this source is inadequate because of the limited coverage of these studies.

Total rice output, total acreage sown and yields on irrigated and unirrigated land were directly available on a state-wise basis for each of the three crop seasons—autumn, winter and summer, from the agricultural Ministry's publication—*Area and Production of Principal Crops in India.* There were a few missing observations on the yield numbers; these had to be filled in by relying on values available on the state for other years and performance of neighbouring and similar states in the year under consideration. This data is however inadequate since we require separate area and output numbers for the irrigated and unirrigated segments.

Of the three seasons, autumn, winter and summer, it is only the first two which are quantitatively important. While in some states the major portion of the rice crop comes in autumn (e g, Madhya Pradesh and Maharashtra), in others (like Orissa and Assam) the main harvest is reported for winter. Autumn plus winter together represent the kharif season and this is the main rice-growing season. Summer can be dropped from the analysis without much loss of generality.

The thrust of the analysis is to work with *one* set of figures each for irrigated and un-

rigated acreage for the kharif season. Total rea sown was added up for autumn and inter. However the proportion of irrigated cultivated area is reported only for the hole year. The breakup between irrigated nd unirrigated land for the kharif season as derived using this proportion; the nderlying assumption being that the ercentage of area irrigated in the kharif eason was the same as the annual percen- age. A set of 'representative' kharif yield evels were derived by weighting the reported utumn and winter yields by their respec- ve outputs. The area numbers were then nultiplied by the set of kharif yields to ob- ain the corresponding irrigated and un- rigated output levels. To check for con- istency, this *derived* total output (i e, out- ut from irrigated plus unirrigated land) was ompared to the directly available figures on otal output. The results are shown in An- exure 1 as the ratios of derived total out- ut to actual total output. While a perfect natch between the two sets (i e, ratio = 1) vas obtained for a few observations the leviations in the rest were within acceptable imits (all between ± 0.1). Repetition of the exercise including the summer figures did not make any significant difference to the atios, so the autumn plus winter group was adhered to. The reason for the less than perfect result seems to lie in the unreliabili- y of the reported irrigated and unirrigated yield levels, as has been noticed before by other researchers. However the present ex- ercise makes some headway in juggling with these figures rather than just dismissing them outright on account of their inaccuracies.

Thus all the necessary data on output, area and yields was compiled and the methodology outlined earlier to track down the sources of growth in output was applied to it. The results are presented in Table 1.

It may be noted that a statistical discrepancy exists, that is, the sum of the four component terms on the RHS does not always add up to the LHS. This is due to two reasons:

(i) the inaccuracies in the data available (mainly on yield levels), as can be seen from the ratios of derived to actual output.

(ii) the choice of whether base year or terminal year weights should be used on the component terms on the RHS. In the results shown above base year weights have been used.

While the first problem has to be lived with, the second can be investigated further and consequently the exercise was repeated using terminal year weights. Although the numbers differed slightly between the two sets of results the basic pattern remained the same. So, only the base year weighted results are shown here.

For the period 1970-71 to 1978-79, total growth in output for all states taken together was 2.8 per cent pa. Seventy per cent of this could be explained by the increase in both the yields (45 per cent on irrigated and 25 per cent on unirrigated land) while 23 per cent was due to an increase in new area brought under cultivation. Since total acreage did not rise as much, this suggests some switch from other crops to rice. Only 12 per cent of growth was accounted for by a shift from unirrigated to irrigated land. (The surplus of 5 per cent is due to statistical discrepancy.)

Point-to-point growth from 1978-79 to 1983-84 is lower than in the earlier period—now 2.2 per cent pa. Ninety per cent (up from 70 per cent in the earlier period) of this growth is accounted for by increases in both the yields (50 per cent on irrigated and 40 per cent on unirrigated land). This is a reflection of more extensive use of HYV and fertilisers, especially on the unirrigated acreage. The contribution of the new area component is down to 8 per cent from 23 per cent, suggesting that the switch to rice cultivation from other crops had slowed down. Growth due to shift from unirrigated to irrigated land plays a negligible (3 per cent) part.

Among the main states, there are negative signs on growth in output in Bihar and Tamil Nadu for the period 1978-79 to 1983-84 and Madhya Pradesh and West Bengal for the period 1970-71 to 1978-79. This is because in these states the 'peak' years in foodgrain production did not correspond to the all-India 'peak' years. Instead of 1983-84 production peaked in Tamil Nadu in 1981-82 and in Bihar in 1980-81. In Madhya Pradesh and West Bengal production peaked in 1977-78 instead of 1978-79. Consequently, to get a clearer picture of the growth process in these states, the decomposition methodology was applied to their individual 'peak-to-peak' years. The results are given in Table 2.

TABLE 1: SOURCES OF GROWTH OF OUTPUT OF RICE, PEAK YEARS
(Per cent per annum)

	ROG Output	=	ROG New Area	+	ROG Trnsf Area	+	ROG Irrigated Yield	+	ROG Unirrigated Yield	Statistical Discrepancy
					1970-71 to 1978-79					
AP	4.21	=	0.45	+	0.46	+	3.48	+	0.08	−0.27
Assam	1.11	=	1.48	+	0.26	+	0.06	+	0.04	−0.72
Bihar	3.69	=	0.72	+	0.37	+	0.24	+	1.73	0.63
Haryana	13.08	=	5.19	+	1.93	+	4.07	+	0.10	1.79
Karnataka	0.35	=	−0.87	+	−0.21	+	2.43	+	0.60	−1.61
Kerala	−0.46	=	−1.38	+	0.26	+	1.62	+	−0.13	−0.84
MP	−0.48	=	1.12	+	0.30	+	−0.60	+	−0.71	−0.60
Maharashtra	3.29	=	1.09	+	0.05	+	0.50	+	1.32	0.34
Orissa	0.87	=	−0.39	+	−0.05	+	0.77	+	0.74	−0.20
Punjab	20.61	=	9.40	+	3.89	+	6.13	+	−0.16	1.35
TN	0.59	=	0.19	+	0.23	+	1.20	+	0.17	−1.20
UP	6.50	=	1.90	+	0.27	+	1.20	+	2.82	0.32
WB	−0.45	=	−0.98	+	−0.04	+	0.56	+	0.42	−0.40
Total	2.79	=	0.64	+	0.35	+	1.26	+	0.68	−0.15
					1978-79 to 1983-84					
AP	3.22	=	0.24	+	0.26	+	2.70	+	0.19	−0.17
Assam	3.09	=	0.52	+	−0.55	+	0.74	+	2.49	−0.12
Bihar	−2.03	=	−2.35	+	−0.16	+	1.18	+	−0.01	−0.70
Haryana	1.58	=	1.59	+	1.39	+	0.21	+	0.05	−1.66
Karnataka	1.18	=	1.15	+	0.39	+	−0.78	+	0.84	−0.42
Kerala	−0.57	=	−1.06	+	0.18	+	0.48	+	1.40	−1.56
MP	6.16	=	0.52	+	0.08	+	1.68	+	4.00	−0.11
Maharashtra	2.22	=	0.19	+	−0.04	+	0.79	+	1.28	0.01
Orissa	2.58	=	−0.29	+	0.01	+	1.66	+	1.40	−0.20
Punjab	8.00	=	2.44	+	4.93	+	0.51	+	0.14	−0.02
TN	−4.09	=	−2.04	+	−0.86	+	0.24	+	−0.43	−1.01
UP	2.58	=	0.71	+	0.65	+	0.01	+	0.67	0.54
WB	4.09	=	1.87	+	−0.01	+	2.20	+	2.75	−2.73
Total	2.21	=	0.18	+	0.06	+	1.45	+	1.15	−0.63

TABLE 2: SOURCES OF GROWTH OF OUTPUT OF RICE IN SOME STATES BETWEEN 'PEAK-TO-PEAK' YEARS
(Per cent per annum)

	ROG Output	=	ROG New Area	+	ROG Trnsf Area	+	ROG Irrigated Yield	+	ROG Unirrigated Yield	Statistical Discrepancy
					1970-71 to 1977-78					
MP	2.31	=	0.90	+	0.23	+	0.16	+	1.06	−0.04
WB	2.07	=	0.71	+	0.04	+	1.06	+	1.95	−1.69
					1977-78 to 1983-84					
MP	1.57	=	0.83	+	0.22	+	0.27	+	0.96	−0.71
WB	0.02	=	−1.01	−	0.16	+	1.27	+	0.42	−0.50
					1978-79 to 1980-81					
Bihar	0.51	=	−0.06	−	0.05	+	1.43	+	0.31	−1.12
					1978-79 to 1981-82					
TN	0.40	=	−1.39	−	0.57	+	0.26	+	0.43	1.73

TABLE 3: SOURCES OF GROWTH OF OUTPUT OF RICE IN THE AGGREGATE EXCLUDING HARYANA AND PUNJAB (*Per cent per annum*)

	ROG Output	=	ROG New Area	+	ROG Trnsf Area	+	ROG Irrigated Yield	+	ROG Unirrigated Yield	Statistical Discrepancy
1970-71 to 1977-78	1.95	=	0.42	+	0.23	+	0.88	+	0.70	−0.27
1978-79 to 1983-84	1.75	=	−0.03	+	−0.1	+	1.29	+	1.26	−0.67

TABLE 4: SOURCES OF GROWTH OF OUTPUT OF WHEAT, PEAK YEARS (*Per cent per annum*)

	ROG Output	=	ROG New Area	+	ROG Trnsf Area	+	ROG Irrigated Yield	+	ROG Unirrigated Yield	Statistical Discrepancy
1970-71 to 1978-79										
Bihar	8.94	=	3.45	+	1.51	+	0.31	+	0.99	2.68
Gujarat	2.99	=	0.34	+	0.78	+	1.70	+	0.10	0.07
Haryana	4.78	=	2.15	+	1.60	+	1.21	+	−0.05	−0.13
MP	3.91	=	1.01	+	1.48	+	0.11	+	2.47	−1.16
Maharashtra	9.79	=	2.97	+	1.73	+	1.37	+	1.53	2.20
Punjab	4.67	=	1.16	+	1.50	+	1.87	+	0.02	0.12
Rajasthan	4.95	=	2.19	+	2.11	+	0.51	+	0.42	−0.28
UP	5.11	=	2.04	+	1.45	+	1.19	+	0.32	0.11
Total	5.10	=	1.51	+	2.15	+	0.88	+	0.43	0.14
1978-79 to 1983-84										
Bihar	3.30	=	0.66	+	0.27	+	4.59	+	0.05	−2.28
Gujarat	6.49	=	1.22	+	3.45	+	2.11	+	−0.27	−0.03
Haryana	5.58	=	2.06	+	2.28	+	0.95	+	0.22	0.07
MP	4.42	=	0.01	+	1.11	+	1.19	+	1.82	0.30
Maharashtra	3.71	=	−0.04	+	0.85	+	2.79	+	1.02	−0.91
Punjab	4.89	=	1.20	+	1.67	+	1.77	+	0.21	0.04
Rajasthan	3.69	=	1.03	+	1.05	+	1.02	+	0.14	0.44
UP	7.06	=	1.95	+	1.25	+	3.32	+	0.43	0.12
Total	5.49	=	1.08	+	1.66	+	2.40	+	0.48	−0.13

TABLE 5: SOURCES OF GROWTH OF OUTPUT OF WHEAT AND RICE, TROUGH YEARS (*Per cent per annum*)

	ROG Output	=	ROG New Area	+	ROG Trnsf Area	+	ROG Irrigated Yield	+	ROG Unirrigated Yield	Statistical Discrepancy
Rice 1972-73 to 1979-80										
AP	4.70	=	0.66	+	1.12	+	3.46	+	0.00	−0.54
Assam	−1.90	=	0.42	+	0.05	+	−0.44	+	0.09	−2.03
Bihar	−2.93	=	1.03	+	0.09	+	−1.20	+	−1.09	−1.76
Haryana	10.71	=	4.58	+	4.06	+	1.59	+	−0.12	0.59
Karnataka	3.34	=	1.04	+	0.21	+	1.78	+	−0.11	0.43
Kerala	−1.21	=	−1.39	+	−1.92	+	0.18	+	0.33	1.59
MP	−7.22	=	0.56	+	0.19	+	−0.77	+	−7.19	−0.01
Maharashtra	13.44	=	1.59	+	0.17	+	2.75	+	8.49	0.45
Orissa	−4.36	=	−1.10	+	0.01	+	−0.47	+	−2.93	0.14
Punjab	17.99	=	9.99	+	3.93	+	3.32	+	−0.26	1.01
TN	0.73	=	0.26	+	0.20	+	−0.01	+	−0.18	0.46
UP	−3.48	=	1.53	+	0.50	+	−0.71	+	−3.85	−0.95
WB	0.62	=	−0.44	+	−0.04	+	0.88	+	0.24	−0.02
Total	0.61	=	0.73	+	0.41	+	0.61	+	−0.95	−0.19
Wheat 1972-73 to 1979-80										
Bihar	−7.02	=	−4.46	+	−0.19	+	−0.86	+	−0.17	−1.34
Gujarat	12.05	=	4.24	+	8.81	+	2.25	+	−0.37	−2.89
Haryana	5.67	=	1.34	+	1.00	+	2.50	+	−0.08	0.92
MP	−0.83	=	−0.89	+	0.08	+	0.36	+	−0.24	−0.14
Maharashtra	22.08	=	14.90	+	4.71	+	19.87	+	18.36	−35.76
Punjab	5.67	=	1.57	+	0.94	+	2.81	+	0.22	0.13
Rajasthan	6.36	=	3.63	+	2.53	+	0.27	+	−0.09	0.02
UP	4.01	=	1.88	+	1.56	+	0.52	+	−0.55	0.61
Sub Total	3.83	=	1.17	+	1.50	+	1.11	+	−0.24	0.29

The regional-state level picture suggests:

(i) Rising yields on both irrigated and unirrigated acreage, especially the latter, are an increasing source of growth in the eastern and central states of Assam, Bihar, Madhya Pradesh and West Bengal. These are states which depend heavily on the monsoon for a good output, and a peak-to-peak analysis would be expected to show unirrigated yields explaining a sizeable share of their output growth. The signs on the area components suggest a switch out of rice cultivation in West Bengal in both periods, Orissa in the first and Bihar in the second period.

(ii) Towards the north, Punjab and Haryana registered very high growth rates of output in the first period, which can partly be explained by the low base they started from. Growth in Punjab was still high in the second period, though Haryana's had tapered off. The contrast from the eastern region was that the area components were large, and over the two periods, an increasing source of growth. This was true of both new area brought under rice cultivation (which was mainly a switch from other crops into rice) and the shift from cultivation on unirrigated to irrigated land. Uttar Pradesh showed the same trend, only here unirrigated yields were an important source of growth too; which is understandable since here unlike as in Punjab and Haryana, a major part (70 per cent in 1983-84) of the rice crop is still grown on unirrigated land.

(iii) Towards the south, output growth was very small in Tamil Nadu, Karnataka and Kerala (negative in the last one). Only Andhra Pradesh showed a healthy growth (over 3 per cent pa) over both periods and this was primarily because of rising yields on irrigated land. In Kerala a shift out of rice cultivation is suggested in both periods, in Karnataka this shift out was limited to the first period while in Tamil Nadu it occurred in the second period.

To gain additional insight, the question was asked—what would the aggregate picture look like if the high achievers such as Haryana and Punjab were excluded from the analysis? The answer is a sharp fall in the aggregate growth rate of output and this due to a decrease in the contribution of both new and transferred area as well as irrigated yields. The new aggregate equations are reproduced in Table 3 and the notable difference between them and the earlier ones is the larger contribution of unirrigated yields in both the periods (36 per cent-50 per cent versus 24 per cent-40 per cent in the earlier analysis including Punjab and Haryana). The success of the technology extension programme in raising both the yields is again brought out by the comparison between the equations for the two periods.

To sum up, between the two periods 1970-71 to 1978-79 and 1978-79 to 1983-84, on an aggregate level, the picture which comes across is a rise in the share of both the yield levels in explaining output growth in the later period *vis-a-vis* the earlier one. This seems to be the result of the extension of 'modern' technology comprising HYV, fertilisers, et al, which really took off in the second period through research, training and visiting programmes and other measures. One interesting result which shows up is the substantial contribution of rising yields on unirrigated land. This development, brought about by the use of new seed varieties on land where water is not assured, has added to the instability in rice production in the country. In a drought year, a large fall in produce from the unirrigated acreage may be expected. This point is further investigated in Section III where the sources of growth in two drought years—1972-73 and 1979-80—are studied.

WHEAT

Eight states cumulatively accounting for over 95 per cent of the total production of wheat in the country are considered. Data on output, area and yields is presented in Annexure 2.

Total output and area figures were directly available as were the irrigated and unirrigated yields from the *Area and Production of Principal Crops in India*. Since there is only one season for wheat, the problem of deriving one set of yield figures from many, as in the case of rice, was not encountered. As in the rice study there were a few missing observations on yields—Maharashtra in 1970-71 and Bihar in 1983-84. These were filled in by informed guesswork as before. When the corresponding irrigated/unirrigated area and yield figures were multiplied and the results summed up for each of the years under consideration, the output thus derived did not match up exactly with the reported actual total output. This can be seen by the derived to actual output ratios in the annexure. This goes to further substantiate the inaccuracies mentioned earlier in the officially reported yield figures for irrigated/unirrigated acreage. However, the ratios were not so far off as to be unworkable with. Application of the methodology outlined earlier gave the results shown in Table 4.

Base year weighting scheme was used in the component terms on the RHS. As in the rice study, the sum of the component terms did not add up to the LHS due to the inaccuracies in the data and choice of weights used. Use of terminal year weights yielded slightly different numbers but the pattern remained the same.

In the period 1970-71 to 1978-79, at the aggregate level, output grew at the rate of 5.1 per cent pa. Thirty per cent of this increase can be accounted for by growth in new area brought under wheat cultivation and 42 per cent by the shift from unirrigated to irrigated land. The cumulative share of the two yields in explaining output growth is only about 25 per cent (17 per cent on irrigated and 8 per cent on unirrigated land). This is in contrast to the results for rice where the relative contributions of the area and yield components were the other way around. One plausible explanation for this is that the quality of incentives (price, input subsidies, irrigation facilities, marketing, etc) offered to wheat cultivators were not available to rice growers, thus encouraging an area switch from the cultivation of other crops to wheat. Further, this incentive structure combined

Annexure 1
KHARIF RICE

	Area Irrigated (000 hects)			Area Unirrigated (000 hects)			Derived Irrigated Output (m tons)			Derived Unirrigated Output (m tons)		
	1970-71	1978-79	1983-84	1970-71	1978-79	1983-84	1970-71	1978-79	1983-84	1970-71	1978-79	1983-84
AP	2606	2803	2871	158	169	177	3.71	5.28	6.18	0.11	0.15	0.21
Assam	524	746	522	1418	1462	1747	0.59	0.86	0.66	1.30	1.35	1.96
Bihar	1153	1920	1589	4041	3597	3255	1.10	1.96	1.91	3.03	3.24	2.93
Haryana	235	427	509	34	32	24	0.42	1.08	1.30	0.04	0.04	0.04
Karnataka	658	603	644	402	359	393	1.14	1.40	1.43	0.49	0.52	0.65
Kerala	434	221	253	343	472	399	0.57	0.37	0.45	0.48	0.64	0.61
MP	618	820	866	3766	4001	4081	0.80	0.85	1.26	2.99	2.96	3.82
Maharashtra	313	388	357	1036	1081	1126	0.42	0.61	0.65	1.30	1.55	1.76
Orissa	1340	1119	1137	2996	3088	3011	1.35	1.35	1.76	2.83	3.17	3.38
Punjab	358	1014	1462	32	38	19	0.64	3.03	4.49	0.04	0.04	0.03
TN	2384	2513	2180	256	198	157	4.41	5.21	4.57	0.28	0.28	0.14
UP	737	1116	1498	3676	4028	3851	0.77	1.81	2.43	2.94	4.23	4.24
WB	1302	1241	1237	3467	3083	3615	1.65	1.83	2.50	3.29	3.10	4.59
Total	12663	14931	15125	21624	21608	21855	17.58	25.64	29.59	19.11	21.24	24.35

	Yield Irrigated (kg/hect)			Yield Unirrigated (kg/hect)			Actual Total Output (m tons)			Ratios (Derived Total Output/ Actual Total Output)		
	1970-71	1978-79	1983-84	1970-71	1978-79	1983-84	1970-71	1978-79	1983-84	1970-71	1978-79	1983-84
AP	1423	1885	2154	683	862	1193	3.81	5.3	6.21	1.00	1.02	1.03
Assam	1133	1150	1260	920	924	1120	1.95	2.13	2.48	0.97	1.04	1.05
Bihar	950	1021	1200	750	901	900	4.07	5.44	4.91	1.01	0.96	0.98
Haryana	1774	2520	2550	1285	1400	1500	0.46	1.23	1.33	1.00	0.91	1.00
Karnataka	1731	2329	2214	1209	1439	1664	1.77	1.82	1.93	0.92	1.06	1.08
Kerala	1305	1677	1797	1387	1355	1521	1.11	1.07	1.04	0.94	0.94	1.02
MP	1301	1039	1458	793	739	935	3.7	3.56	4.8	1.02	1.07	1.06
Maharashtra	1350	1575	1806	1250	1429	1561	1.66	2.15	2.4	1.03	1.00	1.00
Orissa	1010	1205	1550	945	1025	1124	3.91	4.19	4.76	1.07	1.08	1.08
Punjab	1799	2992	3070	1259	1011	1726	0.69	3.09	4.54	0.99	0.99	1.00
TN	1850	2071	2098	1100	1404	906	5.21	5.46	4.43	0.90	1.00	1.06
UP	1050	1621	1623	800	1049	1100	3.6	5.96	6.77	1.03	1.01	0.98
WB	1270	1475	2020	949	1004	1270	5.61	5.41	6.61	0.88	0.91	1.07
Wtd Average	1389	1717	1956	884	983	1114	37.55	46.81	52.21	0.98	1.00	1.03

Source: Area and Production of Principal Crops in India, Ministry of Agriculture, various issues.

Annexure 2
WHEAT

	Irrigated Area (000 hects)			Unirrigated Area (000 hects)			Derived Irrigated Output (m tons)			Derived Unirrigated Output (m tons)		
	1970-71	1978-79	1983-84	1970-71	1978-79	1983-84	1970-71	1978-79	1983-84	1970-71	1978-79	1983-84
har	672	1298	1469	644	507	422	0.77	1.55	2.51	0.53	0.50	0.42
ujarat	330	378	516	247	241	225	0.63	0.89	1.39	0.15	0.16	0.13
aryana	914	1320	1686	215	162	98	1.97	3.20	4.29	0.28	0.20	0.15
P	521	980	1274	2882	2804	2506	0.77	1.50	2.23	1.69	2.21	2.28
aharashtra	263	484	574	619	702	609	0.20	0.48	0.74	0.25	0.35	0.35
unjab	1942	2512	2919	357	227	206	4.65	7.09	9.03	0.42	0.27	0.33
ajasthan	1003	1544	1781	475	448	378	1.51	2.45	2.99	0.36	0.41	0.36
P	3996	5928	7129	1911	1284	1399	5.94	9.96	14.45	1.78	1.34	1.75
tal	9641	14444	17348	7350	6375	5843	16.45	27.10	37.64	5.46	5.44	5.77

	Irrigated Yield (kg/hect)			Unirrigated Yield (kg/hect)			Total Actual Output (m tons)			Wheat Ratios (Derived Total Output/ Actual Total Output)		
	1970-71	1978-79	1983-84	1970-71	1978-79	1983-84	1970-71	1978-79	1983-84	1970-71	1978-79	1983-84
ihar	1149	1196	1709	819	988	1000	1.26	2.5	2.94	1.03	0.82	1.00
ujarat	1919	2342	2694	614	646	583	0.94	1.19	1.63	0.84	0.87	0.93
laryana	2160	2421	2546	1291	1248	1492	2.34	3.4	4.46	0.96	1.00	1.00
IP	1484	1527	1753	586	789	910	2.59	3.52	4.37	0.95	1.05	1.03
laharashtra	773	982	1288	400	498	571	0.45	0.95	1.14	1.00	0.87	0.95
unjab	2394	2821	3093	1181	1205	1597	5.15	7.42	9.42	0.98	0.99	0.99
ajasthan	1503	1584	1681	761	909	956	1.95	2.87	3.44	0.96	0.99	0.98
JP	1487	1681	2027	933	1040	1249	7.69	11.46	16.12	1.00	0.99	1.00
Vtd average	1707	1876	2170	743	853	987	22.37	33.31	43.52	0.98	0.98	1.00

Source: *Area and Production of Principal Crops in India*, Ministry of Agriculture, various issues.

Annexure 3
KHARIF RICE

('000 hectares)

	Area Irrigated		Area Unirrigated		Yield Irrigated		Yield Unirrigated	
	1972-73	1979-80	1972-73	1979-80	1972-73	1979-80	1972-73	1979-80
P	2071	2350	132	153	1410	1809	500	500
ssam	684	708	1340	1386	1200	1109	900	910
ihar	1544	1655	3078	3392	1021	806	771	669
laryana	263	465	28	44	1716	1921	875	750
arnataka	590	633	331	388	1729	2085	1182	1145
erala	452	219	322	469	1792	1826	1278	1365
IP	669	811	3910	3959	952	729	643	337
laharashtra	331	359	946	1099	800	1343	480	1187
rissa	1056	1069	3237	2905	1041	929	875	664
unjab	436	1127	39	40	2058	2625	1466	1071
N	2571	2663	215	207	2035	2033	1185	901
JP	839	1096	3531	3953	1050	871	550	344
VB	1380	1335	3427	3316	1301	1541	971	996
otal	12886	14491	20536	21310	1428	1548	772	666

	Derived Irrigated Output (m tons)		Derived Unirrigated Output (m tons)		Actual Output (m tons)		Rice Ratios (Derived Total Output/Actual Total Output)	
	1972-73	1979-80	1972-73	1979-80	1972-73	1979-80	1972-73	1979-80
AP	2.92	4.25	0.07	0.08	3.06	4.22	0.98	1.03
Assam	0.82	0.78	1.21	1.26	2.10	1.84	0.96	1.11
Bihar	1.58	1.33	2.37	2.27	4.37	3.54	0.90	1.02
Haryana	0.45	0.89	0.02	0.03	0.46	0.94	1.03	0.98
Karnataka	1.02	1.32	0.39	0.44	1.56	1.96	0.91	0.90
Kerala	0.81	0.40	0.41	0.64	1.19	1.09	1.03	0.96
MP	0.64	0.59	2.51	1.33	3.08	1.83	1.02	1.05
Maharashtra	0.26	0.48	0.45	1.30	0.74	1.79	0.97	1.00
Orissa	1.10	0.99	2.83	1.93	3.74	2.73	1.05	1.07
Punjab	0.90	2.96	0.06	0.04	0.96	3.04	1.00	0.99
TN	5.23	5.41	0.25	0.19	5.44	5.73	1.01	0.98
UP	0.88	0.95	1.94	1.36	3.27	2.55	0.86	0.91
WB	1.80	2.06	3.33	3.30	4.99	5.21	1.03	1.03
Total	18.41	22.44	15.85	14.18	34.95	36.47	0.98	1.00

with the fact that wheat is grown in the winter (rabi) season (when there is not much rain), hastened the transition from cultivation on unirrigated to irrigated acreage.

Within states, the dominant producers—Punjab, UP and Haryana as well as Rajasthan—reflected the aggregate pattern. Bihar's output growth was largely (40 per cent) due to new area brought under wheat cultivation, while Madhya Pradesh alone showed a dominant contribution (63 per cent) from unirrigated yields. Maharashtra showed the maximum growth rate in output but it should be kept in mind that its contribution to total output is very small (roughly 2 per cent) and that the growth is calculated from a very small base.

Over the period 1978-79 to 1983-84, taking all states together, the noticeable change from the earlier period is the dramatic increase in the irrigated yield component. This reflects the success of the technology extension network which was really taking off in these years. Close to half of the output change of 5.49 per cent pa, is now due to a rise in yields on irrigated land. This increase is at the expense of new area (now down to 20 per cent) and transfer of area from unirrigated to irrigated (now 30 per cent). The contribution of unirrigated yields remains around the same level of about 8 per cent. Among states, the increasing share of irrigated yields is mostly reflected in UP, Maharashtra and Bihar. But, while on the aggregate there is a fall off in both the advent into new area and shift into irrigated from non-irrigated land, Punjab, Haryana and Gujarat do not portray this trend. In the first two, the share of the two area com-

ponents in explaining output growth remained roughly stationary over the two periods under review (58 per cent in Punjab and 78 per cent in Haryana). In Gujarat, on the other hand, the proportion of growth accounted for by the area components nearly doubled from 37 per cent in 1970-71 to 1978-79 to 71 per cent in 1978-79 to 1983-84. Regarding the unirrigated yield component, only Madhya Pradesh again showed significant contribution accruing from it although its share had fallen off as compared to the earlier period (from 63 per cent to 41 per cent).

Repetition of the exercise performed earlier for rice, in leaving out the high achieving states and then looking at the aggregate results did not yield any significant change for 1970-71 to 1978-79 when Maharashtra was dropped. This is understandable in view of Maharashtra's small contribution to total wheat output in the country. Dropping Punjab and Haryana actually raises the aggregate output growth rate, since growth rates in these states were less than the national average.

III

Analysis for 'Trough' Years

To contrast with the analysis for the peak years a similar exercise was conducted for the trough years 1972-73 and 1979-80. If our hypothesis of variations in yields on unirrigated land being the prime cause of variations in foodgrain production were to be true, we would expect to find that from among the four sources of growth we have delineated, the least contribution in the trough years would be from the unirrigated yield component. In fact, this is exactly what the results showed.

The results for both wheat and rice on a point-to-point estimation from 1972-73 to 1979-80 are presented in Table 5. The data compiled as before are in Annexures 3 and 4. Base year weighting scheme is used.

In both cases, taking all states together, the pattern is the same. The 'trough-to-trough' growth rates are significantly less than the 'peak-to-peak' rates. The contribution of unirrigated yields was negative while that of the other three components was positive. For rice, the growth in output was equivalent to growth in irrigated yields whereas growth due to the area components was negated by the fall in the unirrigated yields. For wheat too, unirrigated yields were the only negative source of growth, though the fall in output due to them was much less than in the rice scenario. This is no surprise since rice is grown on a much greater proportion of unirrigated land than wheat is.

Within states a fall in rice output is recorded in Assam, Bihar, Madhya Pradesh, Orissa and Uttar Pradesh—all of which are states with little assured irrigation. These are the places where output falls off drastically in the drought years, leading to instability in production.

unirrigated. On the other hand, for wheat (which depends on rainfall in a different part of the year than rice), failure of the rains would lead to a relatively nominal fall in output since (a) contribution of unirrigated yields to growth is small, and (b) unirrigated area comprises only 25 per cent of total gross cropped area under wheat. The conclusion is that increasing rice productivity through the use of HYVs on unirrigated land has also led to a greater inherent instability in its production.

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Annexure 4
Wheat

	Irrigated Area (000 hects)		Unirrigated Area (000 hects)		Irrigated Yield ((kg/hect)		Unirrigated Yield (kg/hect)	
	1972-73	1979-80	1972-73	1979-80	1972-73	1979-80	1972-73	1979-80
Bihar	1214	1106	1295	595	1400	1223	1000	936
Gujarat	237	511	134	170	1887	2164	667	546
Haryana	1060	1315	210	156	1859	2298	1164	1061
MP	688	710	2589	2375	1021	1093	614	599
Maharashtra	241	505	450	659	450	1106	300	642
Punjab	2125	2552	279	271	2327	2880	1024	1278
Rajasthan	1025	1640	374	433	1400	1433	780	754
UP	4252	5988	1883	1544	1403	1469	820	643
Total	10844	14327	7212	6203	1593	1767	759	698

	Derived Irrigated Output (m tons)		Derived Unirrigated Output (m tons)		Total Output (m tons)		Ratios (Derived Total Output/Actual Total Output)	
	1972-73	1979-80	1972-73	1979-80	1972-73	1979-80	1972-73	1979-80
Bihar	1.70	1.35	1.29	0.56	3.14	1.88	0.95	1.01
Gujarat	0.45	1.11	0.09	0.09	0.55	1.22	0.98	0.99
Haryana	1.97	3.02	0.24	0.17	2.23	3.28	0.99	0.97
MP	0.70	0.78	1.59	1.42	2.29	2.16	1.00	1.02
Maharashtra	0.11	0.56	0.13	0.42	0.25	1.01	0.98	0.98
Punjab	4.95	7.35	0.29	0.35	5.37	7.90	0.97	0.97
Rajasthan	1.44	2.35	0.29	0.33	1.75	2.70	0.98	0.99
UP	5.96	8.80	1.54	0.99	7.52	9.90	1.00	0.99
Total	17.28	25.31	5.47	4.33	23.09	30.04	0.99	0.99

Source: Area and Production of Principal Crops in India, Ministry of Agriculture, various issues.

IV
Conclusions

The overall picture for both crops shows that on a peak-to-peak basis over 1970-71 to 1983-84 the growth rate of wheat output was more than twice that of rice (5.3 per cent pa versus 2.6 per cent pa respectively). A subdivision of this period suggests that between 1970-71 and 1978-79 most of the growth in wheat was accounted for by increases in area sown and a shift from unirrigated to irrigated land whereas growth in rice was largely explained by productivity (yield) increases on both types of land. Between 1978-79 and 1983-84, productivity increases dominated rice growth still further and in wheat productivity increases (limited, however, to irrigated segments) now accounted for half of the growth in output. This increased role of productivity changes in explaining growth highlights the success of the spread of 'modern' technology comprising HYVs, fertilisers research and extension et al. The relatively greater contribution of the area components (both new and transferred) in wheat may be because the quality of the overall package of 'incentives' comprising price support, input subsidies, investment in irrigation, etc, that were afforded to wheat growers were not made available for rice cultivation. These incentives had the dual effect of increasing the area under wheat cultivation at the expense of other crops, as well as encouraging farmers to transfer cultivation from unirrigated to irrigated land. In contrast, a shift out of rice cultivation is indicated in some of the states—Karnataka, Orissa and West Bengal in 1970-71 to 1978-79 and Bihar and Tamil Nadu in 1978-79 to 1983-84.

The trough-to-trough (1972-73 to 1979-80) picture shows the other side of the story. Growth in wheat is 3.8 per cent pa and this is shared by an increase in acreage sown, transfer from unirrigated to irrigated land and increased productivity on irrigated land. There is a fall in productivity on unirrigated land but its total effect on output is small since wheat is grown predominantly on irrigated segments. In contrast, rice grew at a dismal 0.6 per cent per annum mainly due to falling productivity in unirrigated areas. Small increases in the other three components explain the source of this growth.

The analysis provides an insight into the debate on the sources of 'instability in foodgrain production'. An examination of the time series data on wheat and rice production since 1970-71 reveals that the 'instability' has been much more pronounced for rice than wheat. Our analysis provides an explanation as to why this might be so. In the years of good monsoon (the peak years), the contribution of unirrigated yields to rice growth was 25-50 per cent while for wheat it was only 8-9 per cent. Clearly then, the failure of the rains in any given year is going to lead to a substantial fall in rice production from unirrigated land through a decrease in productivity, especially since 60 per cent of gross cropped area under rice is

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Small Growers and Co-operative Tea Factories in Nilgiris

V N Reddy
Sharit K Bhowmik

The co-operative factories in Nilgiris have had a positive effect in helping the small tea growers, especially those with very small holdings. At the same time in spite of their financial and technical limitations over the years the small growers have increased the area of their holdings and their productivity. This shows that the small growers have been more enterprising in raising production than the large estates whose production has remained stagnant. The co-operative factories have not only ensured fair prices to their members but also to growers in areas where there are no co-operatives. The bought leaf factories in these areas pay their growers the market prices. They are cautious in lowering prices as they know that this would provoke the growers into joining a co-operative or, when there is none, in forming a new one. Thus the impact of these co-operatives can be felt on all the small growers in this district.

WITH an annual production of more than six hundred and fifty million kg, India is now the world's largest producer of tea. There are at present over four hundred thousand hectares under tea cultivation. Ninety six per cent of the tea is grown on large tea estates owned by joint-stock companies. Most of these estates (especially those with more than 200 hectares) have their own factories for processing green tea leaves into finished products. The remaining 4 per cent is produced by small tea growers.[1] A small grower, as defined by the Tea Board of India, is one whose holding does not exceed ten hectares. These growers are found in the Nilgiris district of Tamil Nadu, the Kottayam and Idukki districts of Kerala and the Kangra district of Himachal Pradesh. The largest concentration of small growers is in Nilgiris. There are 6,258 small holdings registered with the Tea Board which cover 7,678 hectares (ha) giving an average holding of 1.23 ha.[2] The Tea Board has however estimated that the actual number of small growers could be well above this figure as most of them do not register with it.[3] In fact another estimate[4] notes that there are around 20,000 small growers in this district whose holdings collectively account for 12,000 ha. This means that the average holding of a small grower is a mere 0.6 ha. This is the smallest average holding in tea in the country. This paper attempts to assess the problems of small tea growers in Nilgiris and show how co-operative factories have been able to overcome many of these problems.

Emergence of Small Growers

Small growers in this district came into existence around 1920.[5] The large tea estates had then encouraged small farmers in the vicinity to take up tea cultivation. Some of these estates were interested in expanding their area under tea but they were unable to do so because each plantation was granted a specified area of land by the government. They therefore encouraged peasants in the vicinity to take to tea cultivation so that they could supply green leaves to the large plantations. Small growers got a further boost in 1933 when the government introduced the export quota system. The tea industry had faced a severe slump in 1931 as a result of the Great Depression. It was felt that an unrestricted supply of tea to the world market had caused a glut and subsequently a fall in prices. Hence, in order to control this situation, the government decided to regulate exports by granting a quota to each registered tea estate. Small growers too were entitled to this quota though most of them were not in a position to manufacture their own tea. They would hence sell their green tea leaves and their export quotas to the large plantations. Small growers were therefore a help to the large plantations and both were dependent on each other.

However, after 1961 the government decided to suspend the quota system and also agreed to allow large plantations to increase their area under tea. As a result, the larger plantations no longer needed the support of the small growers and their plight deteriorated. Around this time (i e, 1962-63) "bought leaf factories" came into existence in this area and at present there are more than 75 such factories.[6] These are privately owned factories which purchase green leaves from the small growers.

Initially, the prices the small growers realised from the bought leaf factories for their green leaves were very low and they were unable to invest in the improvement of their holdings. Moreover, when there was a mutual dependence of small and large plantations, the former could avail of technical expertise from the latter. Hence, due to lack of funds and the absence of technical assistance, small growers were unable to get the best yields from their holdings. Co-operative factories were set up in this area primarily to help the small growers overcome these handicaps.

Estimates of Holdings and Production

Before examining the problems of the small growers let us try to estimate their number. Both the Tea Board and the Incoserve (which is the apex body of the co-operative tea factories here) have given their estimates of the number of small growers which we have mentioned earlier. We feel that these may be conjectures because, as the Tea Board itself admits, there are no records of the actual number of small growers since most of them are registered as agriculturists and not as tea growers. Our estimate is based on the extrapolation of the breakup in the size of holdings given by the Tea Board along with the manufacture of tea by the co-operatives and the private factories.

A majority of the small growers in Nilgiris sell their green leaves to the co-operative factories or to the bought leaf factories. The present reports indicate that only a fraction of them sell their produce to the large estates. In fact one can assume that growers with holdings upto 50 ha would have to sell their green leaves outside as it would not be economically viable for them to maintain their own tea factories. Moreover the average holding size of growers with holdings between 8+ ha and 50 ha is 13.3 ha. This further strengthens our view that the growers in this group cannot process their green leaves on their own. Therefore we can assume that the total production of bought leaf and co-operative factories more or less reflects the total output of the growers whose holding size is less than 50 ha.

During the year 1976, the total production of tea in Nilgiris district was 3,52,93,000 kg. Out of this 2,00,56,000 kg was contributed by the large tea estates of holding size greater than 50 ha. The remaining 1,52,37,000 kg of tea was accounted by the cultivators with the holding size less than or equal to 50 ha. It may be noted here that the combined total production of bought leaf and co-operative tea factories in 1976 was 1,48,79,000. The per hectare average production of green tea leaves by the small growers in 1976 was 3,556 kgs.[7] Further, the combined proportion of made tea to green tea leaves by the bought leaf and the 'co-operative' tea factories in 1976 worked out to be 0.25.[8] Thus, the average yield of made tea per hectare was 897 kg for the small

growers in 1976. So, the estimated area accounted by the estates of size less than 50 ha in 1976 turned out to be 16,987 ha. We have already noted that the estates with the holding size between 8.09 and 50 ha account for an area of 2,043 ha. Thus the area under tea by the small growers in 1976 turned out to be 14,944 ha. Of this, only 7,678 ha was registered with the Tea Board by the small growers. According to the Tea Board, there were about 15,000 small growers in the Nilgiris district of whom only 6,258 registered with the Tea Board. As such, the

TABLE 1: ESTIMATES OF THE AREA UNDER TEA AND PRODUCTION OF TEA BY THE ESTATES OF SIZE GEATER THAN OR EQUAL TO 50 HA IN THE NILGIRIS DISTRICT

Variable	Year 1976	Year 1985
i) Estimated per cent share in the area under tea by estates of size ⩾50 ha	54.54	57.09
ii) Estimated per ent share in the total production by estates of size ⩾ 50 ha	43.17	45.10
iii) Total estimated area under tea (ha)	31,146	34,004
iv) Total estimated area under estates of size ⩾50 ha	16,987	19,414
v) Total production of tea (000 kg)	35,293	53,806
vi) Estimate production of made tea per hectare (kg)	1,133	1,582

Note: The area under tea by the estates of size between 8.09 and 50 ha were 2,043 ha and 2,138 ha respectively in 1976 and 1985.

average sizes of the holdings of the small growers who registered with the Tea Board and who did not register with the Tea Board were 1.23 ha and 0.83 ha respectively in 1976. Thus, the estimated area under tea in 1976 was turned out to be 31,146 ha, but not 23,879 ha, as reported by the Tea Board.[9] From this, we note that the estimated yield per hectare at the district level turned out to be 1,133 kg but not 1,478 kg, as reported.[10] The percentage of area accounted by small growers of size less than or equal to 8 ha in 1976 was estimated to be 48 whereas their share in the district's production of tea was estimated to be 38 per cent.

According to the Nilgiris Small Tea Growers' Service Industrial Co-operative Society Limited (Incoserve) the average yield per hectare obtained by these small growers was estimated to be 1,250 kg in 1985.[11] During the same year 1985, the total production of tea in Nilgiris district was 5,38,06,000 kg and out of this, 2,95,39,000 kg of tea was contributed by the large estates whose holding size is greater than 50 ha.[12] From this, it follows that the remaining 2,42,67,000 kg of tea was contributed by the cultivators whose holding size is less than or equal to 50 ha. Assuming the same average yield of 1,250 kg per hectare for the holding sizes ⩾50 ha, the area under tea by these cultivators turned out to be 19,414 ha, which means the total area under tea at the district level turns out to be 34,004 ha with 14,590 ha accounted by the large tea estates of size greater than 50 ha.

It must be noted here that among these holdings of 50 ha or less only a small amount was held by growers with holding size of more than 8 ha and below 50 ha. The total area in this holding size group was 2,043 ha in 1976 and 2,138 ha in 1985. In other words, those with holdings of 8 ha and below have increased the area under tea during 1976-85, while those with holdings of 8.09 ha and 50 ha have increased their area only marginally. Thus we find that the small growers in Nilgiris have been enterprising in increasing production of tea by expanding the area under tea and through increasing the per hectare yield rates. The salient features of our calculations are summarised in Table 1.

TABLE 2: DATA ON CO-OPERATIVE TEA FACTORIES TOGETHER WITH THE DATE OF COMMENCEMENT OF PRODUCTION, MEMBERSHIP, AREA COVERED AND PRODUCTION OF MADE TEA PER HECTARE

Sl No	Co-operative Tea Factory	Commencement of Production	No of Members in 1976	No of Members in 1985-86	Area Covered (in ha) 1976	Area Covered (in ha) 1985-86	Production of Made Tea (Kgs) Per Ha in 1976	Production of Made Tea (Kgs) Per Ha in 1985-86
1	Kundah	20.09.62	411	1010	418	712	1325	1442
2	Kotagiri	19.05.65	492	677	493	549	1191	1248
3	Karumbalam	27.12.66	206	253	290	334	976	1272
4	Kilkotagiri	26.12.66	443	581	426	447	1148	812
5	Marcunad	20.05.67	456	745	462	586	541	939
6	Mahalinga	16.05.67	482	807	472	622	822	1059
7	Manjoor	10.09.67	574	1366	576	881	1087	1573
8	Ithalur	15.09.67	470	759	403	522	903	1239
9	Gudalur	21.10.74	319	739	324	636	1043	1058
10	Kaikatte	24.12.76	—	713	—	567	—	1296
11	Kattabettu	24.12.76	—	879	—	690	—	587
12	Salisbury	5.09.83	—	454	—	616	—	852
	All		3853	8983	3863	7163	1004	1128

Notes: i) Production of made tea per hectare is calculated with the assumptions that the co-operative members bring their entire output of green tea leaves to the co-operative tea factory and the co-operative tea factory purchases the green tea leaves from its members only.

ii) It may be noted that during 1963-64, the Kundah co-operative tea factory with a membership of 128 covering tea area of 263 ha, had produced 498 kg of made tea per hectare.

Sources: i) Tea Board [1989], *Techno-economic Survey of Nilgiris Tea Industry*.

ii) Short notes on the working of industrial co-operative tea factories and the Incoserve: Incoserve, Coonoor, Nilgiris.

CO-OPERATIVE TEA FACTORIES

The need for establishing co-operative factories was first stressed by the Plantation Enquiry Commission in 1956. The commission suggested that factories of this type would increase the economic viability of small growers and would also free them from dependence on large growers and bought leaf factories. Co-operative factories could assure the growers of a fair price for their produce and simultaneously introduce scientific methods of tea cultivation. The first Industrial Co-operative Tea Factory (Indco) in Nilgiris was commissioned in Kundah in 1962 and it was successful.[13] As a result, since 1964, twelve more co-operative factories have been formed.

The thirteen co-operative tea factories produce more than 8 million kg of tea annually which accounts for 15 per cent of the total production of Nilgiris. This makes them "the single largest group of producers in the Nilgiris".[14] These factories have a membership of more than 9,000 small growers who cultivate 7,780 ha of tea land.[15] Their total paid up capital is Rs 32,258,000 of which Rs 13,000,000 is the state's participation. The factories have been started with financial assistance largely from the state government and its financial institutions. The Tea Board and the National Co-operative Development Corporation have offered assistance to some of the factories, though at a later stage.

The Indcos have an apex body known as the Nilgiri's Small Growers Service Industrial Co-operative (Incoserve). This organisation has been set up for providing various services to the Indcos. These include marketing of the tea produced by the Indcos, providing warehouses for stocking tea and, supplying fertilisers, machinery and tea chests to the Indcos.

In order to become a member of an Indco, the grower must reside within its area of operation. The application for membership has to be passed by the board of directors of the Indco. The grower has to purchase shares on the basis of his acreage. The value of each share is Rs 100 and a grower must purchase ten shares for each acre he wants to register with the co-operative. Most Indcos restrict growers from registering more than 10 acres (i e, 100 shares). Initially a grower can join an Indco by purchasing one share. He buys the remaining shares through

instalments which can be deducted from his thrift deposit money. This deduction is done by the co-operatives for encouraging savings among its members. The thrift deposit is usually 10 p per kg of leaves supplied. This amount is either converted as the member's share capital or is kept as reserve for him in case of need.

All but three of the Indcos pay their members on a monthly basis. The procurement prices of green leaves varies between the different Indcos. These prices are fixed at a meeting of the chairman and the managing directors of the Indcos and is presided over by the Joint Director (Tea), Industrial Co-operatives. This meeting takes place in the beginning of each month. While fixing the price of green leaves, the cost of production per kg of tea, average sale price and the allocable surplus of each Indco are taken into account. In addition, the prices paid by the bought leaf factories in the locality are also considered. The grower is usually given a weekly advance ranging from 50 per cent to 75 per cent of the price of green leaves he supplied during the previous month.

The three exceptions to this convention are the Kotagiri, Kilkotagiri and Katabettu Indcos. These three Indcos are situated in Kotagiri taluka and this region has a large number of bought leaf factories. The Indcos have to face stiff competition from these factories and they may have to change their procurement prices frequently. Hence these Indcos are allowed to fix their prices on a weekly basis and their members are paid their full amount on every Saturday.

Each Indco is managed by a board of directors comprising 15 members. Twelve of them are elected by the members of the co-operative and the other three are nominated. They are representatives of the Tamil Nadu Co-operative Bank, Tea Board and the managing director of the co-operative who is an official in the industrial co-operative department. The managing director is nominated by the registrar of co-operatives and the other two members are nominated by their respective organisations. The directors elect the chairman and the vice chairman of the board.

The term of each board is of three years. The twelve elected members of the board are elected by an electoral college consisting of members of the co-operative who have been supplying green leaves regularly for at least three months prior to the elections. This condition usually decreases the voting strength by half or one-third of the total membership of the co-operative. It was also found that the voting in the elections is fairly high; around 80 per cent or more of the electorate cast their votes.

The bye-laws of the Indcos make the general body of the members the ultimate authority of the co-operatives, subject to the provisions of the Tamil Nadu Co-operative Societies Act 1961. The board of directors is vested with the executive management of the co-operative. The chairman has the general control over the affairs of the co-operative while the managing director is responsible for its administration. The managing director is also the ex-officio treasurer of the co-operative. In effect, the managing director who is a nominated member is the executive authority and the board the appellate authority.

It should be noted here that the Indcos have had elected bodies only since 1983. Prior to this, the members of the board were nominated from among the members of the co-operative by the registrar of co-operatives. Even now there are three Indcos which have nominated boards.

Performance of the Indcos

The basic objectives of the co-operati[ve] tea factories are to provide remunerati[ve] prices to small growers for their leaves an[d] to prevent middlemen from exploiting the[m.] The middlemen in these areas are known a[s] leaf agents. These people give cash advance[s] to the small grower and later buy his cro[p] and charge a commission to sell it to a fac[-]tory. These agents can be found in areas hav[-]ing a large number of small growers bu[t] where there are no co-operative tea factories. In Nilgiris these agents are almost non[-]existent thanks to the co-operatives.[16] B[y]

TABLE 3: DATA ON NUMBER OF CO-OPERATIVE TEA FACTORIES IN PRODUCTION, MEMBERSHIP, AREA COVERED, QUANTITY OF PURCHASE OF GREEN TEA LEAF AND PRODUCTION OF MADE TE[A]

(Average per co-operative factory)

Year	Co-operative Tea Factories (No)	Members (No)	Area Covered (Ha)	Green Tea Leaf Purchased ('000 kg)	Production of Made Tea ('000 kg)
1963-64	1	128	263	506	131
1974	8	—	—	1197	316
1975	8	—	—	1352	357
1976	9	428	429	1644	431
1980-81	11	—	—	2345	588
1981-82	11	—	—	2202	549
1982-83	11	—	—	2458	612
1983-84	12	—	—	2572	602
1984-85	12	710	579	2641	654
1985-86	12	749	597	2710	673

Sources: Same as Table 2.

TABLE 4: DATA ON CO-OPERATIVE TEA FACTORIES' AVERAGE ANNUAL PURCHASE PRICE, COST OF GREEN TEA LEAF IN THE PRODUCTION OF MADE TEA AND PRICE REALISED BY CO-OPERATIVES AND LARGE TEA ESTATE OWNERS IN NILGIRIS DISTRICT

Year	Co-operative Tea Factories		Price Per Kg of Made Tea Realised by		Small Growers' Per ha	
	Purchase Price Per Kg of Green Leaf (Rs)	Cost of Green Leaf in the Production Per Kg of Made Tea (Rs)	Co-operatives (Rs)	Large Tea Estate Owners (Rs)	Production of Green Leaves (Kg)	Revenue Per Hectare of Area Under Tea (Rs)
1963-64	0.81	3.25 (62)	5.19	—	1924	1558
1974	0.84	3.18 (57)	5.49	9.36	—	—
1975	1.36	5.14 (62)	8.29	10.34	—	—
1976	1.36	5.19 (61)	8.47	11.76	3830	5208
1980-81	1.53	6.10 (59)	10.39	14.00	—	—
1981-82	1.78	7.13 (63)	11.40	14.47	—	—
1982-83	2.58	10.37 (72)	14.45	18.05	—	—
1983-84	4.27	18.24 (80)	22.18	25.30	—	—
1984-85	4.89	19.74 (84)	23.55	28.16	4561	22305
1985-86	2.70	10.87 (80)	13.64	22.47	4541	12260

Notes: The figures in the parentheses indicate per cent cost of green leaf in the production per kg of made tea to sale price per kg of made tea.

i) The data for large tea estate owners corresponds to the weighted average of auction prices at Cochin and Coimbatore auction centres for Nilgiris tea.

ii) The other data in respect of co-operative tea factories is obtained from:

a techno-economic survey of Nilgiris tea industry, Tea Board [1980] for the years 1974 to 1976, and

b short notes on the working of industrial cooperatives tea factories and the Incoserve for the years 1963-64 and 1980-81 to 1985-86.

Sources: 1 Tea Board, Various issues of *Tea Statistics*.

2 Tea Board [1980], *Techno-economic Survey of Nilgiris Tea Industry*.

3 Short Notes on the Working of Industrial Co-operative Tea Factories and the Incoserve: Incoserve, Coonoor, Nilgiris.

NOTICE

It is hereby notified for the information of the public that **Aftaab Investment Company Limited** proposes to give to the Central Government in the Department of Company Affairs, New Delhi, a notice under sub-section (1) of section 21 of the Monopolies and Restrictive Trade Practices Act, 1969, for substantial expansion of their undertaking. Brief particulars of the proposal are as under:

1.	Name and address of the owner of the undertaking	:	**Aftaab Investment Company Limited,** Bombay House, 24, Homi Mody Street, Fort, Bombay 400 001
2.	Capital structure of the owner organisation	:	Rs. Authorised Share Capital: 25,000 Equity Shares of Rs. 100 each: 25,00,000 Subscribed and Paid-up-Capital: 24,800 Equity Shares of Rs. 100/- each: 24,80,000
3.	Location of the unit or division to be expanded	:	The location of the division is at Bombay—at the address mentioned above.
4.	In case the expansion relates to the production, storage, supply, distribution, marketing or control of goods, indicate: (i) Name of goods (ii) Licensed capacity/turnover before expansion (iii) Expansion proposed	:	Not applicable
5.	In case the expansion relates to any service, state the extent of expansion in terms of usual measures such as value, turnover, income etc.	:	It is proposed to expand leasing business from Rs. 50 lakhs to Rs. 300 lakhs, in terms of money value.
6.	Cost of the project	:	Approximately Rs. 300 lakhs
7.	Scheme of finance, indicating the amounts to be raised from each source	:	Internal Sources Rs. 100 lakhs Borrowings from Financial Institutions, Commercial Banks and Privately placed debentures Rs. 200 lakhs

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhawan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

AFTAAB INVESTMENT COMPANY LIMITED,

(N.S. SUNDER RAJAN)
DIRECTOR

Dated this 26th day of September 1989

providing growers fair prices and also ensuring that their remuneration does not fall too low, the co-operatives act as a check on the bought leaf factories from lowering their procurement prices. Had the co-operatives not been there it was possible for bought leaf factories in an area to form a consortium and fix low prices.

The co-operatives also supply chemical fertilisers to the growers at subsidised rates. This is one facility which none of the bought leaf factories can provide. These factories too supply fertilisers to their growers but at market rates. The co-operative factories are expected to provide technical assistance to the growers, though at the time of this study most of the factories did not have the requisite personnel for this purpose. Some of the factories maintain plant nurseries, the cuttings of which are distributed to the members at nominal prices. There are two other organisations which are expected to help small growers improve their yields. These are, the Tea Board, which has its regional office at Coonoor, and the Krishi Vikas Kendra (KVK) which is financed by the ministry of agriculture and is maintained by the United Planters Association of South India (UPASI).

The performance of the co-operative factories in Nilgiris can be judged from the size of membership and from the continuity and expansion of their economic activity. While determining the latter we can take into account the production of tea by those factories and the area under tea of the members belonging to the co-operatives. Table 2 gives us the data on these aspects for twelve of the factories. The thirteenth factory was under construction at that time. The data is for the decade 1976 to 1985-86. We can see that the total membership has increased from 3,853 in 1976 to 8,983 in 1985-86. This indicates that the membership has increased by around two and a half times during this period. The membership figures for each of the co-operatives show that except Kilkotagiri, all co-operatives which were established before 1976 have increased their membership over the decade. In fact three of them, namely Kundah, Majur and Gudalur, have more than doubled their membership.

The tea growing area covered by each co-operative has, with the exception of one, increased over the decade. The total area covered by the twelve co-operatives in 1976 was 3,863 and in 1985-86 it was 7,163. One can also notice in the table that the increase in membership is more than the increase in the hectares covered by the co-operatives. For instance, 5,130 new members joined the co-operatives between 1977 and 1985-86 but the additional area increased by only 3,300 hectares. We find this trend when we take into account each co-operative. In fact we will find that three of the co-operatives (Kundah, Majur and Gudalur) which have increased their membership by over 100 per cent have increased the area covered for the same period by less than 40 per cent. This obviously indicates that most of the new members have holdings of less than one hectare each. The per capita landholdings in the co-operatives have decreased from a small fraction over one hectare in 1976 to 0.8 hectare in 1985-86. If we consider each co-operative separately we find the same trend. Of the nine co-operatives set up before 1976 only Ithalur had a per capita holding of less than a hectare while all others had more than one hectare. In 1986 we find that the per capita holding of each of these co-operatives has fallen to less than one hectare. Of the three new co-operatives we find that the per capita holding of only one, Salisbury, is over one hectare while the other two have average holdings of 0.8 hectare. This clearly indicates that apart from steadily increasing their membership, these co-operatives have been able to draw more of the weaker section of the growers into their fold. On comparing the data at the district level we find that during the decade 1976 to 1985-86 membership has increased by 133 per cent, area covered by 85 per cent and production of made tea per hectare by 12 per cent.

We have taken the production of processed tea by the co-operative factories as another indicator of their performance. The last column in Table 3 gives us the average production of tea per co-operative factory for the period 1964 to 1985-86. We can see that the average production per factory has increased more than five times during this period i e, from 1,31,000 kg in 1964 to 6,73,000 kg in 1985-86. This indicates that the factories have been increasing their production steadily over the years. At the same time, we can see from Table 2 that the production of tea per hectare has also increased. The figures in these columns have been derived by taking the total production of each factory and dividing it by the area covered by the factory. The increase in the per hectare production of tea over the decade 1976 to 1985-86 for all co-operatives except Kilkotagiri, means that the output of the growers has increased. A higher per hectare production can be achieved only if the growers supply larger quantity of leaves to the factory. However, it should be noted here that in calculating the figures in Table 2 we have assumed that the members have supplied their entire crop to their respective co-operative factories. However very few of the Indcos have all their members supplying their entire crop. Hence, had all members actually supplied their entire crop to the co-operatives the production of tea per hectare would have been even higher.

The above findings indicate that the co-operative factories in Nilgiris have been expanding their activities. We have summarised some of the findings in Table 3 where, the members, area covered, green leaf purchased and tea produced are shown. These are averages per co-operative factory. The figures indicate that the co-operatives have expanded their activities in each of the four areas.

Let us now examine how the growers have benefited. The main benefit for the growers is in being assured of a fair price for their leaves. We have noted in the earlier section that the prices for green leaves are fixed by the co-operatives not merely on the basis of the existing market forces but by taking into account the cost of production, allocable surplus, etc. Better prices would also mean an increase in the revenue of the small grower. In Table 4 we can see that the revenue

TABLE 5: SELECT GROWTH INDICATORS OF NILGIRIS TEA INDUSTRY

Indicator	Year 1976	1984	1985
A At district level			
a Output of made tea (tons)	35293	55055	53806
b Estimated area under tea (ha)	31146	34004	34004
c Output of made tea per hectare (kg)	1133	1619	1582
B For large tea estates			
d Number of tea estates	68	67	67
e Number of estate factories	64	54	54
f Average area per estate (ha)	208	219	218
g Output of made tea per hectare (kg)	1418	1841	2025
h Auction price per kg of made tea (Rs)	11.76	29.82	23.21
i Revenue per hectare of made tea (Rs)	16676	54899	47000
j Output of made tea per factory (tons)	313	500	548
C For bought leaf factories			
k Number of factories in production	75	73	73
l Output of made tea per factory (tons)	147	277	221
m Auction price per kg of made tea (Rs)	8.99	—	—
D For co-operative tea factories			
n Number of tea factories in production	9	12	12
o Number of members per factory	428	710	749
p Tea area covered per factory (ha)	429	579	597
q Green leaf purchased per factory (tons)	1644	2641	2710
r Purchase price per kg of green leaf (Rs)	1.36	4.89	2.70
s Output of green leaf per hectare by the co-operative members (kgs)	3830	4561	4541
t Revenue per hectare of green leaf accrued to co-operative members (Rs)	5208	22305	12260
u Output of made tea per factory (tons)	431	654	673
v Auction price per kg of made tea (Rs)	8.47	23.55	13.64
w Per cent cost of green tea leaf in the production per kg of made tea to the sale price per kg of made tea	61	84	80

per hectare for the small grower (last column) increases or decreases with the average price realised by the Indcos for their tea. When the price falls (as in 1986) the revenue of the small grower also falls. The price of tea realised by the Indcos also determine the price paid to the small grower for his green leaves.

The important point here is that the Indcos have passed on a major portion of the price of tea to the small grower in terms of leaf price. The second column in Table 4 shows the price paid to the growers by the Indcos for 1 kg of green leaves. The third column indicates the amount the grower received for 1 kg of made tea produced by the Indcos. The figures in brackets in the third column shows the percentage of the price of made tea given to the small grower. For instance, in 1964 the Indcos sold their tea at Rs 5.19 per kg and they paid the small grower Rs 3.25. This accounts for 62 per cent of the price of tea realised by the Indcos. We can also see that as the price of tea increased the proportion paid to the small grower increased to 80 per cent. In the large privately owned tea estates in Assam and West Bengal the wages of the workers engaged in plucking of green leaves account for only 35 per cent of the total cost of production and 30 per cent of the price of tea. By giving the small grower 60 per cent to 80 per cent of the price of tea, the Indcos have infact transferred a major part of their income to the growers. The Indcos have thus tried to ensure that the growers get remunerative prices. One must take this into account while discussing the profit or loss of the Indcos.

Comparison of Small Growers and Large Estates

We have summarised the important growth indicators of the Nilgiris tea industry in Table 5. During the last decade, tea production in the Nilgiris district has witnessed an annual increase of about 3 per cent. The share of the large tea estates in the production of tea has remained stagnant around 57 per cent whereas their share in the area under tea has indicated a downward trend from around 45 per cent in 1976 to 43 per cent in 1985. The number of large tea estates has remained practically the same between 1976 and 1985 but their average holding has increased by 5 per cent. This means that the large tea estate owners have consolidated their holdings. We can also see that even though there was a fall in the number of estate factories the production of made tea per factory has increased over time.

The small growers on the other hand have increased in number while the size of their holdings has decreased. Their productivity too is much lower than that of the large estates though the yield per hectare has increased. In 1976 the production of made tea per hectare was 897 kg for growers with holdings of 50 ha or less whereas it was 1,418 kg for estates holding more than 50 ha. The corresponding figures for these two size

classes in 1985 were 1,250 kg and 2,025 kg respectively. For members of the co-operative tea factories the relevant figures were 1,004 kg and 1,127 kg for the respective years. The lower figure for 1985 as compared to that of all small growers could be because the members did not give their entire crop to their co-operatives.

In the case of large tea estates, there was a spectacular rise (more than three-fold) in the revenue per hectare of tea production in 1984 over 1976. With about 22 per cent fall in the auction price in 1985 (over 1984) the fall in the revenue was about 15 per cent. In the case of small growers also, there was a spectacular rise (more than four-fold) in the revenue per hectare of green tea leaf production in 1984 over 1976. However, with about 44 per cent fall in the purchase price of green tea leaf in 1985 compared to 1984, the fall in the revenue per hectare of green tea leaf production was 45 per cent. Thus unlike in the case of large tea estates the revenue per hectare for the small growers of tea was elastic with respect to the purchase price of green leaves.

It may appear from the above facts that the small growers have not been able to increase productivity even though they have been assured fair prices by the co-operatives. Thus the co-operatives have helped in increasing revenue but not production of the small grower. This is not necessarily correct. The small growers need other kinds of support apart from the assurance of fair prices. The number of tea bushes per hectare is low. The Tea Board estimated that in 1976 the number of bushes per hectare was 5,144 whereas for the large estates the figure was 8,000. With such a low bush population the small grower is not able to obtain the optimum yield. Moreover the existing bushes are old and need to be replaced or rejuvenated. This entails a lot of expenses and also time. A new tea bush takes atleast five years to reach its optimum yield and during the first three years it does not bear leaves. A rejuvenated bush takes two years to bear its average yield. Large estates are able to phase out their replacement or rejuvenation schemes but for a small grower it would mean no income for a few years. Therefore these people need subsidies and grants or loans to overcome their lean period. The Tea Board has a scheme for providing replantation, rejuvenation and pruning subsidies to small growers (in fact even the large estates are entitled to such subsidies) but it has been able to service a very small section of growers. A survey of 172 members of one of the co-operative factories showed that only three of them had received replanting subsidy from the Tea Board and 38 of them had got pruning subsidy. The co-operative on the other hand has been able to supply 138 of these members with fertilisers, pesticides and cuttings. Thus while the co-operatives have in their own way been able to help the small grower, the impact of the other agencies such as Tea Board and Krishi Vikas Kendra has been almost negligible.[17]

Summary and Conclusions

We have tried to show that the co-operative factories in Nilgiris have had a positive effect in helping the small tea growers, especially those with very small holdings. At the same time in spite of their financial and technical limitations over the years the small growers have increased the area of their holdings and their productivity. This shows that the small growers have been more enterprising in raising production than the large estates whose production has remained stagnant. The co-operative factories have not only ensured fair prices to their members but also to growers in areas where there are no co-operatives. The bought leaf factories in these areas pay their growers the market prices. They are cautious in lowering prices as they know that this would provoke the growers into joining a co-operative or, when there is none, in forming a new one. Thus the impact of these co-operatives can be felt on all the small growers in this district.

The main drawback of the co-operative factories is that they have been consistently fetching low prices for their tea (see Table 1). This has to some extent affected the revenue of the small grower. This problem can be traced to the management of the Indcos. Though they have elected bodies, the chief executives (managing directors) have effective power. The incumbents to these posts and the next one of Industrial Co-operative Officer, are not technical people as neither of them have qualifications which make them conversant with the intricacies of tea manufacture. A sound knowledge of tea manufacture is very essential because the price of tea depends on its quality. Good quality green leaves can be turned into inferior quality tea if they are not processed properly. The co-operative factories in Kangra district of Himachal Pradesh are aware of this problem. The four tea factories there are headed by technically qualified managers who have undergone training at the Tea Research Institute in Jorhat, Assam. The managers are appointed by the respective boards of directors. The state government does not insist in appointing its nominee as the chief executive. As a result the price of Kangra tea has been steadily increasing in the Calcutta auctions. In fact for the past few years tea produced at the Palampur co-operative factory has been fetching over Rs 100 per kg in the beginning of the season (March).

Apart from this, the growers need to be provided more inputs and subsidies. Of the existing agencies in operation only the Indcos have been able to service the largest number of small growers so far. The records of the Tea Board and the KVK have been dismal. The latter in fact operates through UPASI. Its technical stations and plant nurseries are manned by UPASI which in turn is expected to provide benefits to the growers. UPASI largely represents the interests of the large estates and is unlikely that it will enthusiastically cater to the interests of the small grower.

The Tea Board has its own office at Coonoor and its staff are expected to liaison directly with the individual grower. The Tea Board obviously has its limitations here because of the vast area to be covered and the large number of small growers therein. In such a situation the Tea Board can easily take the help of the co-operatives in performing its development activities. While providing subsidies to the large estates the Tea Board operates through the associations of the planters such as Indian Tea Association, Tea Association of India, etc, in North India and UPASI in South India. Why can it not operate through the co-operatives while catering to the small grower? In fact both KVK and Tea Board should collaborate with the Indcos in their activities. The Indcos have the widest and most regular contacts with the small growers and this can be usefully exploited for achieving an integrated development of this vast section of farmers in the district.

Notes

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1 *Techno-Economic Survey of Small Tea Gardens in Kottayam and Idukki*, Tea Board of India, Calcutta 1979, p 3.
2 *Techno-Economic Survey of Tea Gardens in Nilgiris*, Tea Board of India, Calcutta, 1980, p 21.
3 Ibid, p 81.
4 *Some Notes on Incoserve and Small Growers in Nilgiris*, Incoserve, Coonoor, (no date), p 1.
5 Tea Board, 1980, op cit.
6 Ibid, p 82.
7 Ibid, p 89.
8 Ibid, pp 56 and 71. This in effect means that 4 kg of green leaves produce 1 kg of made tea.
9 *Tea Statistics 1986-87*, Tea Board of India, Calcutta, 1988, Table 2(i)(b), p 6.
10 Ibid, Table 3 (vi) (b), p 16.
11 Incoserve, op cit, p 6. The figure given here is 5,000 kg of green leaves per acre. This works out to 1,250 kg of made tea per hectare assuming a ratio of 4:1 for green leaves and made tea.
12 *Tea Statistics 1985-86*, Tea Board of India, Calcutta, 1987, p 19.
13 Tea Board, 1980, op cit, p 82.
14 Incoserve, op cit, p 2.
15 Ibid.
16 Tea Board, 1980, op cit, p 82.
17 Sharit K Bhowmik, 'Co-operatives of Small Tea Growers in Nilgiris: A Study of the Kotagiri Industrial Tea Factory', Paper presented at the Workshop on Co-operative Enterprises and Rural Development in India, University of Delhi, December 28-30, 1988.

FORM II-A

Form of general notice to be given to the members of the public before making an application to the Central Government under sub-section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969.

NOTICE

It is hereby notified for the information of the public that FORBES FORBES CAMPBELL & CO. LTD., BOMBAY proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the establishment of a new undertaking/unit/division. Brief particulars of the proposal are as under:-

1. Name and address of the applicant	: FORBES FORBES CAMPBELL & CO LTD, Forbes Building Charanjit Rai Marg Bombay-400 001.
2. Capital structure of the applicant organisation	: Equity / Unclassified
Authorised Capital	484,00,000 / 10,00,000
Issued, Subscribed and Paid-up Capital	424,96,520 / —
3. Management structure of the applicant organisation indicating the names of Directors, including 'Managing' wholetime Directors and Manager, if any.	: Dr. F.A. Mehta—Chairman & Managing Director Mr. N.A. Soonawala—Vice Chairman Mr. F.H. Kemple Mr. D.J. Madan Mr. K.S. Gaekwar Mr. D.B. Engineer Mr. S.P. Mehta Mr. A. Hydari MR. G. Das Mr. D.S. Parekh Mr. D.N. Poonegar—Jt. Managing Director Mr. D.S. Soman (Alternate to Mr. F.H. Kemple)
4. Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division.	: New article
5. Location of the new undertaking/unit/division	: In the existing factory at Chandivali, Bombay, Maharashtra State
6. Capital structure of the proposed undertaking	: There will be no change in the capital structure
7. In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate:	:
(i) Name of goods/articles	: Cutting Tools e.g. Milling Cutters, Reamers, Drills etc.
(ii) Proposed licensed capacity	: 4,00,000 nos. per annum
8. In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover, etc.	: Not applicable
9. Cost of the project	: Estimated cost of machinery only Rs. 20 lakhs. All other facilities already exists
10. Scheme of finance, including the amounts to be raised from each source.	: Required funds are proposed to be met from internal resources/IDBI Bill Discounting Scheme

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

Dated this 21st day of August 1989

for FORBES FORBES CAMPBELL & CO LTD.
C.T. GHADIALI
DIRECTOR (FINANCE) & SECRETARY

Entrance System for Elimination

M Shatrugna

The entrance examination as the sole basis of selection for post-graduate courses is illogical and meaningless. By conducting such examinations universities are dishonouring their own first degrees.

ENTRANCE tests for professional courses like engineering, medicine and agriculture have become a regular feature in Andhra Pradesh. The main purpose of conducting an entrance test is to select the best among the applicants for the concerned course. But what started as a test to select has now become a test to eliminate. An entrance test of the type we conduct today need not necessarily select the best among the candidates, if the type of question papers used at present is any index. Within the three hours that decide his future the suitability of a candidate to enter a professional college is tested. The performance at the intermediate level is no criterion for getting a seat in the professional courses. A perusal of question papers set at the Engineering, Agriculture, Medicine Common Entrance Test (EAMCET) of Andhra Pradesh for the last few years reveals that the questions are framed in such a way as to make them more difficult each year. At the recently held EAMCET in AP where about 70,000 candidates appeared for 5000 seats, not more than 45 per cent of the applicants were eligible for the various courses. In the same examination, it was generally agreed by all that mathematics paper was very tough. The highest score was only 31 marks out of 50. This is something unprecedented. A number of candidates who had scored more than 95 per cent at the intermediate level in mathematics this year could not score more than 60 per cent at the entrance test. This signifies that either the intermediate standard is very low or the entrance standard is unusually high.

It may be assumed that the standard, syllabi, etc, at the intermediate level are quite high as they are set by senior professors and experts in the field. It then means that the standard of the EAMCET is set very high keeping in view the so-called IIT standard. Generally, the standard of the examination should be slightly higher than the intermediate standard. Thus in order to ensure competence at the EAMCET, the standard of syllabus at the intermediate level must be upgraded. Is the government prepared to do that? If it cannot, the type and style of setting papers at the EAMCET must be radically altered keeping in view the intermediate syllabus. Secondly, the syllabi of various courses up to the intermediate level are 'essay' oriented and not 'problem' oriented. Thus, a candidate schooled in the 'essay type' system for 12 years is suddenly asked to solve the 'bit type' question paper at the entrance examination. Hence a ridiculous situation exists where a candidate is penalised without cause. The 'bit-type' question model at the entrance examinations has given rise to other problems.

Now in Andhra Pradesh, as perhaps elsewhere, a number of coaching centres have come up, taking advantage of this system which switches suddenly from the essay type at the intermediate level to bit-problem type at the entrance test. The tremendous popularity of these coaching centres is seen in the multicrore business transactions of these centres. Interestingly these coaching centres are primarily run by teachers and lecturers who work in colleges. While the commitment of these lecturers towards students cannot be doubted, the commercialisation of education by such people is condemnable. Apart from the fact that they evade taxes and escape the provisions of MRTP Act, they have succeeded in converting education into a trade. The failure of the teaching community in general and professional teacher bodies like AIFUCTO in condemning the unprofessional conduct and trade practices of a section of the erring teachers has shocked the conscience of genuine teachers and has brought down the esteem of teachers in the eyes of the society. It is significant to note that there were no such coaching shops 20 years ago as there were no entrance tests then. Even assuming that there is a tremendous rush for professional courses now, a more rationale and scientific method must be involved to select the better candidates.

Regarding selection at the post-graduate courses like MA, M Com, MBA and M Sc, it can be said that the whole procedure is irrational and clumsy. The sole basis of selection is performance at the entrance test. This is most illogical and meaningless and all universities must share the blame for this. For instance by conducting an entrance test at the post-graduate level, universities are dishonouring their own first degrees. Added to this is the singular importance accorded to performance at the entrance examination. The standard argument that an entrance test evens out and standardises the perfo mance for selection is untenable. Th syllabi, valuation, etc, for a course ar uniform in a particular university. Th scope for malpractice is also limited a centres are changed for candidates ap pearing for the examinations. Eve assuming that there would be non uniform evaluation by individual teachers what we need is a change in the mode o examination system at the intermediat and degree levels. This particular tas demands more innovation and courage o the part of the educationists and senio professors who run our colleges an universities. Instead of tackling thi problem, the universities have take recourse to easier methods like 'entranc examinations' where elimination is mad in a 'respectable' manner.

Apart from the above mentioned facts, an entrance test pressurises the student mentally. Learning and studying should be a pleasant process. The entrance system subjects young people to tremendous tension and pressure. The psychological and mental costs of this irrational system should be evaluated by the educationists and the society in a serious manner. The present system also goes against the interests of the weaker sections of the society like SC and ST, BCs and women who generally have no access to private coaching institute as they are very expensive. Speed is one of the ingredients in the present system. It is scientifically questionable whether this quality is the sole indicator of intelligence. The argument that the best will be selected by this system has no basis in facts. None of our scientists who had made a mark in various fields in the last four or five decades had appeared for any 'entrance test' at the first or second degree level. This is because the earlier system never eliminated any, the way the 'entrance' does at present. Even if someone failed in the earlier system, this happened after two years of study, unlike in the present three-hour entrance test.

Yet another aspect of the present system is that teachers and lecturers who are dealing with intermediate classes are not consulted on the suitability of the system. At best the system is governed by a few senior professors who are not personally in touch with the intermediate syllabi. This is a very dangerous trend undermining the democratic aspect of our educational set-up.

Ethnic Indians in Malaysia

T G Ramamurthy

A clear indicator of the economic status of the Malaysian Indians is the fact that despite constituting nearly 10 per cent of the population, their share of the corporate wealth of the country is less than one per cent.

A CURSORY survey of Malaysian society, particularly the urban centres may well create the impression that the ethnic Indians represent yet another instance of the success story of overseas Indians. The presence of apparently affluent ethnic Indians, seeming to dominate the professions, especially in Kuala Lumpur, is striking. In political participation too their profile is high—claiming one cabinet minister, two deputy ministers, a deputy speaker and several other high functionaries. The validity of such an impression may however be empirically unsustainable. Questions certainly arise regarding their numerical strength and affluence and the extent of their integration with the larger society.

Malaysia, a federation of 13 states (nine sultanates and four former settlements—11 in peninsular Malaysia and two in eastern Malaysia on the island of Borneo) is comparatively affluent in third world terms, with a per capita income of approximately US $ 2000. The annual GDP growth averaged at 8.5 per cent during the first half of the 1970s, declined to an average of 5.8 per cent during the first half of the 1980s and almost touched the zero growth rate in 1986 but has since recovered due to considerable foreign investment induced by more favourable terms than are available for domestic investments. The Malaysian economy is dependent on export of primary products which include petroleum and natural gas, rubber, palm oil, tin, timber, spices, etc. The variety of primary products ensures, generally, that the ups and downs in the world market are balanced out. In the unfortunate event of all the major primary products touching a low as happened in the early eighties, the economic outlook becomes dismal leading to a disturbed political climate—the well known indicator of growth without development.

Economic Status

The Malaysian Indians share this hollowness of the country's growth. In colonial times during such depressions as brought about by a decline in rubber and tin prices, the Indians were repatriated or encouraged to emigrate in large numbers. That possibility having been eliminated since the independence of India first and of Malaysia later, the Indians are left to fend for themselves, mostly by migrating to urban centres, where they eke out a living in the unorganised sector. These Indians have to be kept in mind when assessing the status of the Malaysian Indians. The Indians are neither as ubiquitous nor as affluent as the urban Indian would impress. In a population of more than 15 million the Indians number some 1.3 million and have a territorially uneven distribution, with the currently prosperous eastern Malaysia and peninsular Malaysia being practically devoid of Indians. Even where they are concentrated, as in the west coast states, they are so widely dispersed that they do not form a vote bank in any of the parliamentary or state assembly constituencies. The urban Indian, most visible to the visiting Indian from the mother country is indeed affluent (even if some flaunt their affluence especially for the benefit of the cousin from India) but he is not the typical Indian, not even the typical urban Indian. Almost 70 per cent of the urban Indians are workers—industries, informal sector, domestic service, etc. Most of them earn less than M$ 350 per month while the rural plantation Indian earns an average income of around M$ 200 inclusive of rations. A clear indicator of the economic status of the Malaysian Indians is the fact that, while they constitute nearly 10 per cent of the population, their share of the corporate wealth of the country is less than 1 per cent. The average income and consequently their capacity to save and invest may be gleaned from the fact that despite considerable endeavour the Malaysian Indian Congress (MIC) could manage to raise only M$ 100 million for a multi-purpose financial trust, patterned on the Unit Trust of India, with a view to increase the community's capital share. For the Indians, who have little control over any financial institutions in the country and have no participation in the manufacturing or industrial sectors this is the only corporate holding company. Even in the plantation sector with which the Indians have been associated as 'labour' their ownership is limited to a few co-operative holdings. Indians have not been able to benefit from schemes designed to encourage small farmers and plantation-holders, largely due to incapacity to save.

Here again, the Malaysian Indian shares the general features of the country's economy. Poverty in Malaysia cuts across ethnic divisions and occurs in the urban as well as the rural sectors. Naturally, the incidence is higher in the rural than in the urban areas. In 1984, 24.7 per cent of the rural households were below the poverty line as against 8.2 per cent of the urban households. In the country as a whole 35.1 per cent of the households were deemed to be poor. Among Indians, 27.3 per cent of households were below the poverty line as against 17.4 per cent of Chinese households and 46.4 per cent of Malay households.

The paradox of poverty in an apparently affluent country is explained by the fact that the bottom 40 per cent of the Malaysian households received only 7.7 per cent of the total income while the top 20 per cent received as much as 56.1 per cent. In 1984, the rural household income was exactly half of the urban household. This picture of the economic status of the 'Indian' Malaysian, dismal as it seems, has its brighter aspect, for unlike his brethren in east Africa, the Indian in Malaysia is not seen as an exploiter (the moneylending class/caste of Indians fled the country almost en masse after the May 1969 racial riots). Current rivalry between ethnic communities is largely between the Malays and the Chinese for the control of the economy. Such rivalry as exists between Indians and Malays concerns mostly employment in the public sector and in the educational field, both in regard to opportunities for higher education and in respect of academic employment, which could perhaps even out once the current emphasis on more-than-due share for Malays to redress past imbalance slackens.

Currently, no doubt, the disabilities felt by the Indians in education and employment are quite acute. In the field of higher education, the Indians do not get anywhere near their legitimate share notwithstanding claims made by the MIC. In particular, the Indian student is certainly discriminated against in the matter of admission to professional courses. The cumulative effect of this discrimination on the future economic status of the community can be easily gauged.

This, however, is a problem that affects mainly the urban middle class. The urban elite manages to send children abroad for higher education—to UK, Australia, USA or India. The urban and rural working classes hardly cross the middle school and the luckier and more determined ones make it to the higher secondary stage which promises them a fair share in low level employment for which the competition from the Malay community is not that severe or propped up. In the matter of employment in the superior services, there is palpable discrimination. Representation in the police, defence services and other security-related agencies is being reduced to practically nothing.

Political Participation

So, the 'success story' appears to narrow down to the political field, where, the 'Indian' participation is fairly 'high profile'. How stable is this political partnership? What is the basis of this participation? Will it last and how long? The MIC is and has been a major partner in the communal alliance which has ruled the country since independence, the other partners being the United Malays National Organisation (UMNO) and the Malaysian Chinese Association (MCA). Presently the alliance comprises, besides these three major communal parties, several smaller, non-communal or regional parties like the Gerakan based in the western coastal states of peninsular Malaysia, the Sabaah United Party (Parti Bersatu Sabah) of the state of Sabah in eastern Malaysia and the Sarawak United Front, all of them collectively called the Barisan Nasional (BN) or the National Front. The BN since 1974, like the Alliance before 1969, is based on the 'politics of accommodation', arrived at by the major communities involved as a precondition to independence.

The 'politics of accommodation' involved acceptance of the political primacy of the indigenous Malay community by the two major immigrant communities—the Chinese and the Indian—in return for the right to full citizenship, with all its privileges and duties. One of the ways in which the political primacy of the Malay community was underpinned was the entrenchment of the Malay royalty not only in the nine sultanates but also, through a unique institution of 'elected monarchy' at the federal level, where the sultanates and the settlement states accepted, as head of state, a king (Yang di Pertuan Agong) elected by and from among the nine sultans and rajas. As a further entrenchment of Malay political primacy, Islam is the official religion of the federation, though freedom of worship is guaranteed, under the constitution, to followers of other faiths. The major contenders for power, political or economic, at the time of independence, were the Malays and the Chinese, the Indians being interested mainly in citizenship as a guarantee for freedom of residence and vocation. The Chinese acquiesced to the political primacy of the Malays since they were essentially interested in the levers of economic power. It was rather fortuitously that the Indians came into the bargain, when in the later forties and early fifties, the elite leadership gave way to 'grassroots' control of the MIC and the party opted to go along with the Malays and later to join the alliance.

One of the consequences of the emergence of the BN, under a new 'social contract', so to say, was the gradual take-over of the levers of economic power by the Malays through such 'agreed' policies as the New Economic Policy and increasing state control of economic activities. This was made possible by a combination of factors. For one thing there was the fear of the repetition of the communal riots of May 1969 (the bogey is raised whenever necessary to curb Chinese irredentism, as happened in 1987). For another, the MCA was steadily losing ground among the increasingly urbanising Chinese who preferred to support non-racial 'democratic' parties. As a result, the MCA began increasingly to depend on the UMNO to win elections and hence was in no position to 'bargain from strength' within the BN. One sure indication of this was the loss of the finance and commerce portfolios by the MCA to the UMNO. The UMNO, on the other hand, has managed to increase its hold on political levers by gerrimandering as well as with the help of the constitutional weightage given to rural constituencies.

The Indian partnership in the political bargain has been not only fortuitous but practically passive as well. Devoid of economic power, the community also lacks political clout in the absence of any 'Indian constituency' as such. At best, Indian votes could tilt the balance in favour of the marginal winner in a few constituencies where the 'Indian' vote comprised a little over 15 per cent of the rolls. Thus, as an 'honoured' member of the BN, the MIC has been less capable than the MCA to 'bargain from a position of strength'. The MIC accepts seats to contest, constituencies to post its nominees, seats and portfolios in the council of ministers, largely as a concession by the majority community and in the context of that community's rivalry with the Chinese. Indeed, the Indians, has stood to gain marginally in the rivalry between the Malays and the Chinese. Theoretically, its porportionate share in the country's economic cake is acknowledged, though in practice it has not benefited fully, nor is it likely to. For, ironically, the better the economic status of the community, the lower its value as an ally to the majority community. The 'Indian' voter in the rural constituencies is part of the vote bank for the partnership. But the urban Indian is a different proposition. He exercises his choice more often than not, against the partnership. Thus, the MIC's avowed pledge to change the image of the community turns suicidal, because the MIC's ability to deliver the Indian vote diminishes in direct proportion to the degree of urbanisation. The urban worker, more so if he is in the unorganised sector, has to reckon not only with inadequate wages but also insecurity of tenure made worse by the lack of any social status and the absence of community support. Indeed, he is even worse off than those left behind in the plantations. He looks at the problem differently

and tends to be less communal and shies away from the ruling partnership of communal parties. In his eyes, the 'politics of accommodation' (which no doubt ensured the stability of the polity to a great extent) looks increasingly like a system of spoils, in which, he has little or no share. Further, the competition with the Malays becomes more palpable in the urban context and the marginal value of the 'politics of accommodation' to the Indian seems no longer perceptible. The fact that, whereas for the elite Malays the rivalry is with the Chinese rather than with the Indian, in the case of the aspiring majority the rivalry is more immediately with the 'Indian', who is also aspiring for a new status, accentuates the frustration with the 'politics of accommodation' pursued by the leadership. To a certain extent, the disappointment with the 'politics of accommodation' is shared by the Malay also, although he starts the race with many advantages in the form of government encouragement through *bumiputra* quotas. Education and training and the mobility through these only heighten the competition in an urban setting. Like the Indian, he also senses something wrong with the system of spoils.

The skewed income differential and the prevalence of poverty, which, cuts across communal lines, brings home the point that the 'politics of accommodation' has enabled some Malays, some Chinese and some Indians to come together to appropriate a large part of the national wealth. At the same time the political climate prevents, or at least inhibits, interaction amongst Malays, Chinese and Indians. The growing awareness of this state of affairs should normally lead to a rejection of communal politics and to the emergence of non-communal parties. Indeed, the Gerakan, based in Penang and Perak, emerged as a challenge to communalisation of politics and its success in the 1968 general election was a contributory factor in the communal riots of May 1969. The gathering strength of the non-communal Democratic Action Party (DAP) in the 1987 elections, when for the first time the lower house of parliament had a strong opposition contingent of 24 in a house of 175 led eventually to near repetition of 1969.

Several factors work to deflect the emergence of non-communal politics. For one thing, such politics has always been associated with the Chinese, who are seen to have a vested interest against communal politics which has benefited the Malays. There is also the historic association of the Chinese with the banned Communist Party and non-communal politics tends to raise fears of communist revival. The internal rivalries among the Chinese tend to vitiate the competition between communal politics as represented by the MCA and non-communal politics as symbolised by the Gerakan before 1974 and more truly reflected in the DAP in the eighties. The Gerakan, after joining the BN, became a rival of the MCA and increasingly became a Chinese-based party rather than a non-communal party. In the case of the Malays, Islam has been a potent factor in inhibiting the emergence of non-communal politics. The Malay tends to assert his Islamic identity in self-defence. The fresh arrivals in urban centres, if unable or unwilling to accommodate to the demands of the new pattern of life tend to emphasise that they are somehow different because they are Muslims.

Consequently, a dissatisfied Malay either turns to a 'fundamentalist' Islamic party like PAS (Parti Islam se Malaysia) or seeks to direct the UMNO along more rigidly Islamic lines and only rarely turns to a non-communal party. Until the Malays turn in large numbers to non-communal politics, the present system of communal politics and accommodation will prevail.

As for the Indians, it is a case of once-bitten-twice-shy. The elite MIC tried non-communal politics before 1954 and paid dearly for it by being completely ignored. The 'politics of accommodation' has stood the test of time, especially after the advent of BN and the launching of the NEP. Though the Indians are acutely aware that they are only a temporary ally of the Malays *vis-a-vis* the Chinese, they dare not play the Chinese card. The Gerakan 'failed' them. The DAP may not, but it certainly involves hardship. During the 'emergency' of 1987, many Indian leaders of the DAP were incarcerated. The majority of the Indians are highly apolitical. They benefited marginally when the Malay gradually wrested economic power from the Chinese. They may benefit, again marginally, if the Chinese fight for and succeed in bringing about a more egalitarian society through non-communal politics. The big question, however, is whether that is the aim of non-communal politics advocated by Chinese-based parties like the DAP.

It is foolhardy to predict, especially when it concerns a large community like the Malaysian Indians. In an expanding economy, tensions tend to ease off. The pinch is felt only in times of depression. However, since the redressal of past imbalances in respect of education and employment may continue well into the next century, the ubiquitous, affluent urban middleclass Indians may not fare well and would not care much, as they may move out to Australia or the US. But, the majority of the working class may find it necessary to forge an alliance with their Malay counterparts. Notwithstanding religious differences, they have much in common.

Planning Process and Development Performance

V V Bhatt

Planning and Development in India by S P Gupta; Allied Publishers, New Delhi, 1989.

INDIA has been a pioneer among the less developed countries with mixed economies in thinking about as well as implementing a state-initiated process of planned development. Yet there has not been so far a systematic and comprehensive account of the evolving strategies, priorities and techniques of planning in the light of the shifting emphasis on development objectives. Gupta has provided such an account in this book and that is its distinguishing feature. Because of his participation in the planning process he is able to provide the nuances and details relating to this process which outsiders may not be in a position to know.

The book is divided into two parts. Part I presents plan strategies, techniques and performances and Part II covers the development of two major sectors: agriculture and industry. The main purpose of the book is to draw lessons from past experience as a guide for future action.

Gupta's major conclusion as a result of his critical study of the plan process over a period of thirty-five years is that "Indian plans seem to have failed to exploit the full potentialities of growth and development" as a result of "self-created constraints, arising from faulty planning" (p ix).

These self-created constraints, according to him, are largely the result of failure of the Planning Commission to institutionalise a process of learning by doing. The commission is so preoccupied with the formulation of the next plan that it has hardly time to study and analyse the reasons for differences between the anticipated and actual outcomes relating to development performance. As a result, the plan process has more or less remained the same and planning seems to have become a sort of ritual rather than an aid to formulating a rationally co-ordinated set of politics to facilitate and induce the required response from the diverse set of decision-making units.

The five-year plan is more concerned with setting production targets rather than with indicating such a set of policies; the plans, as D R Gadgil used to comment, lack a policy frame.[1] The process of policy formulation is *ad hoc* and fragmented and there is not adequate dialogue between the commission and the ministries in charge of policy formulation for evolving a set of policies consistent with the objectives and strategies of a plan. The result has been, according to Gupta, a set of mutually incompatible policies that have no direct relevance to action indicated in the plan.[2]

The process of rational policy-making becomes difficult partly because of the lack of appropriate machinery for the purpose and partly because of the manner in which plans are formulated. There is an obsession with the size of the plan right from early days and there is an attempt at fixing this size without an adequate study of the possibility of raising financial resources for the public sector plan.[3] The result inevitably has been increasing recourse to deficit financing, leading to inflationary pressures. Faced with the need for reducing government expenditures, the method followed has been a *pro rata* reduction of investment in all sectors. This mechanical approach to size reduction leads inevitably to creation of imbalances and distortion of plan priorities.

Further, the production and investment targets are fixed on the basis of inadequate and unreliable data with regard to input-output relationships and arbitrary assumptions relating to behaviour patterns. Since the actual behaviour patterns are not known and there is no systematic effort to study them, it is hardly possible to find out the direction in which they need to be modified and the policy instruments that need to be used.

The process of planning again casts doubt on the rationality of deriving financial and physical targets. To quote Gupta: "The bulk of the technical inputs for the five-year and perspective planning come from different working groups, set up, as a routine procedure, prior to plan formulation. Thus the working groups infuse technical expertise in the plan's allocative decisions... These working groups often prepare their reports on the basis of mutually inconsistent assumptions. Moreover, these working groups' reports usually come so late that many of their views cannot even get incorporated into the plan. To give an example, on the basis of more recent information on resource availability, the Planning Commission often independently reallocated the investment between sectors and regions, significantly different from those recommended by the working groups. But unfortunately in many instances, the physical targets accordingly were not reassessed, since there remained no sufficient time to refer them back to the working groups for necessary reassessments. This is one of the big 'gaps' in our planning process and it needs to be corrected" (pp 71-72).

Such arbitrary investment and output targets without reference to behaviour patterns lead to overemphasis on the volume of investment and administrative controls and regulations and utter disregard of efficiency or productivity of investment in the allocation of resources. This is also the reason why adequate attention is not given to the rational choice and selection of projects and both project and sectoral planning—in a sense the very essence of an action programme—is inadequate as well as inefficient. Since technology policy, essential for absorbing, adapting, diffusing and improving available technology, is much more relevant for sectoral and project planning, the neglect of such planning also leads to inadequate emphasis on an appropriate technology policy.[4]

In spite of the irrelevance and unrealistic nature of the planning models pointed out by him in Chapter 1, Gupta seems to believe that the planning process—both for five-year as well as perspective plans—would improve with the inclusion of "neglected variables" in the specification of the planning models (p 23). In fact in India and elsewhere these models have led, according to Little, to "excessive emphasis on central paper planning",[5] stultification of entrepreneurial and innovative impulses in the economy and neglect of the formulation of action programmes which represent the essence of any planning endeavour. To quote Little:

> A planning model is often confused with planning. Students who take planning courses are taught to construct planning models, not how to plan. Planners on the spot are also often mainly occupied with models, rather than with planning. However, their models sometimes have a lot of influence on the plan, even if little influence on what actually happens.
>
> Typical planning models assume fixed coefficients and linear relationships and aim at terminal-year consistency. Some arbitrary assumptions have to be made concerning levels of terminal capital stocks... Typically, many constraints have to be introduced to prevent the model producing extreme results. This applies particularly to exports, which are arbitrarily constrained. Many commentators, including the best model builders, have pointed out the rather obvious objections. The basic data are often very weak and out of date. Coefficients are not fixed, and substitution occurs in reality, though not in the model. The model often initially produces absurd results, and there has to be much juggling with the constraints to produce 'plausible' results. A reading of the experts suggests to me that none of them would claim that investments should be allocated on such a basis (though this would appear to have been done in India by the time of the Fifth Plan)... For instance, such planning would have effectively prevented the economic miracles of the Far East. Exports would undoubtedly have been constrained at levels far below those achieved; hence investment would have been prevented in export industries, and the achievements thus themselves prevented.[6]

The planning process has resulted in "a constraint upon thought and analysis"[7] as it has been overambitious in its coverage but much less ambitious with regard to growth possibilities. It has covered areas and laid down targets in sectors over which the state has no direct influence, and again these

targets have been fixed in the light of a growth model which is based on a modest increase of 5 to 6 per cent in the national income, thus smothering the full play of entrepreneurial and innovative impulses in the economy.

Further, such planning hardly represents the formulation of an action programme—which is the essence of planning—and of a set of well co-ordinated policies to influence the private sector activities. An action programme is essential and it relates largely to the sphere of detailed and well articulated plans of government action in the sphere of socio-economic infrastructure.

In these fields, a long-term view is essential and hence a sound perspective plan should in fact relate to detailed sectoral plans and sound formulation of projects. The other aspect of planning should relate to the adaptation and improvement of macro-economic policies in the light of the changing environment to induce and foster behaviour responses of the private sector that are consistent with the development objectives and to stimulate and suport entrepreneurial and innovative impulses in both the public and private sectors.[8]

From this point of view, India's perspective plans are hardly plans of action; there has been no sound perspective plan for the development of the strategic and critical elements relating to the task of development. There has been no plan of action in the fields of education and infrastructure to create facilities *ahead of demand* in an integrated manner so as to take into account interrelationships among them and within these sectors. It is this lack of a sound perspective plan in these fields that has created bottlenecks with regard to infrastructure facilities—in power, transport, communications, irrigation systems, etc—and prevented India from exploiting to the full even the growth potential built in the industrial and agricultural sectors.[9]

Gupta has neglected this dimension of planning; instead of emphasising technical improvements in planning models, he should have drawn attention to the urgency of planning effort in formulating action programmes and the resultant need of changing the structure and functions of the Planning Commission.

Because of the comprehensive analysis of the planning process made possible because of the author's close association with it, and the plan- and period-wise analytic presentation of data, not easily available elsewhere, policy-makers in India as well as students of the Indian planning experiment will greatly benefit from this book.

Notes

1 D R Gadgil, 'Planning without a Policy Frame', *Economic and Political Weekly*, Annual Number, February 1967.

2 See V V Bhatt, *Two Decades of Development: The Indian Experiment* (Bombay: Vora and Co, 1973). To quote: "A Plan ceases to be a plan of action unless it indicates precisely the nature and content of a feasible and co-ordinated set of policies; it becomes merely a set of projections based on certain *unspecified* assumptions with regard to the behaviour of the public sector and the private sector groups... This weakness of the plan process, coupled with the fact that there is no machinery for discussing and evolving a co-ordinated set of policies, leads to the adoption of un-coordinated and mutually conflicting policies, which in turn affect adversely plan performances" (pp 28-29).

3 On the basis of the flow-of-funds technique developed by the Reserve Bank economists in 1968-69, Gupta formulates a sound methodology for financial planning in Part I Section 3 of his book. See also V V Bhatt, ibid, pp 26-38.

4 On the nature and characteristics of technology policy and its links with sectoral and project planning, see V V Bhatt, *Development Perspectives* (Oxford: Pergamon Press, 1980), Chapters 6, 7 and 8. See also, Sukhamoy Chakravarty, *Development Planning: The Indian Experiment* (Oxford: Clarendon Press, 1987) pp 66-69.

5 See Ian M D Little, *Economic Development* (New York: Basic Books Inc, 1982), p 57.

6 Ibid, pp 134-35.

7 Tarlok Singh, *India's Development Experiment* (Delhi: Macmillan, 1974).

8 See in this connection, I G Patel, *On a Policy Framework for Indian Agriculture* (New Delhi: Indraprastha Press, 1980).

9 For the need of a perspective plan for these fields and their relevance for the development problem, see R M Sundrum, *Growth and Income Distribution in India* (London: Sage Publications, 1987), Chapters 8 and 9.

Futile Findings

Atul Sood

Punjab Crisis: The Political Perceptions of Rural Votes by Jitinder Kaur; Ajanta Publications, Delhi 1989; pp 1984, Rs 125.

A NUMBER of studies are coming forth attempting to explain the crisis in Punjab. However, barring a few serious efforts, most of the writings have analysed and commented on one or the other aspect of the phenomenon with little effort to explain the 'whole'. Economists have dug out 'the economic roots of Punjab crisis', political scientists have commented on 'Sikh politics', 'role of political parties', 'elections', while journalists have tried to see the crisis through the operation of 'forces' like Bhindranwale, Barnala and events like Operation Blue Star, Black Thunder and Wood Rose.

The book under review is also a 'micro level study of Punjab elections of September 1985' (page 126). It is the study of 'political outlook of the people of Punjab (in fact 350 respondents) one week before the 1985 elections' (page 3) in Ghanour assembly constituency of district Patiala. Elaborating the characteristic features of the area under study the author notes that the younger people are more literate, level of literacy is higher among high caste respondents, high caste people do not do menial jobs and that those having good education and economic status are 'politically' more informed. The main findings of the study are that demands raised by Akalis are perceived as demands of Sikhs and not of Punjabis, Sikhs are hostile to the government and are feeling hurt due to Operation Blue Star and 1984 riots, few support the demand for Khalistan, people have lost faith in the efficacy of political parties and that the voting in 1985 elections was along communal lines.

What conclusions are we supposed to draw from such findings? What does it contribute to our understanding of the immense human tragedy which the people of Punjab are suffering. No doubt, it is important to know 'people's perception' about terrorism, fundamentalism, political parties, etc, but is it *per se* sufficient? The important question to answer is what determines the perception of the people. How does people's perception contribute to the dynamics of the situation? In fact, study of people's consciousness *per se* cannot be used to understand the concrete processes of history. Consciousness has to be seen as embedded in the dynamics of the concrete reality, historically. This is not to suggest that the relation between objective situation and people's perception be looked at in a deterministic manner. Rather it must be understood in all its complexities and all its mediations.

That there was polarisation of voters along communal lines in 1985 elections and that there is communal divide in Punjab, logically follow from the kind of approach of the study. The study discusses the communal divide with hardly any reference to the process and forces which create such a situation. It is far too obvious that religion, caste and other such parochial identities are used by different political parties of Indian ruling classes to consolidate their power and keep the people away from forging unity. Not much doubt remains on this score now. Studies have shown it substantively and built it logically. One hardly stands to gain anything from the present work.

On the other hand, on observing the data which has been made available by various micro level studies on voting behaviour in Punjab, an interesting observation can be made. The data shows that Akalis have polled higher percentage votes in Malwa region as compared to previous elections. It is also a fact that Hindus form a substantial portion of the population in this region and in Patiala district (the area of study of the work under discussion) the demographic divide in terms of religious group affiliations is nearly equal. The finding of the study that 'Hindus' hold Akalis responsible for the crisis and that there was complete communal polarisation among voters cannot then be accepted. Probably a contrary conclusion can be drawn. This is in fact the silver lining in the otherwise bleak scenario of Punjab which needs to be highlighted.

Oraon Labour Agitation

Duars in Jalpaiguri District, 1915-16

Ranajit Das Gupta

The agitation of the tea plantation workers in Jalpaiguri district having strong messianic overtones and an anti-colonial content had its origins in the Tana Bhagat movement in Chhotanagpur which reflected the aspirations of the Oraon peasants for deliverance from the exploitation of zamindars and mahajans. This paper studies the short-lived agitation in Jalpaiguri.

THIS paper deals with a widespread agitation that took place among the tea plantation labour of Duars in Jalpaiguri district in north Bengal. Starting in several gardens in November 1915, it spread rapidly to a large number of gardens stretching over the extensive Duars plantation tract and continued till mid-1916. Although the agitation was a short-lived one, it had several distinctive and significant features. But till now it has not received any attention from scholars. It is hoped that a discussion of various aspects of the agitation will be of help in enriching our understanding of tribal as well as of plantation labour protest movements in our country.

I

The agitation was, in fact, an extension of the Tana Bhagat movement that had originated among the tribal peasants—specifically speaking, the Oraon peasants—engaged in settled agriculture in the Ranchi district of Chhotanagpur in April 1914.[1] Initially, the Ranchi movement had the character of a religious and social reform movement, but eventually came to have important economic and political dimensions. The movement was basically based on the aspirations of Oraon peasants for deliverance from the exploitation and oppression of the *zamindars, mahajans* and *sarkar*.[2]

In its origin the Tana Bhagat movement had features which have come to be known as messianic.[3] In early 1914 the movement was launched by one Jatra Oraon who had mysterious dreams. The Oraons were called upon to 'pull out' (tana) ghosts and evil spirits which they had till then tried to appease but which were now held responsible for their misery. They were asked to abstain from meat and liquor and thus to purify and reform their lives. Participation in certain community dances and festivals too were forbidden.[4] They were also told to give up ploughing their fields, which entailed cruelty to cows and oxen but failed to protect them from poverty and famine. In this, in the form of a yearning to go back to pre-settled forms of agriculture, a protest against exploitation by the landlords and the government was discernible. Some of the *tana bhagats* even stopped payment of rent to their landlords and ploughing. They were, moreover, called upon to do no work as coolies and labourers under men of other castes and tribes. The latter aspect referred to labour in the tea gardens as well as in the fields of large landholders in many districts of Bengal and Bihar.[5]

As stated already, it was a messianic movement and it was believed that god (whom they called *dharmes*, the 'just', the supreme being or Bhagwan, the bountiful) would send a messiah down to earth to redeem the Oraons from their miserable plight. Sometimes, the messiah was identified with Birsa, the Munda rebel of late 1890s, and sometimes with German *baba* or benign god (Kaiser Wilhelm II?) who was at war with the British.[6] The movement also looked forward to a millennium or a 'golden age'. It, however, soon assumed forms that were considered dangerous by the colonial government. It threatened to break out into open revolt against the *dikus* (outsiders) and all exploiters and oppressors. Along with this, various symbols of 'modern civilisation', such as railways, steamboat and bicycle had to be 'pulled out' or expelled, as the suffering of the Oraons came in the wake of their introduction.[7] Thus, these reactions signified a rejection of colonial capitalist penetration and associate instruments.

II

The reverberations of the movement in Chhotanagpur soon came to be felt in the distant Duars.[8] In the wake of the launching of the tea plantations in the Duars in the mid-1870s, with the active assistance of the colonial state, large-scale migration of tribal, particularly Oraon peasants had been organised by the planters—overwhelmingly Europeans—to the Duars tea gardens.[9] The Oraon migrants in the Duars numbered about double the number of the Munda and Santal migrants taken together.[10] But the migrant tribal peasants-turned-into-wage-labourers on the tea gardens had a deep attachment for their homes and lands in Chhottanagpur and Santal Parganas. In his report on 'survey and settlement' work in the Ranchi district during 1902-1910 Reid, the settlement officer, observed:

> Large numbers of those who emigrate to Assam and the Duars return, if they are able to save a little money, and buy back the farms they had lost, or some land in the vicinity.[11]

Continuing he reported:

> A considerable percentage of the emigration is periodic and non-permanent. The Uraons especially emigrate in large number... during the cold weather, when there is little or no work to do in their fields and return home before the monsoon breaks to begin the cultivation of their fields.[12]

In view of this persistence of connections with Ranchi, it was quite natural that the Tana Bhagat movement had its echoes among the Oraons in Duars. But this movement was not just a replication of the movement in Ranchi. The *specificity* of its locale, particularly the British-dominated plantation economy and the horrible exploitation and oppression of plantation labour in the Duars, had its *distinctive imprints* on the movement.

The year 1916 was a war year and the stir came to be viewed by the planters and the colonial government as well with considerable alarm. In his address to the annual general meeting of the Duars Planters Association (DPA) held in January 1917, W L Travers, DPA chairman, spoke of the 'great anxiety' caused to the European planters by the outbreak of what was considered by them as 'a new and dangerous movement amongst the Oraons' in the early months of 1916.[13] In the Bengal government's *Report on the Administration of Bengal* for 1916-17 it was stated that the labourers of several gardens were 'said to be eschewing meat and strong drink and singing songs containing references to a German Victory'.[14]

From available evidence it is found that the agitation consisted of two phases, though, as we shall see, these were never clearly demarcated. In the first phase, it was primarily a socio-religious reform movement. There was an initiation ceremony, and those who passed through this ceremony called themselves *bhagats* or devouts. Their utensils were destroyed, and drinking of *hari* (rice beer the drinking of which was an important part of the tribal social life) and *daru* (the country liquor) were prohibited. All meat except white goats and white fowls

became a taboo. Those Oraons who did not go through the ceremony were excommunicated and the fear of excommunication perhaps persuaded many Oraons to join the movement.[15]

At the initial stage, the stir was viewed by the planters as an expression of aspiration for social and spiritual improvement and, hence, the planters and the district administration were not much perturbed. In the address referred to above Travers observed:

> Many of the ideas connected with the first stage were excellent, and had the movement stopped there, it would have been encouraged by planters.[16]

But there was a swift transition to the second phase characterised by an anti-British and anti-planter content and direction, and these were infused with Oraon religiosity. It was this latter aspect which was one of the factors that gave the agitation a wide appeal.[17] According to the official version, the movement in the Duars had a political orientation from the very beginning and with the unfolding of the movement this became increasingly pronounced. In the trial of Bania Oraon, Laudha Oraon and Mangra Oraon, all tea garden workers, for their allegedly leading role in the movement, the prosecution case was that since November 1915 Oraon tea garden workers had been

> holding meetings at nights and singing hymns to the 'German Father', whom they invoke[d] as if he was a god, calling on him to come and drive out the English, whom they compare[d] to devils, and give an independent raj to the Oraons.[18]

It is possible that the prosecution exaggerated the political tone of the movement. But undoubtedly one major distinguishing feature of the Duars movement was its much stronger political orientation than the one in Ranchi. In connection with the second phase, another important feature deserves to be mentioned. Though throughout its course the movement by and large remained peaceful, it was in this phase that it came to exhibit a relatively militant tone. In their exchanges with the garden authority or in their defiance of the latter which are mentioned below this tone is discernible. Inter-tribal solidarity was another distinctive feature that came to be manifested. Though the movement was predominantly a movement of the Oraon workers, it did not remain confined among them alone. It came to involve, as shown later, several non-Oraon tribal and semi-tribal groups too.

The incident that first brought the movement to the notice of the district administration indicated the political dimension unmistakably. The official account of the incident is given below:

> A man named Charua Oraon cut his wife's throat and then tried to cut his own. He told the police that the villagers had asked him to 'sing the name of the Germans' and had threatened that, if he did not, a devil named Logo would kill him. He and his wife resolved to kill themselves rather than be killed by a devil... He said that an unknown man was always telling him to recite something, and that as he refused, everyone abused him and his wife, so they resolved to commit suicide...[19]

Charua was too badly wounded to explain what he refused to recite and died in the jail hospital.

The event was reported to the police on January 25, 1916. Subsequently the superintendent of police made enquiries to find out what the 'mysterious recitations' were. On February 25 he received a letter from the manager of the Tasati tea estate, containing

> a list of eight Oraon men and six Oraon women who were holding seditious meetings and calling to the 'German Father' to come and save them. The manager said that they were upsetting the coolies in his garden and that it was rumoured that there would be a row at the Fagua Puja (March 18 to 21).[20]

On March 1 the DPA chairman informed the police that a meeting of garden managers was held to discuss the Oraon unrest, but they could only discover that 'mysterious meetings' were being held at night and that trouble at the *Fagua Puja* was apprehended. On March 2 the manager of Sarugaon Tea Estate intimated the police that Hasru, a *sardar* in that garden, was involved in the movement and 'was adopting a threatening attitude towards the garden staff...'.[21] P T Monckton, the superintendent of police (SP), went to the Tasati tea estate on March 1 and interrogated some Oraon labourers. Dublai and Letho, two Oraon sardars, repeated to him the words of two of the songs sung at the meetings. The next day Monckton arrested ten Oraons in that garden, including Letho, who allegedly had helped the holding of the meetings.[22]

On March 4 an informal meeting of the DPA Committee was held and this was attended by the deputy commissioner of Jalpaiguri and also the SP. From the proceedings of the meeting the following is learnt:

> On one garden he [the SP] considered that the movement had gone very far, and there was a distinct *seditious* element in connection with the German Raj. Again on another garden he had been called in for, the coolies had *refused* to work, saying that they had no allegiance to the British Raj. The coolies were almost in mutiny saying that the German Raj was coming in to govern the country[23] (emphasis added).

The meeting was told by one member of the committee:

> ...the idea was held that the Germans would take possession of the Raj, and that those who helped the Germans would be rewarded by gifts of land in [Chhota] Nagpur, their ancient country.[24]

Another member told the meeting:

> ...there was a secret movement with a vow to exterminate the Sahibs. The vow was sworn by god, Germany and blood.[25]

The managers reported acts of open defiance of authority. In Sarugaon tea estate Hasru and Kandru refused to work. When asked by the manager if they were taking part in the movement, "Hasru shouted in a loud voice 'who said so?', and when the manager ordered him to put down his hoe and report himself at the office, he and Kandru and another man threw down their hoes and ran away...".[26] In the trial of three Oraon workers of the Gurjangjhora tea estate (western Duars) the prosecution referred to another instance of collective defiance. The estate manager was informed by the *chowkidar* that the Oraon workers of the garden were having meetings and songs in lonely places and intended to abstain from flesh food and liquor and to lead a religious life. But this information alarmed the manager and he sent for two Oraon leaders. They came accompanied by forty Oraon workers. The leaders were asked to leave the garden and go elsewhere. But they refused to be separated from others on the ground that it would interfere with their prayers. They then left the manager and while they were leaving they were "heard to mutter something in the Oraon language which the garden officers did not understand". But the manager's servant interpreted it to mean, "if we beat him, what will happen?"[27]

These instances of course need to be considered with caution. With reference to the Gurjangjhora incident *Amrita Bazar Patrika* (a nationalist English daily published from Calcutta) of May 10, 1916 editorially observed, "there is no evidence to show if the servant interpreted the coolies correctly or not". As pointed out in the same editorial, "...among so large a population not a single act of violence or rowdyism... was reported."[28] Yet it is evident that the movement had a distinct anti-British political overtone. The political responses of the Oraon labour to both British rule and planters' domination and the Oraon political aspirations found expression in the Oraon labour agitation which, it may be reiterated, had a tribal religious dimension too. All this came to be articulated *inter alia* in the collective singing, often continuing till midnight. Despite its ambiguity, the following song composed by Letho, a *sardar* in the Tasati T E, and cited during the trial of Oraon workers as evidence of sedition, shows the Oraon political attitude:

> German Baba is coming,
> Is slowly slowly coming;
> Drive away the devils Manaldanal:
> Cast them adrift in the sea.
> Suruj Baba (the sun) is coming;
> The Devils of the Oven will be driven away
> And cast adrift in the sea.
> Tarijan (the stars) is coming,
> Is slowly slowly coming,
> Is coming to our very courtyard
> The chigri devils will be driven away
> And cast adrift in the sea.[29]

One prosecution witness told the special tribunal appointed to try the tribal workers, mainly Oraons and a few non- Oraons, who

were alleged to have had taken leading role in the movement:

> ...there is a hidden meaning in this song... the new school of Oraons call the English devils (deos) and... the devils of the Oraons referred to in the song are the English.[30]

Asked by one of the commissioners if he had ever heard the song and knew its meaning, Birsai, another witness, said:

> ...Yes, he had heard it, and it meant that the Germans were coming to make war, and the government people would be thrown into the sea. He said that new school always speak of the Germans as Suruj Baba (the sun)...and that Tarijan Baba also meant the Germans, while of the devils Manaldanal meant the English, and the devils of the Oraons (*sic*) [oven] or hearth meant those Oraons who did not join the new movement.[31]

The special tribunal in its 'Judgment in the Oraon Case' accepted this interpretation:

> Now it is certain that the Oraons are not under any mistaken notion as to who and what the Germans are. Two or three witnesses have told us that the export of tea from the garden was stopped for a time in December [1915], and they heard from the manager that it was because there was war between the English and the Germans. And when the price of salt and foodgrains rose in the markets the *modis* [grocers[and *mahajans* also told them that it was due to the war with the Germans. So it appears that the new Oraons are deliberately invoking the head of the King's enemies as if he were a god and calling on him to come and cast certain devils into the sea.[32]

The special tribunal further stated:

> The devils cannot be spiritual devils, and it is highly probable that they represent the English. Manaldanal is a particularly exacting devil to whom, if an ancestor once sacrificed a bullock, all his descendants must for ever after sacrifice a bullock. Such a devil might well be chosen to represent the government. And unless it was chosen for this purpose Manaldanal would not be likely to be mentioned at all.

While the details of this interpretation may not be correct, that the song had an anti-imperialist content is unmistakable. And further, this was informed with tribal religious consciousness.

At this stage it is appropriate to raise several questions: How did the movement start in the Duars? How was it organised? How did its message spread? That the Chhotanagpur connections of the Oraons who had migrated to the Duars were never totally snapped but were, in fact, retained and quite intimate has been noted earlier. Available evidence suggests that some Oraons coming from Chhotanagpur first brought the message of the movement to the Duars. Travers reported:

> Now this belief came to the Dooars from Chhotanagpur. The disseminators were often young intelligent boys who appear to have learnt the part of a preacher of the new faith...[33]

In early 1916 the manager of the Sarugaon tea estate reported to the police that an Oraon named "Landroo had come from Chhotanagpur and was preaching the new movement".[34] From the special tribunals judgment it is learnt that Landroo's brother Hasru was a *sardar* in Tasati garden and several meetings were held in his courtyard as far back as November 1915. Dublai and Letho, two other *sardars* in Tasati, too were prominently involved in the movement.[35] All this suggests that while the movement came from Chhotanagpur through young Oraons moving to the Duars, some of the *sardars*, though certainly not all, played a crucial role in organising the network.

What were the mechanisms of transmission of the message of the movement? There must have been, to borrow the language from a major work on peasant insurgency, "a variety of means which were all specific to a pre-literate culture...".[36] As Child, one DPA committee member, reported:

> ...six weeks ago a message—a letter with a few rupees and some rice—had come from Manabari (T E) and had been passed from hand to hand among his sirdar and then sent on to Hope (T E) and other gardens.[37]

It is not surprising that the British planter found all this incomprehensible: The meaning of the message was unknown to him.[38] The managers and the British administrators repeatedly referred to 'mysterious meetings', 'mysterious recitations', 'unknown message', and so on. In fact, such meetings and songs were among the important 'instruments of transmission' and mobilisation of the Oraon workers. Travers in his address referred to above stated:

> ...mysterious meetings were held at night, in lonely places where interference by others was improbable. The Oraons attended, armed with bows and arrows, axes and spears, and sentries were posted who threatened to kill any stranger who approached. He know that at these meetings songs were sung in which the aid of the German baba was invoked. They were taught and believed that the British raj was coming to an end, and that if they aided the Germans the latter would give them land in their ancient country where a subsidiary Oraon raj would be established. Not only were the British sahibs to be driven out, but also the Mundas and Mohammedans.[39]

Continuing he said:

> All this was mixed and confounded with superstitions in the most extraordinary way—in fact, many of the Oraons regarded the German baba as a god...not as the Kaiser...one sirdar afterwards confessed that a picture of the German maharajah, seated between two gods, had been passed from hand to hand amongst those in the movement in his garden. Many other facts came to light, but undoubtedly the idea underlay them all, that the British raj was coming to an end, and at a given signal the Oraons were to help exterminate the British sahibs.[40]

The spread of the movement with its pronounced anti-British and pro-German tone and aspiration for a Oraon raj caused great alarm in the minds of the planters as we[ll] as the government officials. Though ther[e] was no report of any overt acts of violenc[e] such as assaults, riot or murder, the collec[-]tive mobilisation of discontented an[d] agitated tribal workers and several incident[s] of open defiance of the garden managemen[t] amounted to a frontal confrontation wit[h] the authority. In the prevailing atmospher[e] these came to be regarded as a threat to th[e] existing order. The March meeting of th[e] DPA committee attended, among others, b[y] the deputy commissioner and the SP dis[-]cussed in details measures for suppressin[g] the agitation and also for mobilising loya[l] *sardars* from among the Oraons.[41] Following the meeting garden *sardars* were made special constables and held responsible for maintenance of peace in the gardens, and armed police pickets and police camps were set up in different parts of the Duars to keep watch on the restive Oraons.[42] Many arrests were made and a special tribunal was appointed under the Defence of India Act to try the 'ringleaders'. Some of the arrested Oraons were sentenced to rigorous imprisonment for varying periods.[43] The Fagua Puja passed off without any disturbance and by late 1916 the agitation subsided.

But the planters remained in a state of apprehension about the recrudescence of the movement. Thus, when Ghura alias Somra, who was considered as 'one of the instigators in the Oraon unrest' and was sentenced to six months' imprisonment, returned to the Duars in March 1917 after his release from jail there was a consternation among the planters, and they pressed the district police authority for taking action against him.[44] In response to this the superintendent of police wrote to the DPA chairman:

> In forwarding a list of the [29] Oraons [sic] convicted in this district, I write to request you to arrange with the managers of tea gardens concerned that they may not be re-employed in gardens if they come back again from their native homes after their release from jail.[45]

He further wrote:

> ...such Oraons [sic] who have been given lands or *jotes* or who have relations settled in Jalpaiguri district should not be allowed to call themselves permanent settlers of this district and to this end it is most desirable that grants of land to them or to their near relations should be withdrawn.

In May 1917 in the neighbouring Terai plantation area in the Darjeeling district there was a limited outbreak of a similar agitation.[46] In Jalpaiguri district, however, there was no fresh outbreak of the movement.

III

Any analysis of the nature of this short-lived ferment is full of complexities. The movement had three distinct strands: religious, social and political. However, the three strands which were present through its course interacted and interpenetrated with each other giving a considerably complex

character to the movement. It is this aspect which led R H Craddock, a government of India official, to speak of the movement in the following language:

> It is a curious and interesting case how modern events become garbled up with superstition and demonology among unsophisticated folk of this kind.[47]

But to Craddock the movement represented largely 'superstition and demonology'. He and many of the colonial officials were not in a position to understand the language, idiom and 'code' of the struggle of the tribal workers. J W Nelson of the criminal intelligence office, however, showed somewhat greater perception. He mentioned three aspects of the movement:

(1) Economic unrest due to the rise in prices, which was attributed to evil spirits and witches—hence attempts to drive evil spirits out of the villages and the murder of supposed witches.
(2) A religious revival of a highly emotional type with secret all-night meetings and the singing of *mantras*.
(3) A social movement, closely connected with the religious movement, directed towards elevation of the caste. Hence the prohibition of animal food and intoxicating drink, resolution not to work as palki-bearers, etc. As in all such movements the influence of Hindu ideas is obvious.[48]

In this observation one finds indication of an awareness of a complex inter-relationship between religious fervour, social reform efforts and concern about economic issues. Nelson, however, did not mention the issue of political power underlying the agitation among the tribal workers.

But on the basis of an analysis of an Oraon song sung in the Duars another official hinted at the political dimension:

> Some portions of the song suggest that the movement is an attempt to purify the tribal religion and to cast off superstitions and to get rid of corruption of ancient faith...It appears probable that the restriction of flesh food to white goats and white fowls is based on their being the proper offerings to Dharmesh and is connected with a scheme for driving out foreign devils.[49]

The socio-religious aspect mentioned above was a common feature of many of the tribal protest movements in India under British rule. But, in addition to that, the Duars movement had a distinct political orientation. The Oraon songs sung in Duars repeatedly and emphatically spoke of driving out the British and the establishment of an independent Oraon raj.

In their vision of an independent Oraon raj the Oraon workers came to look upon the Germans as their 'liberators'. This led the British planters and some colonial officials to suspect German hands behind the Oraon agitation.[50] The Oraon workers described by Craddock as the 'unsophisticated folk' were thought to be incapable of acting on their own. Hence, they must have been 'manipulated'. It should be added that the British rulers and their associates had always tried to explain anti-imperialism and any popular mobilisation in terms of manipulation by an external agency such as German or Russian power, disgruntled Indians, etc. But, despite efforts made by the prosecution, no foreign, that is, German manipulation could be established. As a matter of fact, available accounts show that the German missionaries kept away from the movement. The participation of christian Oraons too was negligible.[51]

But how one is to explain the Oraon view of the Germans and even of the Kaiser? The explanation lies basically in the specific historical context. The immediate international background was one of victories won by the Germans in the early years of the war. The dislocating impact of the war on the tea export, tea industry and employment in the industry was experienced by the Oraon workers. They were told by the *madis* (grocers), *kayas* (marwari traders in the Duars) and moneylenders that the sharp rise in the prices of salt and foodgrains were due to the war. The reverses suffered by the British gave rise to the rumour that the British raj was not only in crisis but also coming to an end. Here was a rumour about weakening of the authority structure eventually leading to the breakdown of authority. All this came to be associated with the might of Germany. It was against such a background that the enemy's enemy came to be viewed by the Oraons as a friend and, indeed, even as their emancipator. It will not be inappropriate to mention here that during the war years large sections of revolutionary nationalists too were looking upon Germany as an ally to the nationalist cause.

Taking all relevant aspects into consideration it can be stated that in its origin, direction and content the ferment was basically indigenous and autonomous—autonomous in relation to non-tribal or any outsider leadership and organisation. It was an instance of self-mobilisation based on tribal solidarities and its roots lay in the miserable social existence condition of the tribal workers in the Duars plantation are and also the tribals in general in Chhotanagpur. The call in the songs to drive away the devil Manaldanal, a particularly exacting devil, perhaps representing the British government indicated an urge to abolish the British rule. Moreover, the worship of the German emperor reflected a deification of the British king's enemies, and the English were relegated to the position of one among a host of tribal devils.

In all this the anti-imperialist dimension of the movement is manifest. One additional dimension was the anti-planter or anti-capitalist one. Though in the available records there is no explicit reference to any specific grievances and aspirations of the tea garden workers, there is no doubt that the Oraons and other tribals involved in the Duars agitation also *acted as workers*. In their 'defiance of garden management' and 'refusal to work', about which the planters and DPA showed great concern, there was evidence of class conflict of an incipient nature. In the particular movement under examination the latter dimension came to be *subsumed* under autonomous manifestations of anti-colonialism.

The anti-imperialist and anti-capitalist affinities in the Duars, however, did not exclude community and, in this case, tribal affinity. In fact, the responses to foreign rule and planter domination came to be encapsulated in tribal religious consciousness, a dimension which made many aspects and expressions of the Duars agitation largely incomprehensible to the planters and colonial officialism. It was also this tribal-cultural identity which inevitably gave rise to some ambiguities. But while one can hardly ignore the importance of this identity, it needs to be stressed that it did not lead to displacement of anti-imperialist and anti-planter consciousness.[52] Rather, the Oraon religious beliefs and practices contributed towards the strengthening of this consciousness.

The Duars agitation, as noted above, began as a continuation of the Chhotanagpur Tana Bhagat movement among the Oraons of Duars and was initially an example of *vertical* mobilisation embracing Oraon plantation workers. But it represented much more than that. As mentioned earlier, the Duars agitation soon came to involve non-Oraon tribal, semi-tribal and even a few non-tribal workers, although the Oraons constituted the predominant element. The most clear evidence of participation of the non-Oraons is an incomplete list of convicted workers.[53] Besides the names of twenty-three Oraons, it contained names of two Mundas, two Mahalis, one Goala (milkman, cowherd) and one Teli (oilman) all of whom had been sentenced to rigorous imprisonment for taking part in the movement. This testifies also to the feature of *horizontal* mobilisation. In fact, here is evidence of a convergence of both vertical and horizontal solidarities. And solidarity at the level of Oraon workers and also the solidarity between Oraon and non-Oraon workers was more than just tribal or ethnic solidarity. These also signified self-consciousness of the workers about the

exploitation and oppression experienced by them and entailed anti-imperialist as well as class solidarities. To restate, there was an *overlapping* of anti-British content of the movement, class solidarity and tribal or ethnic loyalty.

What were the actual mechanics of achieving, maintaining and consolidating these solidarities? The account of the genesis and unfolding of the tribal worker movement presented earlier shows that various mechanisms were combined in varying degrees. These were, among others, the pull of tribal ties and tradition, the parleys and assemblies such as meetings held in the 'coolie' lines and also lonely places, the collective chanting of *mantras* or incantations, the use of community or tribal idioms and 'codes', the reforms in social and religious practices (e g, eschewing of meat and strong drinks and prohibition of community dances and songs), the rumour about imminent British defeat and German victory, the vision of an independent Oraon raj, the promise of land, and the power of religious, political and community commitment to 'exterminate the sahibs' sanctified through 'the vow sworn by God, Germany and blood'. The experience of rise in prices of salt and foodgrains and the information about fall in tea exports were put to intelligent use to spread the rumour of British *raj* in crisis. It appears that a roving band of young 'volunteers' or 'cadres' carried the message of the movement initially from Chhotanagpur to the Duars and later on from garden to garden and helped to forge and strengthen the solidarities mentioned above.

The Duars tribal labour agitation, as in the case of any popular movement, had its share of fence-sitters, vacillators and collaborators. The flow of information to the managers illustrates the extent of collaboration. The authorities too encouraged dissidence and betrayal. In Gurjangjhora tea garden the manager tried to isolate two leaders from the rest of workers. In Duars as a whole the police authority rewarded the loyal workers with the position of special constables.

Under the circumstances, the solidarity of the workers involved in the movement found expression in the exercise of collective authority against the non-committed, vacillators and workers loyal to the authorities. The major instrument to get support from those who were undecided and also to deal with dissidence from the movement was social boycott or ex-communication which was often accompanied by abuse and threat. This is what appears to have happened in the case of Charua and his wife.

There were several cases in which the workers saw through the management's game and foiled it. Faced with the danger of dissidence and treachery, measures were taken to defend the movement and protect its leaders and 'cadres'. The practice of holding meetings and recitations in lonely places and under the cover of darkness was one such measure. The Gurjangjhora garden incident also provides an illustration of protection given to leaders. Thus, when two leaders were summoned by the manager, a large body of workers went with them, and when the two were given an order to leave the garden, the workers accompanying them refused to part with them.

A distinctive feature of the movement that deserves to be mentioned was its democratic character. Most of the tribal movements in colonial India including the Tana Bhagat movement were centred around a supreme leader having prophetic power.[54] But the Duars movement, though an extension of the well known Oraon movement, did not have any such leader. Available records highlight the role of garden *sardars* and also that of collective consultations through assemblies and gatherings.

Despite the presence of many significant dimensions, this particular variant of protest and struggle of tribal peasants turned into plantations workers soon run its course. The impact of the movement on the subsequent socio-political life of the tribal and particularly Oraon workers remained ambivalent.

Before concluding this paper, one more observation needs to be made. That one is in relation to the nationalist attitude towards the Duars tribal labour agitation which had a distinct anti-British thrust—in fact, the earliest instance of popular anti-imperialist struggles not only in the Duars but in the district of Jalpaiguri as a whole. It is found that, may be because of patriotic consideration and/or some other reasons, the *Amrita Bazar Patrika*, a Calcutta-based nationalist daily, took a sympathetic view of this protest and struggle. But the nationalists of Jalpaiguri district itself, however, appears to have remained totally indifferent to it. That the Oraon agitation came to the notice of some of the nationalists of the district has been put on record.[55] But there was no awareness of its significance and the need for having any links with it. A major part of the explanation lies in wide socio-cultural gap that the *bhadralok* (upper-caste educated Bengali middle class) nationalists of Jalpaiguri had with the 'coolies'. Thus, tribal anti-imperialism and bhadralok nationalism remained distanced from each other.

Notes

[This is the revised version of part of a longer paper entitled 'Ambiguities of Class Formation: Plantation Capitalism, Workers and Collective Action in the Duars, 1890s- 1947' brought out in January 1987 in the *Working Paper Series* of the Indian Institute of Management Calcutta. In writing this paper I have benefited much from discussions with Asok Sen, Barun De and Surendra Munshi. I alone am responsible for all the shortcomings. For a Bengali version see 'Duarse Sramik Pratibad', *Madhuparni*, December 1987, pp 191- 218. It is to be added that the research for this paper has been supported by the Centre for Management Development Studies of the Institute.]

1 For accounts and analysis of the Tana Bhagat movement see Sarat Chandra Roy, *Oraon Religion and Customs*, Calcutta, 1928 (1985 reprint), pp 339-403; Nirmal Kumar Bose, *Some Indian Tribes*, National Book Trust, New Delhi, 1972, pp 140-41; and Stephen Fuchs, *Rebellious Prophets: A Study of Messianic Movements in Indian Religions*, Asia Publishing House, Bombay, 1965, pp 38-42.

2 See Roy, op cit, pp 344-46. Roy himself was a loyalist and denied that the movement had any anti-government thrust (p 346).

3 Cf Fuchs, op cit; and David Hardiman, 'Adivasi Assertion in South Gujarat: The Devi Movement of 1922-3' in Ranajit Guha (ed), *Subaltern Studies, III*, Oxford University Press, New Delhi, 1984, p 210 and n 36.

4 It is tempting to view this socio-religious effort in terms of Srinivas' sanskritisation thesis (See M N Srinivas, *Social Change in Modern India*, University of California, 1966). But there are serious difficulties in the sanskritisation interpretation. See Hardiman, loc cit; pp 212-14; and Surendra Munshi, 'Tribal Absorption and Sanskritisation in Hindu Society', *Contributions to Indian Sociology* (New Series), Vol 13, No 2, 1979, pp 293-319.

5 Roy, op cit, p 342; and Bose op cit, p 141.

6 Fuchs, op cit.

7 See Bose, op cit, p 142.

8 Duars was a 2,053 sq miles tract in Jalpaiguri district, the northern-most plain district in undivided Bengal.

9 For labour migration to the Duars plantations see Ranajit Das Gupta, *Economy, Society and Politics in Bengal: Jalpaiguri 1870-1947* (forthcoming).

10 According to the 1921 Census Report, in Jalpaiguri district the Oraons numbered 1,15,350 while the Mundas and Santhals were respectively 34,601 and 23,488 (*Census of India*, Vol V, *Bengal*, Pt II, Table-XIII).

11 J Reid, *Final Report on the Survey and Settlement Operations in the District of Ranchi 1902-1910*, Government Printing, Bihar, Orissa and Patna, p 10. para 20.

12 Ibid, p 11, para 20.

13 *Detailed Report of the General Committee of the Duars Planters' Association* (hereafter DPA Report) for 1916, p vii.

14 Government of Bengal, *Report on the Administration of Bengal during 1916-17*, p 17.

15 *DPA Report* for 1916, p xi.

16 Ibid, p viii.

17 See in this connection Partha Chatterjee, 'Agrarian Relations and Communalism in Bengal, 1926-1935' in Guha (ed), *Subaltern Studies I*, Oxford University Press, Delhi, 1982, p 31.

18 National Archives of India (NAI). Home Political. A Nos 280- 81 of June 1916 'Oraon Unrest in Bengal and Bihar and Orissa. Judgment of the Special Tribunal appointed under the Defence of India Act in the Oraon Case' (hereafter NAI 'Oraon Unrest'), p 5.

19 Ibid, p 5.

20 Ibid, p 5.
21 *DPA Report* for 1916, p ix.
22 NAI 'Oraon Unrest', p 5.
23 *DPA Report* for 1916, pp 285-86.
24 Ibid, p. 286.
25 Ibid, p 286.
26 NAI 'Oraon Unrest', p 6.
27 An account of this incident was given in the *Amrita Bazar Patrika,* May 10, 1916 editorial entitled 'The Oraon Unrest: The Second Case'. The editorial sharply criticised the government attitude. *Amrita Bazar Patrika* wrote another editorial in its issue of May 2, 1916. Both the editorials were considered 'objectionable' by the Criminal Intelligence Office and there was a move for prosecuting the *Patrika* under the Defence of India Act. See NAI Home Political Deposit, No 12 of June 1916.
28 Ibid.
29 Cited in NAI 'Oraon Unrest', p 7.
30 Ibid, p 7.
31 Ibid, p 7.
32 This citation and the next one is from ibid, p 7.
33 *DPA Report* for 1916, pp viii-ix.
34 NAI 'Oraon Unrest', p 5.
35 Ibid, pp 5-6.
36 See Ranajit Guha, *Elementary Aspects of Peasant Insurgency in Colonial India,* Oxford University Press, Delhi, 1983, p 226.
37 *DPA Report* for 1916, p 286.
38 Ibid, p 286.
39 Ibid, p viii.
40 Ibid, pp viii-ix.
41 Ibid, pp 287-88.
42 Ibid, p ix.
43 We have come across a list of names of twenty-nine tribals—both Oraon and non-Oraons—convicted in Jalpaiguri Duars between June and December 1916 (*DPA Report* for 1917, pp 426-47).
44 Ibid, pp 422-27. See the correspondence between DPA chairman and several garden managers on the one hand and the superintendent of police on the other.
45 This citation and the next one is from ibid, p 425.
46 NAI Home Political, Deposit 68 of June 1917. Fortnightly Political Report for the first half of May 1917.
47 NAI 'Oraon Unrest', p 2.
48 Ibid, p 3.
49 NAI 'Oraon Unrest'.
50 Ibid, p 2.
51 The judgment read: One characteristic of the movement is that all Christian Oraons were excluded from the meetings. So it cannot have been deliberately organised by any German missionary. Yet the special tribunal gave the verdict: "...it seems clear that it must have been started either by some German agent or by some agitator or by some impostor" (NAI 'Oraon Unrest', p 8, para 5).
52 Cf, Guha, *Elementary Aspects of Peasant Insurgency,* pp 169-70.
53 See *DPA Report* for 1917, pp 426-27.
54 See Fuchs, op cit.
55 Khagendra Nath Das Gupta, 'Swadhinata Sangrame Jalpaiguri Zela' in *Jalpaiguri Zilla School Shatabarshikee Smarak Patrika,* Jalpaiguri, 1976, p 4.

Failure of Livestock Investments under IRDP

Evidence from Two Villages in Tamil Nadu

Paul Seabright

The evidence of this study suggests that even when subsidies are included, the benefits to households of investing in livestock through the IRDP have been significantly below those to livestock purchased outside the scheme. Depending on the measure used, somewhere between a third and more than a half of IRDP participants in the study villages were actually worse off as a result of their loans (or would have been in the absence of partial write-offs of their dues). This was principally due to higher prices paid by IRDP participants in the livestock markets, prices which were not compensated by higher quality of the animals purchased—in other words, to price discrimination. Undoubtedly this price discrimination was facilitated by the presence of large subsidies. There is also evidence that households lacking land and underemployed household labour were not able to manage livestock investments economically at this small scale of production.

I

DISCUSSIONS of the effectiveness of the Integrated Rural Development Programme need to separate two questions. First there is the measurement question: how to determine whether and to what degree the IRDP has been successful in a particular context. In particular, since the IRDP is intended to encourage investment in productive assets by the rural poor, the question arises to what extent the investments identified under the programme have been either privately or socially productive. Second, there is the question of causality: what are the reasons for the performance of the programme, and (in particular) to what extent are its shortcomings intrinsic to the conception of the IRDP as opposed to being accidental and remediable features of its design?

The evidence of this paper, collected from one dryland and one wetland village in Tamil Nadu during 1985, suggests a bleak answer to the first question and at least a sobering answer to the second. In particular, investments in livestock, in the management of which the poor are often thought to possess a comparative advantage, and which form the backbone of the IRDP, have low profitability for many categories of poor household. Most importantly, the presence of substantial subsidy has not helped: livestock investments by IRDP beneficiaries in the study performed worse than livestock investments by a control group of non-beneficiaries, *even after all subsidies had been taken into account*. The reasons for this are partly but not only flaws in the programme's implementation. Though there are undoubtedly leakages in the form of bribes and other side-payments, for example, these are not large in comparison with the main element in the poor performance of IRDP investments: namely, substantial price discrimination between beneficiaries and non-beneficiaries in livestock markets, which are very far from being the anonymous competitive markets they are often assumed to be. It is not just that the IRDP has raised livestock prices generally, though this may also be true. IRDP beneficiaries typically pay inflated prices that are not compensated by higher livestock quality, and that they cannot recoup on resale.

It is integral to the philosophy of the IRDP that it seeks to promote productive investment by means of an intervention in the credit market. It is often thought that the poor, with their substantial endowment of (frequently underemployed) labour, must be potentially well placed to achieve a comparatively high rate of return on capital. The reason for the persistence of assetless poverty then appears to be a malfunctioning market for capital, which for a variety of reasons including uncertainty, discrimination and conservative collateral requirements, denies to those who do not already possess assets the means to acquire them. It is to correcting the imperfection of this capital market that the IRDP programme is principally directed. But the data examined here suggest that, even in the presence of abundant credit, it may be very difficult to identify productive investment opportunities for the rural poor. The reasons consist partly in the presence of increasing returns to capital at low levels of investment (including the effects of risk management and the complementarities between different kinds of capital), but mainly in the secondary distortive effects that generalised schemes of subsidised credit such as the IRDP have on asset and other factor markets. This suggests that it is not enough for anti-poverty programmes to overcome the barriers to the *availability* of credit to the poor. They must also assist the poor in identifying productive investments, the difficulties in doing which have been significantly underestimated. Investments in livestock, funded by subsidised credit, may be a valuable component of anti-poverty programmes for certain kinds of household. If the results reported here are of more general validity, however, they suggest that livestock investments may be quite unsuitable as an across-the-board approach to rural poverty.

II

The Study[1]

Two villages were studied in dry and wetland areas of Tamil Nadu during 1985. Each had established a milk producers' co-operative society whose members had taken out IRDP loans during the previous two years. There were 46 beneficiary households in the wetland village (out of a total of 307 households), and 36 in the dry (out of a total total of 259). These households, plus a control group of 40 households in the wetland village and 37 in the dry, were asked for details of all livestock owned at any time during the previous three years. The resulting sample of milch cattle consists of 379 adult females, divided (as it happened) almost exactly between the two survey villages. For each animal the following data were collected (where appropriate):

—purchase price.
—sale price.
—daily milk yield at each lactation.
—duration of each lactation.
—value of loan used to purchase animal.
—value of subsidy on loan.
—value of own resources used in purchase of animal.
—monthly value of purchased feedstuffs.

The daily milk yield was used to calculate the value of milk yielded in toto by the animal, at the price of milk paid to the household by the milk society. The appropriate measure of the household's outlay in purchasing a particular animal is not the purchase price but the sum of the loan and the own resources, which frequently exceeds the purchase price. In addition, at the household level data were collected on the value of manure yielded by the livestock (this proved impossible to allocate between animals except equally), on the calves born to livestock owned, and on the household labour involved in looking after the animals.

The milk society in the wetland village had recently been wound up after two years of operation due to misappropriation of funds by the society's officers. (Sadly this did not make the society unusual: the increase in dormant co-operative societies in the district in the three years from 1981 to 1984 was equivalent to 61 per cent of those operating in 1981). These events left the funding bank with an impression of very poor repayment records by the individual members, many of whom had in fact kept up payments

regularly to the co-operative society. In the current survey all incomes accruing to IRDP animals are treated as benefits to the household, whether or not the household actually received the income due. The reason for this was not to deny the importance of misappropriation in affecting the operation of the IRDP, but to separate the question of misappropriation from the question of the basic quality of livestock investments made under the scheme.

The data described were used to calculate estimates, under various alternative assumptions, of the returns to ownership of milch animals in the study villages. Several difficulties present themselves in making such calculations. First of all, livestock farming is a classic instance of joint production with durable capital, so that allocations of both incomes and costs must be made to various stages of the production process, and there is often no clear or indisputable way to achieve this. Secondly, market valuations of costs and incomes are in some cases inappropriate, requiring imputations. Thirdly, because the survey was a cross-sectional study conducted in effect at a single point in time, the data available necessarily lack some of the detail required for the calculation of internal rates of return. In particular, although there are data on incomes and costs over a three-year period prior to the date of the survey, the exact timing of these flows is in many cases unknown, making appropriate discounting difficult. Accordingly, several alternative variables have been constructed, corresponding to measures of gross and net operating surplus on the ownership of each animal over the three years concerned, and conclusions drawn from these variables will be deemed robust only when the different measures corroborate one another.

The output produced by an adult female in any time period consists not just of milk, but also of manure, and also sometimes of calves and rental services (such as in activities like ploughing[2]). There are also changes in the value of the animal itself which need to be taken into account; if the animal is still in the household's possession at the reference date (not having died or been sold), these changes in value require imputation. The procedure adopted here has been to construct a measure of output and production costs per animal during the three-year reference period, where production is conceived as a one-period process employing labour, feed and capital (in the form of a purchased animal) as inputs, and yielding as joint outputs both the conventional outputs and the older animal. If the animal died during the reference period its imputed value is zero, if it was sold the value was the sale price. For animals still in the household's possession a sale price was imputed based on a regression equation of sale prices. The measures of return to investment are based on various combinations of these recorded and imputed incomes and outlays:

1a) Gross Private Operating Surplus (GPOS) = sale price + value of milk + subsidy − household's outlay.

1b) Gross Social Operating Surplus (GSOS) = sale price + value of milk − household's outlay.

2a) Net Private Operating Surplus (NPOS) = GPOS + value of manure + saleable value + imputed value of calves − cost of purchased feed.

2b) Net Social Operating Surplus (NSOS) = GSOS + value of manure + saleable value + imputed value of calves − cost of purchased feed.

3a) Net Private Surplus (NPS) = NPOS − imputed labour cost.

3b) Net Social Surplus (NSS) = NSOS − imputed labour cost.

Each such measure represents the undiscounted present value at the start of the three-year reference period of some set of incomes and outlays accruing during that period. The first two measures (which differ from each other only in that the first includes and the second excludes any element of subsidy in the purchase of animals) are calculated using magnitudes that are precise, easily ascertainable and do not require imputations or allocation between animals. They represent, in a sense, the gross cash gain on the transaction to date, without including any upkeep costs. However, since 55 per cent of the animals in the sample were still in the household's possession at the date of the survey, the values for these animals do not include sale prices. For this reason, comparisons must be made separately for animals sold and animals still present. Tables 1 and 2 do just that.

Table 1 shows the Gross Private Operating Surplus by village and category of animal, separately for animals present and those no longer owned by the household. It reveals, strikingly, the very poor performance of livestock purchased under the IRDP compared to those purchased privately by individuals. This impression is confirmed even more strongly by the other measures, so the reasons for such a finding will not be discussed in detail at this point. But it is worth pointing out that, despite the presence of subsidies of between 665 and 1250 rupees per animal, the surplus on IRDP animals is either less or only slightly greater than that on privately-purchased animals *even including the value of the subsidy*. Measured as a proportion of the household's outlay the performance is even less impressive, with a GPOS for IRDP animals still present in the wet village of less than 40 per cent of outlay (compared to over 85 per cent average for the village), and a figure for the dry village of just 9 per cent compared to a village average of 12 per cent.

When subsidies are excluded, as in Table 2, the contrast becomes even more clear. IRDP livestock achieve a mean Gross Social Operating Surplus of between 650 and 1200 rupees less than privately purchased buffaloes, and underperform private cattle by more variable amounts. Again these differences will be analysed in more detail below using the more sophisticated measures. At the risk of triviality, however, it should be pointed out that negative values of the GPOS should not be taken in themselves to mean that households are worse off as a result of their purchase of the livestock concerned, since they may still own the animal. There are essentially two possible ways to cope with this difficulty. One is to ignore the value of present livestock, and to conduct all comparative analyses separately for the two groups of present and absent animals. While this has the attractive feature of avoiding possibly contentious imputation, it implicitly assumes that the capital value of the animal to the household is the same for all households (or at least not variable systematically in a way relevant to the analysis). It also prevents even an attempt at answering, for households with cattle still present, the question whether and by how much they have benefited from the IRDP scheme.

Measures 2 and 3 therefore impute to each animal present at the date of the survey a saleable value, on the basis of an equation estimated for the sample of animals that have been sold. The only misgiving occasioned by this procedure is that the fit of the equation is not good.[3] However, it is unclear how much this represents a shortcoming of the data, and how much the fact that livestock sale prices are in themselves highly fluctuating and uncertain, so that the household owning the animal may itself have only limited knowledge of what the animal would fetch. The latter problem is familiar in other contexts, such as in the imputation of wage costs (e g, for the valuation of leisure) to unwaged household members in circumstances where the best wage equation has a poor fit. At all events, this procedure is preferable to assuming all present cattle to be of equal value.

The measures of Net Private and Net Social Operating Surplus also incorporate estimates of the value of manure produced, the cost of purchased feed, and the value of calves (which are, in a sense, among the joint outputs of the process). Average monthly values for the cost of purchased feed were obtained: these values typically differed for cattle that were dry, milking and pregnant, and on the basis of the length of time spent in each of these states a total feed cost for the three years prior to the survey was calculated. The values of manure and of calves are much more rough-and-ready: only a minority of households sold manure, and on the basis of the prices realised by them a value was imputed to those households who used the manure on their own land. As for the value of calves, only their breed and sex were at all significant in explaining the variation in calf prices, so each calf present was imputed the mean realised price for calves of its own breed and sex.

So NPOS and NSOS in a sense represent measures of the private and social value added in livestock ownership—output net of all intermediate inputs and maintenance expenditures, but without deduction of factor payments, to either labour or capital. They do *not* include the value of any 'leakages', such as the payment of bribes or commissions that are sometimes necessary for families to qualify for IRDP loans. Given the estimates and imputations necessary to arrive at such measures, it may be wondered how much they are to be trusted. Each family that had taken out a loan for the purchase of cattle (whether under the IRDP or otherwise) was asked whether it was glad that it had done so (whether it felt better off as a result). If NPOS is an accurate measure of private value added there should be a strong correlation between households' answers to the question, and the value of NPOS for the animal in question. And indeed, Table 3 shows, for the dry village, a simple matrix indicating that the great majority of loans with an NPOS greater than zero were ones with which the household professed itself pleased—and conversely for values less than zero.

In fact, in the wet village where the milk society had broken down, there are reasons for expecting this correlation to be somewhat weaker, for two reasons. The first is that the measure assumes that all loans are repaid in full, whereas the breakdown of the society meant that many loans were written off. Secondly, since the reason for the breakdown was partly the embezzlement of funds by society officials, those whose cattle had been most productive and who had therefore repaid most funds to the society were likely to have suffered disproportionately from the embezzlement of these funds, and therefore to have registered relatively more dissatisfaction for this reason in response to our question. This does not mean that the measure is not useful in the wet village; it merely means that what it measures—namely, the economic benefit to households if all loass are repaid—could not be expected to be the basis for households' responses to questions about their satisfaction with the loan.

As will be seen below, the dry-village correlation with reported satisfaction is even stronger for the measures that take account of differences in households' labour endowments, but for the time being Table 3 suggests that the NPOS and NSOS measures have considerable usefulness. Table 4 shows the value of these measures in the two survey villages for different categories of cattle. The conclusion emerges even more strongly that IRDP cattle have performed relatively badly: even the mean *private* surplus for IRDP animals is lower than for non-IRDP buffaloes in both villages, though the former but not the latter benefit from a substantial element of subsidy. Owing to the high variance within each group, these differences are not statistically significant, but the differences in mean *social* return (excluding subsidy) certainly are. In both villages the mean NSOS is over one thousand rupees lower for IRDP buffaloes than for those purchased privately: in the wet village this difference has a F-value of 8.7 and is significant at less than half of one per cent, while in the dry village the F-value is 10.6 and the significance 0.16 per cent.

Two other features of Table 4 are worthy of attention. First, the mean surplus is higher in the wet than in the dry village, but not by very much (at least for buffaloes). Since there are comparatively many fewer economic opportunities in the dry zone, this lends some support to the view that milch cattle loan schemes are more likely to be successful in dry zone areas, not because they are more profitable absolutely, but because they are more profitable relative to the meagre alternatives and therefore more

TABLE 1: GROSS PRIVATE OPERATING SURPLUS TO MILCH CATTLE OWNERSHIP
(excluding maintenance costs and disposal proceeds)

	Mean Return (Rupees)	No of Animals	Per Cent of Outlay	Per Cent Greater Than Zero
Cattle still present	488	208	38.9	46.2
Wetland village	852	95	85.2	55.8
Buffaloes:				
IRDP	871	23	39.1	82.6
Other	577	32	62.9	37.5
Cattle	1061	40	296.4	55.0
Dryland village	183	113	12.4	38.1
Buffaloes:				
IRDP	234	47	9.0	53.2
Other	251	14	24.3	28.6
Cattle	118	52	20.5	26.9
Cattle sold or dead:	1001	171	71.2	71.4
Wetland village	1406	96	91.0	78.1
Buffaloes:				
IRDP	1255	57	59.9	84.2
Other	1222	21	113.9	61.9
Cattle	2099	18	589.6	77.8
Dryland village	483	75	39.4	62.7
Buffaloes:				
IRDP	1008	22	39.9	72.7
Other	868	7	88.0	71.4
Cattle	173	46	27.0	56.5
Total	720	379	54.4	57.5

TABLE 2: GROSS SOCIAL OPERATING SURPLUS TO MILCH CATTLE OWNERSHIP
(excluding maintenance costs and disposal proceeds)

	Mean Return (Rupees)	No of Animals	Per Cent of Outlay	Per Cent Greater Than Zero
Cattle still present	138	208	11.0	34.1
Wetland village	620	95	62.1	46.3
Buffaloes:				
IRDP	−85	23	−3.8	43.5
Other	577	32	62.9	37.5
Cattle	1061	40	296.4	55.0
Dryland village	−267	113	−18.1	23.9
Buffaloes:				
IRDP	−849	47	−32.5	19.2
Other	251	14	26.0	28.6
Cattle	118	52	20.5	26.9
Cattle sold or dead	615	171	43.8	60.2
Wetland village	914	96	59.1	64.6
Buffaloes:				
IRDP	426	57	20.3	61.4
Other	1222	21	113.9	61.9
Cattle	2099	18	589.6	77.8
Dryland village	234	75	19.1	54.7
Buffaloes:				
IRDP	158	22	6.3	45.5
Other	868	7	88.0	71.4
Cattle	173	46	27.0	56.5
Total	353	379	26.7	45.9

necessary. The second point to notice is that the surplus on cattle is lower in the dry zone than might be expected, given their high relative profitability in the wet zone. In fact the figure for the dry zone is almost certainly a significant underestimate of the true value, since it excludes the value of ploughing work performed by the cattle. It is quite common in dry zone farming for small farmers to use cows rather than bullocks for ploughing; although cows are not ideal for ploughing, and although heavy work reduces their milk yield, this involves less risk than either the ownership of bullocks (which yield no income when rains fail) or reliance on hired bullocks in an imperfect and unreliable market for drought power.

The Net Private Operating Surplus is not the ideal measure of the benefit of an animal to the hosuehold, since it ignores the different endowments of labour available to different households. This matters in several ways. First, market wages differ dramatically for different categories of labour. For example, female daily wages in the area were around three rupees per day; those for men were between seven and eight. Second, households differ in the ease with which their members can find alternatives to livestock rearing. Third, there may be economies of scale in caring for livestock, so that households who already own cattle will find the marginal labour cost of extra cattle comparatively low. In order to take account of these factors, all households were asked which members were involved in the care of cattle and for how many hours per day. In addition, households who had taken out loans were asked what these household members had been doing before the loans were taken out, so as to determine whether the loan had drawn them out of alternative employment. Costs were imputed in two ways: first, on the basis of market wages for the labour actually expended, and allocated by division between all cattle in the household in proportion to the length of time those cattle had been owned. These may be called the *full* wage costs. Secondly, for those cattle purchased on loan, these costs were adjusted according to whether the household members concerned had been inactive or in part-time or full-time work prior to the loan. These may be called the *adjusted* wage costs. Unfortunately, the latter procedure was not possible for all cattle: households which had not taken out loans tended to have owned cattle for a considerable time, so that the question "what did you do before you owned cattle" was fairly meaningless. One might, of course, infer from this that for such households the shadow wage for caring for marginal cattle is effectively zero—a conclusion that would even more clearly show the poor performance of IRDP livestock. Since this poor performance is convincingly enough demonstrated by the existing figures, the adjusted wage costs should not be given undue weight.

TABLE 3: NET PRIVATE OPERATING SURPLUS AND JUDGMENT ON LOANS, DRY VILLAGE

Pleased With Loan	No	Yes	No of Loans
NPOS<0	14	8	22
NPOS >0	9	36	45
Total	23	44	67
Per cent	34.3	65.7	100
Mean value of NPOS	40.7	1044.5	—
F=5.56	Significant at 2.1 per cent		

The Net Private and the Net Social Surplus take account of the imputations of full wage costs, and thereby provide a means of estimating the returns to capital (Table 5 illustrates). The average Net Private Surplus for the sample as a whole is 284 rupees, or 21.4 per cent of the average outlay. Since the average time animals are kept is just over two years,[4] this gives an annual return of just over 10 per cent, an uninspiring figure given the very substantial risks involved. The social return is actually negative because of the poor performance of IRDP animals. Excluding these yields a much more attractive figure of 80.3 per cent (though only 37.6 per cent in the dry zone). This discrepancy is almost certainly an exaggeration, given the use of some cattle for ploughing in the dry zone. It is likely that these fairly high returns to capital are indicative of the presense of a degree of credit rationing (plus high informal sector interest rates). But they also without question incorporate a substantial risk premium. The variability of rewards to keeping livestock is so great that only 52 per cent of non—IRDP animals show a positive net private surplus. Less than half of IRDP animals do so. At levels of poverty like these, the effect of losing money on livestock operations can be crippling. At all events, it is evident that livestock under IRDP have to yield strongly positive returns for them to be of any value to poor households. It is equally evident that they have failed to do so.

In the dry zone, the correlation between values of Net Private Surplus and reported satisfaction with loans has been increased, as Table 6 shows. The F-value of the correlation has increased to 14.9, significant at one-thirtieth of one per cent. However, the table also suggests that Net Private Surplus probably underestimates private benefit, since the mean value for those reporting themselves satisfied is under 400 rupees, and the value of NPS, above which the same proportion of loans lie as are reported satisfactory, is -400 rupees. So there are some grounds for thinking that the returns are somewhat healthier than these values would indicate, though not in any way that alters the poor performance of IRDP animals. Indeed, as expected imputing labour costs has further accentuated the poor performance of IRDP livestock. The difference in Net Private Surplus between IRDP and non-IRDP buffaloes is now significant at 7.3 per cent in the wet zone and 2.3 per cent in the dry.[5]

So there seems to be no reasonable doubt that investments in IRDP cattle have performed worse in both survey villages than investments in similar non-IRDP cattle, even when the substantial element of subsidy is taken into account. This poor performance has meant that a minority of families has benefited at all, and a substantial number

TABLE 4: NET OPERATING SURPLUS TO MILCH CATTLE OWNERSHIP
(including imputed costs except labour)

	Mean Return (Rupees)	No of Animals	Per Cent of Outlay	Per Cent Greater Than Zero
Private surplus				
Wetland village	1304	191	102.4	79.1
Buffaloes:				
IRDP	944	80	44.2	77.5
Other	1233	53	126.0	75.5
Cattle	1867	58	522.9	84.5
Dryland village	757	188	55.1	71.8
Buffaloes:				
IRDP	777	69	30.0	66.7
Other	1295	21	133.3	85.7
Cattle	628	98	103.3	73.5
Whole sample	1033	379	78.0	75.5
Social surplus				
Wetland village	942	191	73.9	68.1
Buffaloes:				
IRDP	78	80	3.6	51.3
Other	1233	53	126.0	75.5
Cattle	1867	58	522.9	84.7
Dryland village	387	188	28.2	62.8
Buffaloes:				
IRDP	−125	69	−4.8	40.6
Other	1295	21	133.3	85.7
Cattle	628	98	103.3	73.5
Whole sample	667	379	50.3	65.4

will have been positively harmed unless the outstanding loans are to some extent written off. It is now time to consider some of the reasons for this state of affairs. A suggestion that is frequently made is that 'leakages' from the loan advances (in the form of bribes, inflated fees and brokerage charges) mean that an IRDP loan of, say 2,500 rupees yields a much smaller amount of cash to the borrower. In the present sample, there is a degree of truth in this suggestion, but only a small degree. The mean difference between the outlay on loans (the loan amount plus any private resources used by the purchaser) and the actual purchase price of the animal, is 166 rupees in the wet zone and 229 in the dry. These are large amounts for poor families to bear (equivalent to around a month's wages for an agricultural labourer), but they are still small compared to the discrepancies in surplus generated by IRDP and non-IRDP investments. It is true that some leakages may be subsumed under the purchase price (for example, the payment of a broker's fee at the cattle market). But no such leakages can explain more than a small proportion of the discrepancy.

The most important factors appear to be the following:

(1) Customers with IRDP loans pay significantly more for cattle of equivalent quality than do customers purchasing on their own account.

(2) Owners of IRDP cattle spend more on purchased feed.

(3) The labour costs of caring for livestock are higher for IRDP owners, both because IRDP owners typically own smaller numbers of cattle and because they are more likely than others to have to give up alternative work in order to care for them.

Some of the differences in feed cost between IRDP and non-IRDP buffaloes are no doubt due to differences in the length of time owned; but—especially in the dry zone—not all such differences can be so explained. What does seem clear is that buffaloes cost a great deal more to maintain than do cattle. Such feed costs are probably best thought of as a kind of fixed cost that has to be incurred to ensure the survival of the animal—and which therefore is likely to be the more indispensable the more expensive is the animal—rather than a fully variable cost incurred to increase the animal's output (see Table 7).

The greater labour costs of IRDP animals also emerge clearly from the table. The interpretation of 'full wage costs' is relatively straightforward. But as explained above, the 'adjusted wage cost' column needs to be interpreted with care, since it adjusts the imputed wage costs according to the alternative activities in which the labour would be employed, and is a notion that therefore applies only to households that have used loans to begin livestock farming. It represents in a sense the marginal labour cost of livestock farming—and it shows how much greater this is for IRDP cattle than for others. In this case as so often, to him who hath shall be given: it is those families already owning cattle who can most economically manage more of them.

The purchase prices are the hardest items to interpret. On the face of it, they show IRDP recipients have had to pay significantly more for their livestock than other purchasers. By itself, though, this would not matter if the quality of IRDP livestock were correspondingly higher. If the livestock market functioned perfectly, the higher prices paid would be just compensated by the higher quality of the cattle purchased. In fact, the institutional nature of the livestock market in the region of the study very strongly suggests that it is far from perfect. In particular, it is neither a large nor an anonymous market: sellers of livestock are frequently aware whether or not buyers are the recipients of IRDP subsidised loans. They know it so that the buyers' freedom to manoeuvre is limited by the requirement to effect the purchase at a certain date. The buyer cannot therefore credibly threaten to wthdraw from negotiations unless he can find another seller. The markets are small enough for sellers (or usually brokers on their behalf, or alternatively middlemen on their own account) to form coalitions to drive up the price to such buyers. So in addition to the direct leakage of subsidy funds in the form of side payments, there is a further leakage of a kind in the form of price discrimination between buyers with subsidies and buyers without. As the large price differential reported in Table 7 suggests, leakages of this latter kind are typically more significant than those of the direct kind.

In another paper,[6] I have tested and rejected the hypothesis that the higher prices paid by IRDP participants reflect higher livestock quality rather than price discrimination. There is also some weak evidence that IRDP participants may be less well equipped to manage livestock investments than are existing livestock owners, due to economies of scale and complementarities

TABLE 6: NET PRIVATE SURPLUS AND JUDGMENT ON LOANS, DRY VILLAGE

Pleased With Loan	No	Yes	No of Loans
NPS<−400	14	9	23
NPS>−400	9	35	44
Total	23	44	67
Per cent	34.3	65.7	100
Mean value of NPS	−1139.4	397.8	
F=14.9 Significant at 0.03 per cent			

TABLE 7:

	Purchase Price	Feed Cost	Full Wage Cost	Adj Wage Cost
Village 1 (wet)	1478	449	850	435
Buffaloes:				
IRDP	1993	713	1016	747
Other	1224	362	618	132
Cattle	595	163	833	282
Village 2 (dry)	1441	394	647	365
Buffaloes:				
IRDP	2394	849	911	573
Other	1117	130	338	189
Cattle	722	130	526	256

TABLE 5: NET SURPLUS TO MILCH CATTLE OWNERSHIP (including imputed labour costs)

	Mean Return (Rupees)	Per Cent of Outlay	Per Cent Greater Than Zero	Time Kept (Months)
Private surplus				
Wetland village	454	35.6	53.9	25
Buffaloes:				
IRDP	−72	−3.4	51.3	30
Other	615	62.8	54.7	13
Cattle	1033	288.9	56.9	25
Dryland village	111	8.1	46.8	26
Buffaloes:				
IRDP	−134	−5.2	43.5	16
Other	957	98.4	52.4	8
Cattle	102	16.8	48.0	38
Whole sample	284	379	21.4	50.4
Social surplus				
Wetland village	91	7.2	44.5	25
Buffaloes:				
IRDP	−938	−44.0	28.7	30
Other	615	62.8	54.7	13
Cattle	1033	288.9	56.9	25
Dryland village	−259	−18.9	37.8	26
Buffaloes:				
IRDP	−1143	−44.2	18.8	16
Other	957	98.4	52.4	8
Cattle	102	16.8	38.0	38
Whole sample	−83	−6.3	41.2	25

between livestock and land. While this should not be over-emphasised, it should at least serve as a note of caution against acceptance of the assumption that the poor have a natural comparative advantage in the management of livestock.

III

Conclusions

The evidence of this study suggests that even when subsidies are included, the benefits to households of investing in livestock through the IRDP have been significantly below those to livestock purchased outside the scheme. Depending on the measure used, somewhere between a third and more than a half of IRDP participants in the study villages were actually worse off as a result of their loans (or would have been in the absence of partial write-offs of their dues). This was principally due to higher prices paid by IRDP participants in the livestock markets, prices which were not compensated by higher quality of the animals purchased—in other words, to price discrimination. Undoubtedly this price discrimination was facilitated by the presence of large subsidies. There is also evidence that households lacking land and underemployed household labour were not able to manage livestock investments economically at this small scale of production.

In the circumstances of the villages studied, the IRDP programme would have been considerably more successful if

(1) Fewer loans had been made, but more cattle had been purchased with each loan.

(2) Loans had been directed more carefully towards households with either the *ability* to make profitable use of them (say, through ownership of some land) or the *need* to do so (because of a lack of alternative economic opportunities).

(3) Subsidies had been avoided. There is no evidence that subsidies have any other effect than encouraging demands for side-payments and price discrimination between subsidy recipients and others. In addition, the presence of subsidies makes it harder to distinguish those households that are genuinely able to make productive use of livestock from those that are merely attracted by the subsidies. The latter may have an important claim to assistance, but not necessarily to assistance of this kind.

It is wise to exercise caution before generalising from these results. It may be that the conditions enabling price discrimination on this scale are not found in other parts of India where the cattle markets may typically be much larger and more anonymous in character. It may also be that price discrimination, where it exists, could be significantly alleviated by institutional measures allowing greater flexibility in the conditions of disbursement of loans.[7] Nevertheless, these findings suggest a lesson of general applicability: the undoubted presence of imperfections in formal credit markets should not lead us to think that schemes for the alleviation of poverty can afford to concentrate on these imperfections alone. The imperfect operation of the markets for productive assets can frustrate such efforts. Identifying opportunities for truly productive investment may therefore be as great a challenge as making available the credit to finance them.

Notes

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1 Fuller details of the study villages and the nature of the survey are given in P Seabright, 'Identifying Investment Opportunities for the Poor', report to the Overseas Development Administration, January 1988.

2 Ploughing is an activity normally performed by bullocks, which were not included in the survey. However, during the survey it was realised that cows are occasionally used for ploughing in this region, in a way that the survey had not systematically inquired into. The output figures here do not include rental income; however, there is no evidence that this is more than a tiny component of income, and even then it occurs only for white cattle. Adult female buffaloes (the subsample on which the hypothesis of price discrimination is tested below) are not used for this purpose.

3 The following equation was estimated:

$$sp = 4.213 + 0.2625\ pp + 0.033\ mlk + 0.2025\ sy + 0.3079\ v - 0.2552\ br - 0.1553\ s \qquad R^2 = 0.344$$

where sp = ln (sale price)
pp = ln (purchase price)
mlk = ln (value of milk)
sy = year of sale (1982=0, 1983-1, etc)
br = dummy for breed (0=buffalo, 1=cow)
v = village dummy (0=wet, 1=dry)

Although other functional forms were attempted, none resulted in significantly better fit, and the logarithmic form was preferred as avoiding heteroskedasticity. For those animals (56 out of 379) for which there was no purchase price because they had been born to other cattle owned, a purchase price equal to the mean for the sample was imputed. In view of the importance of the comparison between IRDP and non-IRDP animals to the results of this paper, an attempt was also made to estimate the equation separately for these two groups. The performance of the two equations was not significantly different, and since the comparison in imputed saleable value between IRDP and non-IRDP was even less favourable to the IRDP group under the latter procedure, the former more cautious method was preferred.

4 Differences in the length of time the animals have been owned do not explain the discrepancies, as the final column of Table indicates. Indeed, the length of time owned was—surprisingly—statistically insignificant in all the output equations estimated below.

5 Reflecting F-values of 3.1 and 5.0. The difference in Net Social Surplus has an F-value of 16.6 in the wet zone and 20.7 in the dry.

6 Likewise, the ease with which the officers of co-operative societies can embezzle funds belonging to the membership would be greatly diminished if the legal structure of co-operative societies gave scope for redress in civil law to those parties with both the means and the interest to seek it, namely the banks. In the case of the society in this study which was wound up, the banks' only contract was with individual borrowers; all their efforts to counteract overdues were therefore directed towards these individuals, in spite of the undisputed evidence of fraud by third parties. This is not to say that such institutional reforms would halt corruption, merely that they would help to make it more difficult.

7 The literature on the IRDP is now very large: J Dreze, 'Social Insecurity in India', discussion paper, London School of Economics, and C Hanumantha Rao and P Rangaswamy, 'Efficiency of Investments in IRDP', *Economic and Political Weekly*, 23, A-69-76 are two recent papers that explicitly address the questions of investment efficiency that are central to the argument here.

An Agenda for Disaster

New Soviet Thinking about the Revolutionary Movement in the Third World

S Akbar Zaidi

The impact of perestroika on the Soviet Union's perception of the third world will lead to a redefinition of the dimensions of working class movements in underdeveloped countries and affect their prospects of revolution. The present paper examines the possible effects of the new Soviet thinking regarding the revolutionary road in underdeveloped countries.

The relatively rapid growth of capitalism in the third world over the past two-odd decades has merely confirmed the Marxist conception of social progress; this process, as well as being natural, has been greatly expedited by the economically more powerful and dynamic capitalist system, there being to serious counterweight to it, above all with the emergence of transnational companies as an effective instrument from promoting capitalism in the third world.

—Alexei Kiva (p 62)[1]

Where the social class structure is immature and social consciousness low, collective forms of property cannot as a rule, play a steadily progressive role in the national economy. On the contrary they are likely to hamper social and economic progress. As regards private capitalist enterprise, its historically progressive role goes beyond providing material prerequisites for socialism. It is in this phase of capitalist development that the basis for bourgeois democracy is laid and a civilian formed. Besides, the proletariat gets schooling in the class struggle, which is slack in state enterprises.[2]

—Alexei Kiva (p 63)

ALEXEI KIVA is the head of the Sector of the Working Class and Communist Movement at the USSR Academy of Sciences, Institute of Oriental Studies and the quotes above are taken from his recent article 'Developing Countries, Socialism, Capitalism' which has been published in the influential *International Affairs* (March 1989). Kiva's article typifies an approach towards the third world which has been developing over the last few years following perestroika in the Soviet Union [see: Kiva 1988; *International Affairs,* July 1988; *International Affairs* December 1988; Kozyvev and Shumikhin 1989].

With the failure of socialism in the third world and with the end of the myth of the non-capitalist path of development and of bypassing capitalism (or of the national democratic revolution or socialist orientation), there has been a growing intellectual lobby, notably in the Soviet Union, which has begun to propagate the theory that to achieve socialism one needs to pass through capitalism, and that there are no alternatives to this route (see Kiva 1988, for an excellent and illuminating critique of socialist orientation). This theory proceeds that to achieve a socialist revolution, it is necessary to go through the process of a bourgeois democratic revolution, and we need to fulfil most bourgeois democratic tasks before we make any attempt to achieve the goal of socialism.

The present Soviet thinking about the development towards socialism especially in the third world, is a complete about turn from what was being said in the past concerning imperialism and revolution. The need to reassess and revaluate their previous thinking, has come about, as they say, due to an evaluation of the third world in the last three decades and to the study of the growth of productive forces in countries which were until recently, considered lackeys of imperialism and strongly vested in the pro-imperlialist camp. The change has also been the result of a much more important process which is still going on, that of perestroika. The new Soviet thinking about every concept, old and new has been affected markedly by the changes brought about (as yet more at an ideological and cultural level, than in the material productive level) by Gorbachev and representatives of the 'new Soviet society'. Although this is not the forum to discuss the pros and cons and effects of perestroika, one thing is clear—that the new Soviet thinking has developed due to the numerous contradictions and inefficiencies in their economic and political structure. One dimension of the economic quagmire of Soviet society and the result of perestroika has been the need to develop and expand trade and economic relations with even bourgeois and repressive states, whether developed or underdeveloped. The reasons for ignoring the class and state structure of these countries result from the appalling state of the Soviet economy, and thus the need to find whatever means possible to ensure that the poor Soviet economy can prosper (see: *International Affairs,* July 1988; *International Affairs,* August 1988; *International Affairs,* December 1988; Kozyvev and Shumikhin 1989). Thus, the economic considerations of the Soviet economy outweigh by far, the ideological dimension of the theory and practice of developed socialism. This impact of perestroika on how the Soviet Union views the third world, will profoundly influence the prospects of revolution in underdeveloped countries and will give a new dimension to the working class and revolutionary movement in these countries. It is the purpose of this essay to explore the potential impact and consequence of the new Soviet thinking regarding the revolutionary road in underdeveloped countries.

Before I proceed with the argument being presented by senior Soviet academicians, let me digress from the new Soviet school somewhat, and attempt to deal with the work of a western Marxist scholar, who in many ways seems to be the intellectual father of the new Soviet thinking regarding the prospects for revolution in the underdeveloped capitalist countries. Although Bill Warren died in 1978, his book published posthumously in 1980 *Imperialism: Pioneer of Capitalism* is a Marxist critique of petty bourgeois thinking regarding the path of development in the third world. Now, ten years later, Soviet scholars dealing with the third world say what Warren said many years ago. Given the very closed and blinkered nature of pre-perestroika Soviet society. It is quite improbable that Soviet scholars would have even heard of Warren, leave alone read him. Almost all Soviet works have ample references to the works of Marx, Engels and Lenin and now more recently to the speeches of Gorbachev, and it is unfortunate that they make very few references to the works of western Marxists and bourgeois scholars. Had they read the seminal work by Warren, their arguments would have found more weight and substance and would have been greatly enriched. Thus the more exhaustive critique on Warren below is also a critique on the new thinking of Soviet academicians with which I also deal directly, but, given the still underdeveloped thinking (both horizontally and vertically) amongst Soviet scholars, in somewhat less comprehensive detail.

At this stage, I need to point out an important aspect of the debate and of my critique. My only interest with theory is how it relates to practice. The topic under discussion deals with a theory being propagated which will have grave consequences for the revolutionary process in the third world. The Soviet Union is considered to be the intellectual leader of the international revolutionary movement, and any theory which gains credence in the institutions of advanced thought and learning in Moscow, is considered the final word for the hundreds of

Communist and revolutionary parties all over the world. We have suffered the consequences of this blind faith in the recent past when the meaningless 'non-capitalist path of development' was dictated to the underdeveloped countries by Moscow under the guise of the 'national democratic revolution'. Before such a mistake is repeated, and taking advantage of the (used and misused) phenomenon and concept of 'perestroika', there is need for abundant debate among all revolutionaries in all quarters of the world, developed and underdeveloped.

Warren and Soviet Theses

Bill Warren is a Marxist, but as I proceed to show, his lack of understanding of Hegel and of dialectical materialism, makes his a literal, vulgar and mechanistic Marxism. But first, to his main thesis.

Essentially, Warren's thesis is very simple. He says that capitalism is more progressive than pre-capitalist formations, and thus should be promoted in the third world. To foster capitalism, Warren believes that at first colonialism, in the 18th to the mid-20th century, and now neo-colonialism or imperialism, played an important progressive role and broke down barriers to capitalist development in the backward colonies and in the newly free countries and thus, the continuing integration with imperialism is a desirable and necessary requirement to promote capitalism and to develop the productive forces. He believes that capitalist development and bourgeois democracy are very closely linked and that bourgeois democracy is an important school for the working class, enabling it to one day become the ruling class. Furthermore, capitalism cannot be bypassed and is the natural prelude to socialism. To elaborate some of the concepts with reference to Warren, it is more appropriate to present some of them in his own words.

> The founders of Marxism .... held that the expansion of capitalism into pre-capitalist areas of the world was desirable and progressive (p 3).

> The unique achievements of capitalism, both cultural and material, must not be overlooked, particularly the fact that capitalism released individual creativity... (p 7).

> There is an important connection between capitalism and parliamentary (bourgeois) democracy; the latter provides the best political environment for the socialist movement and creates conditions that favour a genuine learning process by the working class. In fact, the view that capitalism serves as a bridge to socialism must be upheld (p 7).

> The period since the end of the second world war has witnessed a major surge in capitalist social relations and productive forces in the third world (p 9).

> Direct colonialism, far from having retarded or distorted indigenous capitalist development that might otherwise have occurred, acted as a powerful engine of progressive social change, advancing capitalist development far more rapidly than was conceivable in any other way, both by its destructive effects on pre-capitalist social systems and by its implantation of elements of capitalism. Indeed, although introduced into the third world externally, capitalism has struck deep roots there and developed its own lincreasingly vigorous internal dynamic (p 9).

> The fundamentally progressive moral and cultural character of capitalism cannot be doubted (p 22).

> Bourgeois political democracy would provide the working class the best conditions in which to acquire the cultural depth required to become a ruling class (p 26).

> Capitalism and democracy are, I would agree, linked virtually as Siamese twins (p 28).

> The growth of the institutions of democracy was essential to the growth of the bourgeoisie and vice versa (p 28).

> With the development of capitalism [in Russia] and therefore of the working class, the social base was created for a genuinely socialist revolution: the class that was to provide the direct social lever for the transfer of power and was to consolidate and maintain that power in fierce social struggles (p 34). Lenin certainly never would have considered denouncing the foreign powers and businessmen for their prominent role in the generation of industrial capitalism in Russia, a role that nowadays would be called neo-colonialist and codemned by the liberal left (pp 44-45).

> Marx, Engels and Lenin, who considered capitalism historically far more advanced than any earlier civilisation, logically welcomed its extension to non-capitalist regions, whether by means of direct colonialism (India) or 'neo-colonialism' (Russia) (p 46).

> The underdevelopment fiction maintains that the peoples of the third world have been getting steadily worse off ever since industrial revolution in the west. They have become gradually worse fed, worse housed, more disease-ridden, etc (p 112).

> The issue here is not a moral one; rather, it is a question of what historical perspective to adopt in evaluating the contribution, if any, of colonialism to the progress of human unity and to realisation of human capacities. The retrospective, partial, and discriminatory application of the moral principles of late liberalism to historical periods antedating the flowering of such 'standpoints of guilt' serves to obscure both the 'subjective' character (quite different from most earlier colonialism) and objective effects of modern colonialism (p 128).

> Private foreign investment in the LDCs is economically beneficial irrespective of measures of government control...Lenin attempted to attract foreign investment in the early years of the Soviet republic... (p 176).

> Contrary to widespread populist-liberal opinion, the third world has not been marked by stagnation, relative or absolute, in the post-war period. On the contrary, significant progress in material welfare and the development of the productive forces has been made, in an acceleration of pre-war trends. This fact also runs counter to current Marxist views, which have stressed the alleged impossibility of vigorous national development in the third world within a capitalist framework (p 252).

It was important to present Warren's thoughts in his own words, as they bring out the essence better than any summary or interpretation. Many so-called Marxists would even consider his views anti-Marxist, and most certainly, petty bourgeois liberals would object to his thesis, as many have. His is an incomplete understanding of Marx. It is unfortunate that he died while he was in the process of formulating ideas and strategy related to this theme. In fact, he intended to write a chapter "which was to draw explicit political conclusions for working-class strategy in the struggle for socialism in Africa, Asia and Latin America" (p xi). It is a pity that he did not do so and nor was he able to take part in the debate of his work.

Kiva, writing a decade after Warren, not only has the advantage of living and working in a state based on the teachings of Marx and Lenin. The fact that he heads an important department at the Institute of Oriental Studies, gives him abundant direct access to the revolutionary movement in practice, as well as to a theoretical analysis of it. Again, Kiva's official position at the institute also allows him access to many trends in the revolutionary movement. But it is his official position itself which gives his work and words the authority of opinion and thus, he cannot be given the luxury of irresponsibility. True, these are not the days of Stalinism when there was no such thing as a personal independent opinion, but nevertheless, Kiva's work must exemplify a strand (if not the strand) in the official Soviet view regarding the revolutionary process in the third world (also see some of the sources cited above but for a somewhat different view, see Ivanov 1988, and Lee and Mirsky 1988).

In essence, Kiva and Warren are saying the same thing but with different perspectives. Kiva's first sentence uses the term perestroika to explain the need for a new approach. He proceeds by apologising for his and the official view of Sovietism regarding 'the dying imperialist order'. In the 1960s,

> It [public opinion] rejected capitalism as a system which has bred colonial rule, as an inhuman system incompatible with traditional concepts of social justice, collectivisim and humanism. Capitalism was also rejected because it was believed incapable of assuring backward countries rapid economic growth (p 55).

Some underdeveloped countries which had gained freedom from colonialism preferred socialism, according to Kiva, because their leaders wanted to impose political power on their people and wanted to control a centralised (Stalinist) state structure. For this reason, they were allergic to western democracy and to bourgeois parliamentary government:

> any democratic form of government, whatever its social class substance, was an obstacle to their setting up dictatorial and in many cases totalitarian regimes (p 56).

However, there were major problems with

the mere desire for socialism, and as Kiva says, the material basis for socialism was non-existent.

> Most countries which declared to be committed to socialism lacked both developed industries and a modern proletariat... Mass consciousness was steeped in archaic notions and prejudices, and nearly all the inhabitants of many countries were illiterate. How can the principles of scientific socialism spread or alternative, capitalist forms of economic mangement take root in such conditions without being distorted beyond recognition? (p 56).

Other reasons cited by Kiva include the inappropriate use of Marxist terminology across cultures, where its use in "backward countries often meant something entirely different from what the founders of scientific socialism had in mind" (p 56). The Result:

> The hopes for rapidly ending the economic backwardness by following a non-capitalist road... were dashed. So was our hope that new states of Asia and especially Africa would substantially reinforce world socialism by joining it (p 57).

Kiva concludes his analysis of socialism in the third world by saying that the idea that

> It was considered possible to build socialism virtually regardless of how backward the country concerned was... was evidence of a vulgar approach to social processes (p 58).

And socialism is not feasible in underdeveloped countries because there exists "a backward social class structure of society, primarily the absence of a developed proletariat,.... the predominance of traditional forms of ideology and inability of archaic social consciousness to adopt and assimilate an advanced ideology, Marxism-Leninism" (p 59). After the reasons why socialism cannot triumph in the underdeveloped countries, Kiva goes on to the analysis of 'a backward society and capitalism'.

We are told that if a society is too underdeveloped for socialism, this does not necessarily mean that it is ripe for rapid capitalist development; nevertheless, "capitalism is 'genetically' closer to these societies than socialism" (p 59). The question posed after an analysis of developed capitalism is "what does the situation of developing countries suggest in the present historical context, against the background of today's balance of world forces? Calling a spade a spade, we must admit that the development of capitalist relations in new states is historically progressive for all its drawbacks. Attempts to prevent it where there is no alternative can merely prolong the existing backwardness" (p 61). Not only that, we are told that "to oppose capitalist development when capitalism is on the rise and there is no real alternative to it nor a revolutionary situation would mean adopting a reactionary position" (pp 61-62). For Kiva, "capitalism has shown exceptional vitality in many states... while the majority of socialist-oriented countries are in a state of deep stagnation" (p 62). Thus, the new strategy for the working class and revolutionary movement in underdeveloped countries is defined: bring the capitalism. Although both take different routes, Kiva finally meets Warren.

A Marxist Critique

In this section I will attempt a Marxist critique of the theoretical and especially the political consequences of adopting the Warren/Kiva strategy, which, as I hope to show, is a road which would lead to the suicide and annihilation of the working class and revolutionary movement in most of the third world.

Both Warren and Kiva have overlooked two important tenets of dialectical materialism and thus their theses are inapplicable in the way they would have us believe. Firstly, they fail to see developments and phenomena in their specific historical context, in space and time. In addition, they do not appreciate how things connect with each other and how the development of one affects other factors. These and other criticism of Warren and Kiva need to be elaborated in some detail.

Warren, more than Kiva, suffers from generalising a historical process over time to the present period. For Warren, and to a lesser extent for Kiva, if something—a process or a phenomenon—was good and progressive in the 18th or 19th century, it is still considered good and progressive at the dawn of the 21st century. Capitalism, and even colonialism were progressive in a certain historical context, when in Europe, capitalism was indeed building a proletariat, uniting workers, etc, and colonialism was sweeping away pre-feudal and pre-capitalist economic and social obstacles to progress. But can one still feel the same way about capitalism, either in the developed countries or in the underdeveloped countries, or about imperialism at the dawn of the 21st century? I fear not. Capitalism is a progressive phenomenon, but only up to a point. This progressive nature has been passed long ago in developed countries, and even in many underdeveloped countries (notably Latin America, some far eastern countries, India, Pakistan, Iran, etc, and even in some African countries), capitalism has become the dominant mode of production and has reached out to almost every nook and corner of the country. So, few countries still exist with a dominant pre-capitalist mode, while a handful of others may have pockets of underdeveloped areas which are, nevertheless, vociferously being drawn into the expanding capitalist orbit. So, capitalism has enveloped most of what is called the third world, but is it the same force as it was and as Warren, and to an extnet, Kiva would like it to be, in the 18th century? Certainly not.

The world economy since the beginning of this century and much more so since the second world war has changed dramatically and such grand, sweeping comparisons as Warren and Kiva make with the earlier and middle period of capitalism, are unscientific to say the least. Capitalism conditioned by a dominating imperialism at the dawn of the 21st century bears no resemblance to the earlier European capitalism, even in those areas of the third world which are only just coming into the wider orbit of capitalism. Where capitalism is only just being implanted, the seeds that have been planted are completely different from those of the 18th and 19th centuries. There is no comparison. As weaver has pointed out,

> Integral to Warren's cavalier treatment of the historical record of capitalism in the first and third worlds is his unwillingness to entertain the possibility that capitalism may have changed in very significant ways during the last 150 years (p 105).

Thus, any attempt to show the similarity between a process a couple of centuries ago with a different process today, is meaningless. Only an evaluation of the completely different and new form of capitalism, but with the continuity of history (the present as a historical process), can help us see the present dynamics in the third world.

And what has this capitalism done in the underdeveloped countries since its inception? Most certainly, it has revolutionised society, made productive sectors grow, increased the quality of the working class, and so on. But again, is this an endless process? Does capitalism always remain progressive, destroying pre-capitalist forms, or does a stage in history confront us where capitalism fails to remain a progressive revolutionary force which it may have been in the same country a few decades ago? Latin America, the earliest region of the third world to become capitalist and to be thoroughly integrated into the world capitalist economy, is a good example where capitalist development (other than in a few pockets), no longer plays the progressive role attributed to it.

Imperialism today is again, certainly not what it was in the guise of colonialism a couple of centuries ago. Not only were the colonial/imperial powers at a different stage (both qualitatively and quantitatively) of development than they are now, today, the scientific and technical revolution and militarism have given a completely uncomparable dimension to the form and role of colonialism of the 18th and 19th century. Warren fails to see the effects of imperialism at the dawn of the 21st century, the new type of imperialism, more advanced, more sophisticated, more ruthless. In the discussion below, I will deal in more detail with the political effects of imperialism in underdeveloped countries, but for now it would suffice to reach a conclusion using Warren's logic. If imperialism is such a progressive force, in the sense that it is the most developed and advanced form of capitalism as Warren would like us to believe, and with the help of this imperialism we in the third world can throw away the vestiges of pre-capitalist formations and 'develop' like our fellow human beings in the advanced capitalist countries, then it should follow

that it is in our interest that we should ask the United States and other imperialist powers to take over the third world unfettered, and we should not create any barriers to stop this process. If we follow Warren, we should give our countries to the imperialist powers, maybe, on a contractual rental basis and let them come here and develop our societies, while we wait until the fruit is ripe and drops in our lap. Let them develop the poor countries; this is an easier solution than the attempt to develop, given the numerous constraints, ourselves. And thus, we should not condemn apartheid, for the white settlers are from an advanced mode of production than the native blacks and this white civilisation is far superior to the black South Africans and they are fools when they fight against the white people, for they should accept and appreciate the modern, sophisticated and advanced culture.

Ronaldo Munck has adequately summarised the grave shortcoming in Warren's and Kiva's (to a lesser degree) faith "in capitalism today. Munck says that we must dispense with any unilinear model—whether liberal or Marxist—which expects historical replication in today's third world of what happened in western Europe in the last century" (p 352). Both Kiva and Warren have seen the problems of the third world through Eurocentric glasses and have used problems and concepts of the developed countries and applied them to the underdeveloped countries. They fail to realise that the third world is different from the developed countries at any stage in their history, and thus their faith in capitalism as a necessary and liberating force in the modern age of imperialism disregarding time and space is meaningless. Both have fallen into the trap of "using Marx's works as conclusions rather than as guides for inquiry" (Weaver, p 106).

Both Warren and Kiva seem to be quite obsessed with the growth of productive forces without really considering the many ramifications of the growth of capitalism. For them, it produces a working class, the gravedigger of capitalism. This, of course, is over-simplistic and the development of capitalism has important political repercussions which are discussed in more detail below. Warren and Kiva fail to see that the growth of capitalism also develops other forces which may not be as amicable to the revolution as are the working class. True, the working class does increase as capitalism develops, but so do the defenders of capital, who already have a head start compared to the working class. Furthermore, there is no longer a simplified (18th and 19th century) correlation between capital and labour. The development of capitalist enterprise need not mean a very great increase in the working class. The scientific and technical revolution has to some extent done away with a large potential pool of the working class, and automation, computers and mechanisation have replaced the traditional workforce. And this is more marked in advanced capitalist countries, and they too, when they invest overseas in underdeveloped countries, i e, in the guise of imperialism, have begun to prefer to build automated plants rather than deal with troublesome labour problems. Thus, advanced capitalism overseas does not produce the abundant over thrower of capitalism as Warren and Kiva would have us believe.

This point concerning the defenders of capital leads us into a broader political critique of the Warren/Kiva model and it is their metaphysical (as opposed to holistic) approach which has grave consequences for the working class in the third world. The experience of capitalist development almost everywhere in the third world, with very few exceptions, has, for at least half a century beginning with Latin America, led to oppression and even, as is often the case, to fascism. Both Warren and Kiva naively ignore the political dimensions of the growth of capitalism, and they are content as long as they see the numbers of the working class increase. What matters to them is only one side of the coin.

One can cite numerous examples, ranging from Chile to Iran to the Philippines, where capitalist development (a development which has taken place almost always only due to the integration with, and benevolence of, imperialism) has meant the growth of the productive forces, at the cost of severe repression. This is not a moral issue, for the belief that capitalist development will build a working class which will overthrow the system and usher in socialism is a myth. The development of capitalism brings a form of oppression and repression unknown to classicial capitalism, and is a system which destroys the working class and revolutionary movement, rather than build them for the overthrow of capitalism. The hundreds of thousands murdered by every dictator in Latin America should be proof enough. The murder of over a hundred thousand in Iran and the liquidation of political (even very bourgeois-liberal) opposition in almost all countries where we have experienced the marvels of imperialist-aided capitalist development, speaks volumes for the condition of the working class and revolutionary movement which is mechanistically supposed to bring in socialism as Kiva and Warren believe. Not only that, even simple trade union activity is abrogated when capitalism begins to take root and develop. The development of capitalism and the resulting political system have destroyed the working class and revolutionary movement in most underdeveloped countries. This should also put to rest the myth propagated by both Kiva and Warren that is based on an 18th/19th century thinking and is not applicable today. Kiva: "It is in the phase of capitalist development that the basis for bourgeois democracy is laid and a civilian society formed. Besides, the proletariat gets schooling in the class struggle. . ." (p 63), and Warren: "Capitalism and democracy are, I would argue, linked virtually as Siamese twins" (p 28) and "The growth of the institutions of democracy was essential to the growth of the bourgeoisie and vice versa" (p28). Yes, may be in the 19th century, but today, India is possibly the only exception to a rule of abject terror throughout the third world. Again, Ronaldo Munck:

> In Latin America taken as a whole, and with a broad historical sweep, we can speak of a relative absence of hegemony [of the bourgeois state] in this sense. Civil society is weakly developed and, even worse, its elements often come into contradiction with actually existing bourgeois rule, as with the recent radical role of the Catholic church in Central America. The state is everything, but its very strength and omnipotence shows the unstable basis of bourgeois rule. Consent is replaced by naked terror as the cement of bourgeois society. The 'armed bodies of men' on which the state is based are no longer the ultimate recource for the bourgeoisie but a pre-condition for their day to day survival in many countries (p 359).

Political Tasks Based on Warren and Kiva

The political tasks emanating from Warren and Kiva for revolutionary and working class parties and intellectuals should be very clear. The revolutionary movement, wherever it is and whatever its specific socio-economic, cultural and political conditions (for both Warren and Kiva are masters at generality and avoid any form of specificity), should support capitalist development and the bourgeois democratic revolution. This strategy raises many questions, some of which we deal with below.

In the present stage of world history (i e, where indigenous bourgeoisies are weak, where the imperialist system dictates local productive pattern), is it at all possible to have capitalist development in underdeveloped countries (which given the blueprint by both Kiva and Warren, must necessarily and desirably be imperialist-aided), without the form of oppression that is familiar today? The obvious answer is No. In that case, should the left and working class parties condone this oppression as inevitable, chanting the slogan that the working class is 'being prepared for socialism and will soon take over'? Should intellectuals try and write about the benefits of humane capitalism (a contradiction in terms) or should they also just be patient? If our party supports the bourgeois democratic revolution and bourgeois development, as Warren and Kiva suggest, how are we to work in the working class? Are we supposed to tell them of the 'historical mission' of capitalism and ask the working class not to rebel or come out into the streets for otherwise there will be instability and the local and foreign capitalists won't invest and thus our tasks will remain unfulfilled? Or is it not more progressive, given the theory, to do away with all obstacles and resistance to allow capitalism to really flourish and prosper? In this case we should do away with all trade unions, workers rights and such other troublesome

concepts otherwise the capitalists will flee. Even Kiva's clearly defined task for progressive forces: "working to lend capitalist development a democratic character and resisting the growth of reactionary trends in it instead of combating stronger capitalist relations as such" (p 63), is also a non-progressive step, for as we argue, dramatic capitalist development (the real thing!) is linked with reactionary governments, and if we try to 'democratise' society we are only putting hurdles on the road to freedom. Furthermore, most democratic governments have to answer to the people, and given public pressure have to implement social and popular (unproductive) programmes, thus temporarily slowing down the growth in productivity forces. It may be better for the real gung-ho reactionaries to take over as they never have to answer to the people.

Is bourgeois development possible without imperialism in underdeveloped countries? Probably not. It may need, at least, a substantial boost to get off the ground which only imperialism can provide. But when does imperialism leave once it has established itself? Are imperialist-generated capitalist development and bourgeois democracy reconcilable in the present stage of history? At the end of the 20th century, the answer probably is 'no'. In the countries gaining independence after world war two where there has been imperialist-aided capitalist development such as Iran, South Korea, Taiwan, most Latin America, there has been no semblance of democracy and repression is the norm. Only in some countries recently have we seen the easing of military terror to be replaced by weak, controlled democracies—Pakistan, the Philippines. But is this not what Ronaldo Munck would call the permission "for only brief interludes of democracy with a growing trend towards the militarisation of society" (p 357)? At least Pakistan in the last three decades would seem to fit that pattern.

If the task of revolutionaries is to work for the greater development of capitalism and for bourgeois norms, is it not better to abandon Communist parties and become 'the radical section' of a bourgeois party with a broader popular base? This way, given the present tasks (which obviously do not include an anti-imperialist position for it is with the imperialists that we are going to build our future), we shall support the bourgeois programmes and bring a more aggressive, bolder, refined, advanced and complete capitalism so that we can 'increase the productive forces and do away with pre-capitalist vestiges'. Of course, since we no longer choose to remain anti- imperialist (a position which Warren considers reactionary) we should not be disturbed about the prospects of being further integrated into the world capitalist economy and left to the whims of developments in the developed countries. Also, by liquidating our communist parties, we will not have to bear the burden of history by building an already existing weak bourgeoisie into a stronger one, as the tasks imply.

There are other questions which need an answer. When does the bourgeois democratic revolution stop being progressive? For Warren and Kiva there is no answer, no tomorrow, when the old needs to be replaced by the new. Does India, (probably the only case in the third world of successful capitalist development with bourgeois democracy) need a furthering of capitalism and thus the support of the bourgeoisie by communist and revolutionary forces, or should the revolutionary movement strive towards socialism? When will the conditions be 'ripe'? Will they ever be ripe? Or is Warren's and Kiva's ideal view of the third world, a sort of India? The problem with both the authors is that they fail to appreciate the dynamism of capitalist development which has been experienced in the advanced capitalist countries (although, Kiva does touch on this point, albeit incompletely). If capitalism has failed to become socialism and has shown brilliant resilience in the advanced capitalist nations (a point appreciated by Kiva), why should it not do so in underdeveloped countries? Why will capitalism be transformed here and not be as adaptable and intelligent as in the developed countries? In other words, following Warren's and Kiva's prescription, India may become a third world version of the United States by the middle of the 21st century rather than a socialist state, as capitalism will stretch and adapt *ad infinitum*, while revolutionaries will still be trying to complete the (then new) bourgeois tasks, again, *ad infinitum*.

Conclusions

The purpose of the deliberate rhetorical approach taken above, was done precisely to reveal the many absurd conclusions which emanate from the works of Warren and Kiva. Kiva has correctly rejected the nonsensical 'non-capitalist path of development' and the attempts at socialism in the third world, but has also rebounded with a plea to develop capitalism aggressively aided by imperialism. Warren reaches the same conclusions from a different path. He feels that petty bourgeois liberal social scientists are doing a disservice to the revolution by attempting to intervene in the development of capitalism, and that capitalism is a progressive phenomenon and should be encouraged in the third world, again, aggressively aided by imperialism.

It is true that the form of socialism adopted in most of the third world has led to unmitigated disaster and there has been little progress. But that certainly does not mean that the models of capitalist development as applied in the underdeveloped world are so prosperous and successful that the failure of socialism need be replaced by these models. Both Warren and Kiva have spoken in abstract theoretical terms and have not applied their theory to practice. If instead, they had analysed their theory in light of the past experience in underdeveloped capitalist countries, they may not have reached the conclusions they have.

Marxist theory, especially post-perestroika theory, is at an important historical juncture. Many myths are being broken and dogma is making way for logic, common sense, and most of all, dialectics. The study of the transition to socialism, in underdeveloped countries is an extremely important ideological and political task. The realisation that we have failed in the past is an immense leap forward in the understanding of ourselves and of the future. However, it is important to point out that one cannot jump from one extreme to another as the new Soviet thinking is doing. This is precisely the stage where we need to discuss issues in more detail than has been done in the past, before reaching definitive conclusions which may again lead to disaster. This article is an attempt to keep the debate going and I hope will warrant significant attention so that we can begin to think about new and specific alternative programmes for revolution in different regions and countries of the underdeveloped world.

Notes

[I gratefully acknowledge the comments by Mehreen which have helped improve the quality of the text substantially.]

1 All references and quotes are from Kiva's 1989 article unless otherwise stated. All quotes and references from Warren are from his 1980 book.

2 John Weeks, one of the more thorough and sensible Marxist social scientists, has also unfortunately fallen into the same trap, and he sounds exactly like Warren when he says:

> No Marxist would take issue with defining capitalism as progressive if its expansion tends to break down pre-capitalist formations and in the process generates wage-labour relations. Such a judgment is not an endorsement of the capitalist system of exploitation, but reflects the conclusion that the working class is the agent of the overthrow of capitalism and all forms of exploitation. Judging the expansion of capitalist labour relations as progressive is what distinguishes utopian from scientific socialism. Therefore, the expansion of productive capital in underdeveloped countries is necessarily progressive, since it increases the growth of the proletariat (Weeks 1985-86, p 433).

And again, with respect to the export of capital to underdeveloped areas:

> Using the term 'progressive' in its strict Marxist sense, the conclusion follows that capitalism is progressive in the stage of industry (imperialism), though more than one-half century passed before the progressive tendency clearly emerged (Weeks 1985-86, p 435).

Weeks seems to be echoing the essential thesis of Warren, but there is no reference to any of Warren's articles published since the early 1970s.

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DISCUSSION

Poor Health Services: Who Is to Blame?

N H Antia

D BANERJI (*EPW*, May 20, 1989) rightly states that the medical profession in India is in the midst of a profound crisis, a crisis that has percolated deep into most of the medical and health institutions and organisations and that the morale of the personnel seems to have touched a new low; that the symptoms of this malaise is reflected in strikes by physicians, decline in ethical standards, corrupt practices and commodification of medicine which is now becoming a commercial activity. The decline in the standards of the district and rural hospitals and PHCs which serve the rural poor is even greater where physicians drawing non practising allowance blatantly indulge in private practice selling government medicines. That there is a virtual breakdown of the public health system is seen in uncontrolled epidemics outbreaks.

For this he blames the government for permitting the proliferation of substandard medical colleges imparting substandard and irrelevant education to produce an excess of substandard physicians who are then forced to take up jobs in central and state government health services where they are dominated by IAS officers who could not secure sufficient marks to enter a medical college. He states that "time is not far off when the authorities concerned will be impelled to take steps to repair the damage they have inflicted on the medical profession". The solution he suggests lies in rejuvenation of the entire system of education and offering service conditions consistent with educational background and social relevance. He thrusts this responsibility on the political leadership.

At independence the country had, at least in the field of health, a remarkably detailed and farsighted document in the Bhore Committee Report for the development of the health services in a country with a vast and diverse population which was chiefly agrarian and scattered in myriad villages. While almost entirely allopathic oriented and with the key role given to doctors trained in the western system of medicine, importance was nevertheless given to preventive, promotive and basic curative services spread throughout the country in Primary Health Centres where the physician was to be assisted by a large number of paramedical workers. The report also emphasised the importance of involving the people in their health programmes. This was the origin of the Primary Health Care concept which was reiterated three decades later by the WHO in its Health for All strategy. This concept was not only operationally sound if health services had to reach to all the people rather than to a restricted urban elite as in the pre-independence era, but was also economically, socially and culturally a sound strategy utilising paramedical staff who would not only be more readily available and less expensive but who would be more willing to live and work with the villagers from among whom they would be recruited. Some of the members advised the retaining of the licentiate course used for training of the basic doctor. This committee also emphasised "certain primary essentials for healthful living", e g, housing, sanitation, etc. "Further, no lasting improvement of the public health can be achieved without arousing the living interest and enlisting the practical co-operation of the people themselves."

They recommended that "under the conditions existing in the country, medical service should be free to all without distinction and that contribution from those who can afford to pay should be through the channel of general and local taxation". They realised the difficulty of attracting medical practitioners to the countryside and recommended "a whole time salaried service prohibiting private practice to permit the doctor to combine in himself at the periphery, curative and preventive health functions" and that "prohibition of private practice was essential in order to ensure that the poor man in the rural areas received equal attention with his richer neighbour".

Why is it then that our medical profession and health services have reached such a low ebb when the medical profession was given and had accepted the responsibility of developing the post-independence health services based on this excellent model. Why is it that we still continue to train over 13,000 doctors annually in 106 government medical colleges at a cost exceeding Rs 3 lakh each who detest preventive and social medicine and the majority of whom wish to specialise in increasingly abstruse branches of curative medicine more suited for those who migrate to the affluent countries or practise affluent urban hospitals in the private sector? Why are we then surprised that these doctors have refused to go to rural areas till overproduction has eventually forced those who cannot compete in cities to work in the smaller towns and rural areas, and as a last resort even in the PHCs and rural hospitals. Entering the medical colleges with high monetary aspirations and trained in specialised high technology they now have to work without the most elementary facilities even for curative services for which they are chiefly trained and without any theoretical, leave aside practical, knowledge of preventive and promotive health care, of personnel management, or of the socio-economic and cultural factors which determine the health of those who have been placed in their charge.

It is easy to blame the politicians for overproducing doctors, which is certainly true of late for they have realised the potential for easy money in opening private medical colleges, especially before elect. ns, under the facile argument of providing doctors for rural areas. But it was the medical profession itself who after independence was responsible for advocating the increase in medical colleges at government expense and devising training based on the medical education imparted in the UK and the US which was more in keeping with their own aspirations to emigrate or undertake lucrative curative practice among the more affluent members of our own society rather than serve the needs of our people at large. The intense desire of the doctors and the rest of the elite to get their sons and daughters into such colleges demonstrates the lucrative nature of medical practice. Trained at public expense, 70 per cent eventually end up in the private sector. Needless to say in this they have the support and encouragement of the rich and influential sections of our society including politicians, who see in such education a highly subsidised form of training for their offspring who will in turn provide a type of medical service in keeping with their own western aspirations. It is the needs of this relatively small segment of our population that continues to dictate the nature of our entire medical education even though overproduction has driven a large number to serve the entirely different needs of the second and third deciles in the smaller towns and rural areas, leave aside of the rural poor.

The Medical Council of India steeped in orthodoxy has had neither the vision, ability nor desire to devise a curriculum to suit the needs of our country leave aside resist the pressures for the registration of substandard colleges which are now proliferating like mushrooms in the private sector. This council like the rest of the medical profession has opposed every move to produce a 'basic

doctor' as recommended by the Bhore Committee and their answer to the failure of the system seems to lie in increasing the content and duration of the curriculum and suggest schemes like Rural Internship and Reorientation of Medical Education (ROME) which were doomed to failure even before they commenced. While giving lip sympathy to preventive and social medicine, the council has done little to raise its status. It has also totally failed to grasp the significance of socio-economic, cultural and political factors as visualised by the Bhore Committee which is reflected in the total absence of subjects like social science, health economics, anthropology or the humanities in our entire medical education. So inappropriate is the education that has been devised and imparted that those who enter with the highest marks emerge after five and a half years as glorified technicians (certainly not as scientists) who pride themselves in their blinkered specialised knowledge but who know little about life and even less of the society to which they belong. Their training is in western-devised expensive so-called high technology of the diseases of the affluent few rather than the far more cheaper and far more relevant care of communicable diseases which are the major killers or maimers of our people today.

It is not surprising that their classmates who failed to secure the necessary high marks and went to the IAS (Indian Administrative Service) where they were provided with the broad education required to fulfil their general administrative duties are able to see the country, the people and their problems as a whole; even in the field of health they can observe it in the broader concept of the Bhore Committee and hence in a more wholesome manner than what is visualised by the medical profession itself.

Banerji thinks it is unfortunate that a junior IAS officer writes the confidential reports of district chief medical officer and suggests that the much respected cadre of the all India Medical Service (IMS) should be revived. It is doubtful that the mere formation of such a cadre will enable the medical profession to enhance its status to that of its pre-independence counterparts which comprised not only able administrators who had a firm grasp of epidemiology for controlling communicable diseases, at least in the cantonments for ensuring the health of their civilian and military compatriots; skills which are virtually non existent in their present day counterparts. While the IMS commanded district hospitals they were not required to staff rural health centres like our present day doctors are and had trained medical licentiates to work under them to undertake common curative and preventive function requiring lower levels of medical expertise. These licentiates unlike the present day MBBS doctor had limited aspirations in keeping with their modest but more appropriate training for the tasks to be performed at their level and hence were more like the basic doctor envisaged by the Bhore Committee. Our medical profession quickly eliminated this 'basic doctor' who they saw as a competitor; yet they have been unable to replace his functions despite their far better and more expensive training. While most of the PHCs were unable to attract doctors a couple of decades ago, they now compete for these posts as a result of overproduction. Yet, bar exceptions, they comprise chiefly of those who have failed to establish themselves in private practice.

It is not possible to understand the present crisis in the medical profession without appreciating the overriding influence of the private sector at every stage. Of the estimated three lakhs of allopathic doctors, over 70 per cent are at present working in the private sector and of these 80 per cent are in the urban areas while 75 per cent of our population is rural. The reason for medicine being the students' first choice is not because of a sense of service to the people and especially the underprivileged but because it ensures a lucrative practice with minimal risk and high social status. Hence the rush for admissions, payment of capitation fees, opening of private medical colleges for those who cannot get into the highly subsidised government ones. The private sector also determines the values of the students and of their interest in the latest specialised technology while ignoring the basic preventive, social and rehabilitative aspects and reducing rural internship to an obligatory farce.

These are also the values of the majority of the teachers in the medical colleges who despite enjoying a better status and higher salary than their non-clinical counterparts are forever seeking to opt out to the private sector. This together with the rapid proliferation of medical colleges has led to further deterioration in the quality of medical education. Since high technology and specialisation is the money spinner in the private sector which sets the 'latest' trend, medical colleges follow suit. There is not a single general practitioner in any of our medical colleges though the majority who qualify will have to undertake general practice whether in the private sector or in the PHC. While the politician can be blamed for making money out of medical colleges, the real blame for the type and quality of medical education must rest squarely on the shoulders of the medical profession.

The total disinterest of the profession in the plight of the poor was clearly demonstrated by the Lentin Commission; not a single doctor raised his voice during this public outcry, indicating the utter callousness and lack of concern when the consequences of their actions resulted in the deaths of their patients who were chiefly the poor. If this can happen in a premier teaching institution like the J J Hospital, one can imagine the conditions at the PHCs and the rural and district hospitals. That the conditions at this hospital has not changed a bit even after this damning enquiry and that the doctors continue to accept the state of affairs without even a whimper against the pharmaceutical industry, the administration and the politicians who were indicted in this report, leave aside their own colleagues, indicates the depth of despair and degradation which has overcome this profession. Steeped in irrelevance with monetary gain as its major motive and having abjured the immense job satisfaction which their profession can provide, a profession which once commanded the respect and love of the people is now being increasingly seen as a necessary evil to be endured. Having lost its moral and ethical stature, the profession can hardly be expected to stand up to the pressures of the IAS or even the corrupt politicans.

Maximising of monetary gain and overproduction of doctors has invariably led to corrupt practices like fee splitting, giving of unnecessary medicines and injections. The search for monetary gain has also led to the deliberate mystification of medicine. Patients are encouraged to seek the services of the doctor for every imagined ill and accept expensive and unnecessary investigations and therapies. While the poor fled from the hospitals for fear of injections of penicillin in the late forties, they have now been hooked on to them through professional salesmanship.

Despite the fact that the MBBS doctor was not willing to work in rural areas and had neither the training, skills nor the ability to provide leadership to the PHC team the profession did not see it necessary to train a new cadre of basic doctor and sufficient nurses or paramedicals leave aside village health workers though the experience of China had demonstrated that these were the key to the universalisation of health care. This dog-in-the-manger attitude which prevented the spread of services to rural India and the control of communicable diseases had eventually to be reversed despite the resistance of the profession who opposed the delegation of duties to paramedical workers and had no hesitation in condemning the Village Health Workers as institutionalised quackery. The task of evolving the rural services in the public sector was therefore undertaken chiefly by the IAS as a result of failure of the medical profession as a whole to do so. Even those few of the profession trained in public health who helped in the development of this type of health care were seldom given the respect or prestige that was reserved for the clinician who dealt with individual patients.

The profession has to first put its house in order if it wishes to emerge from its present crisis. We agree that they are a part of a society in which those who can exploit are given the licence to do so. In such a situation, the medical profession has a unique choice; they can either use medicine as one of the most powerful tools for exploitation in the market economy where consumer resistance is at its lowest or seek job satisfaction which no other profession or trade can provide especially while serving the disadvantaged. The answer surely lies in striking a balance between monetary gain and job satisfaction which may almost mean 'having the cake and eating it too'. This will require a radical change not only in medical education and practice but even more in values which may have to depart from those accepted by the segment of the society to which they unfortunately belong. No amount of blaming the arrogant bureaucrat or corrupt politician can help.

NOTICE

It is hereby notified for the information of the public that LIPTON INDIA LIMITED proposes to give to the Central Government in the Department of Company Affairs, New Delhi, a notice under Sub-section (1) of Sec. 21 of the Monopolies and Restrictive Trade Practices Act, 1969, for substantial expansion of their undertaking. Brief particulars of the proposal are as under:-

1. Name and address of the owner undertaking	:	LIPTON INDIA LIMITED P-44, Hide Road, Calcutta 700 088	
2. Capital structure of the owner organisation	:	Authorised Share Capital	- Rs. 2500 lakhs
		Subscribed & Paid up Share Capital	Rs. 1575 lakhs
3. Location of the unit or division to be expanded	:	Etah Dairy, Etah (U.P.)	
4. In case the expansion relates to the production, storage, supply, distribution, marketing or control of goods, indicate	:		
(i) Name of goods		Milk Products	
(ii) Licensed capacity/turnover before expansion		2621 M.T.	
(iii) Expansion proposed		3801 M.T.	
5. In case the expansion relates to any service, state the extent of expansion in terms of usual measures, such as value, turnover, income etc.	:	Not applicable	
6. Cost of the project	:	Rs. 13.18 crores	
7. Scheme of finance indicating the amounts to be raised from each source	:	Internal accruals	

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhawan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

Dated this 23rd day of September, 1989

O.P. AGARWAL
COMPANY SECRETARY
LIPTON INDIA LIMITED
P-44 HIDE ROAD
CALCUTTA

A PACKAGE OF INTEGRATED DEVELOPMENT AND WELFARE FOR TRIBALS (ADIVASIS) IN GUJARAT

The first Tribal (Adivasi) Chief Minister of Gujarat, Shri Amarsinh Chaudhary has entered the Fifth year of his steawardship on July 6, 1989. During the past period of four years his Government has, inter alia, initiated a multi-pronged package for the progress, prosperity and integrated development of Tribals (Adivasis) and their areas in the State. Some such highlights are :

EDUCATION :

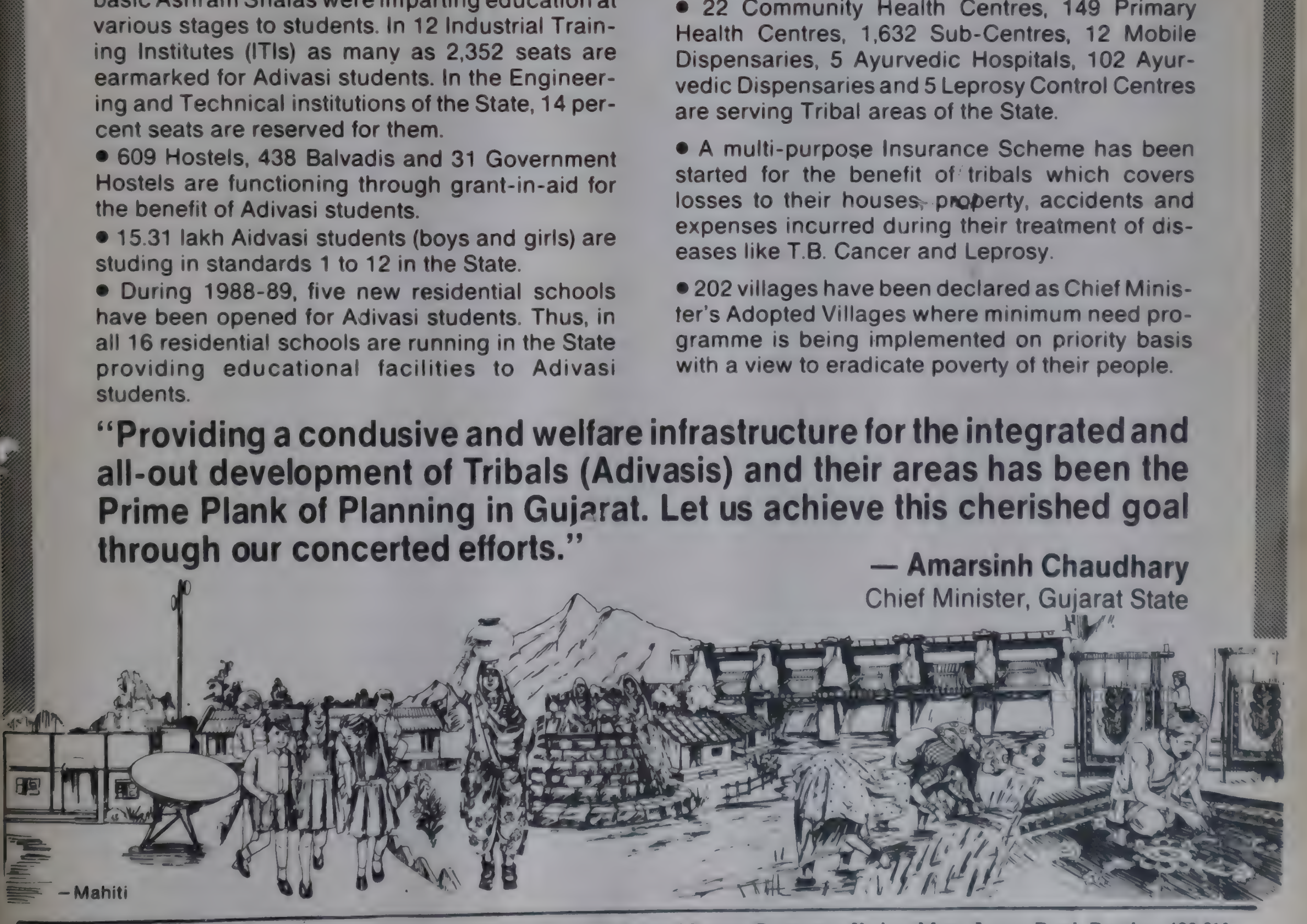
- Till March, 1988, in Adivasi areas of the State as many as 6,951 Primary Schools, 448 Secondary Schools and 16 Colleges besides 339 Higher Secondary Schools, 263 Ashram Shalas and 55 basic Ashram Shalas were imparting education at various stages to students. In 12 Industrial Training Institutes (ITIs) as many as 2,352 seats are earmarked for Adivasi students. In the Engineeering and Technical institutions of the State, 14 percent seats are reserved for them.
- 609 Hostels, 438 Balvadis and 31 Government Hostels are functioning through grant-in-aid for the benefit of Adivasi students.
- 15.31 lakh Aidvasi students (boys and girls) are studing in standards 1 to 12 in the State.
- During 1988-89, five new residential schools have been opened for Adivasi students. Thus, in all 16 residential schools are running in the State providing educational facilities to Adivasi students.
- Under 'Integrated Child Development thr-ough nutrition' scheme, pupils of 5,675 Aanganwadis located in Adivasi areas are provided wholesome food besides providing them educational and medical facilities.
- 55 Balwadis are running under budgetary provisions where students are provided slates, pens, note-books and uniforms.
- Guardians of students are provided with foodgrains as a measure of incentives for sending their wards to schools.

SOCIAL

- 22 Community Health Centres, 149 Primary Health Centres, 1,632 Sub-Centres, 12 Mobile Dispensaries, 5 Ayurvedic Hospitals, 102 Ayurvedic Dispensaries and 5 Leprosy Control Centres are serving Tribal areas of the State.
- A multi-purpose Insurance Scheme has been started for the benefit of tribals which covers losses to their houses, property, accidents and expenses incurred during their treatment of diseases like T.B. Cancer and Leprosy.
- 202 villages have been declared as Chief Minister's Adopted Villages where minimum need programme is being implemented on priority basis with a view to eradicate poverty of their people.

"Providing a condusive and welfare infrastructure for the integrated and all-out development of Tribals (Adivasis) and their areas has been the Prime Plank of Planning in Gujarat. Let us achieve this cherished goal through our concerted efforts."

— Amarsinh Chaudhary
Chief Minister, Gujarat State



–Mahiti

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